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OUTCOME OF THE COUNCIL MEETING

3671st Council meeting

Economic and Financial Affairs

Brussels, 12 February 2019

President **Eugen Orlando Teodorovici**
Deputy Prime Minister, acting Minister for Regional
Development and Public Administration

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¹ • Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
 • Documents for which references are given in the text are available on the Council's internet site (<http://www.consilium.europa.eu>).
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ITEMS DEBATED

EUROPEAN SYSTEM FINANCIAL SUPERVISION

The Council confirmed its general approach on proposals to review the functioning of the current European system of financial supervision. The agreement covers all issues except for anti-money laundering supervision, for which a partial negotiating mandate had already been achieved in December 2018. The Council invited the presidency to start negotiations with the European Parliament as soon as possible.

The European system of financial supervision was established in 2011 and consists of:

- Three European supervisory authorities (ESAs): the European banking authority (EBA), the European insurance and occupational pensions authority (EIOPA) and the European securities and markets authority (ESMA). They supervise and provide regulatory guidance for individual sectors and institutions.
- The European systemic risk board (ESRB), which oversees the financial system as a whole and coordinates EU policies for financial stability.

In September 2017, the Commission put forward a package of proposals to review the tasks, powers, governance and funding of the ESAs and the ESRB, so as to adapt the authorities to the changed context in which they operate. In addition, in October 2018 the Commission put forward an amended proposal containing provisions reinforcing the role of the EBA as regards risks posed to the financial sector by money laundering activities.

For more information, see [press release](#).

DECISION-MAKING ON TAXATION MATTERS

The Commission presented its [communication](#) "Towards a more efficient and democratic decision making in EU tax policy" published on 15 January 2019. Through this communication the Commission aims to start a debate on a progressive and targeted transition from unanimity voting to qualified majority voting (QMV) and use of the ordinary legislative procedure (OLP) in certain areas of shared EU taxation policy.

Ministers held an exchange of views. A considerable number called for the current balance of voting rules in taxation to be kept, while others showed openness towards examining whether there is room for improvement. In addition, ministers stressed the impressive track record achieved in the area of EU tax legislation, as well as intergovernmental work (Code of Conduct Group), under the current rules of the treaties. The Council's discussion does not pre-empt any steps that the European Council might take on these matters.

In its [communication](#), the Commission suggests a gradual, four-step transition towards QMV, using the bridging clause ("passerelle") in the treaty on the EU (Article 48(7)), which allows a change of voting rules under certain circumstances.

The bridging clause provides that the European Council, after obtaining approval from national parliaments and the European Parliament, may unanimously take a decision to change the existing voting rules. It has never been used in the past.

As a first step, the Commission proposes moving swiftly to QMV/OLP decision-making in the following areas, and calls on the European Council to decide quickly on a change in voting rules in these areas:

- measures aimed at **improving cooperation and mutual assistance between member states** in the area of taxation, such as administrative cooperation, harmonisation of reporting obligations or initiatives at international level;
- measures in which **taxation supports other policy goals** (climate change, public health, etc.).

As a second step, the Commission suggests that member states consider moving towards QMV/OLP by 2025 in the following areas:

- measures aiming at **modernising already harmonised EU rules** (VAT, excise duties);
- **all other tax projects**, such as the common consolidated corporate tax base or digital taxation.

The European Council is not legally bound to act on the basis of the Commission's communication, as the Commission does not have the right of initiative to propose activating the bridging clause. It is up to the European Council to consider whether a transition towards QMV and/or the ordinary legislative procedure would be desirable and what the scope of such a decision could be.

The legal basis for the EU to act on certain taxation matters is established by the EU treaties. The general rule is that the Council acts unanimously as the sole legislator on tax proposals, under the special legislative procedure (articles 113 and 115 of the Treaty on the Functioning of the European Union (TFEU)).

EUROPEAN CENTRAL BANK EXECUTIVE BOARD

The Council recommended that the European Council nominate Philip Lane as a new member of the European Central Bank (ECB) executive board.

On the basis of this recommendation, the European Council will request opinions from both the European Parliament and the Governing Council of the ECB. It is then expected to adopt a final decision at its meeting of 22-23 March.

The new member of the executive board will replace Peter Praet and will serve a non-renewable 8-year term, beginning on 1 June 2019.

The Council adopted this recommendation by a 'reinforced' qualified majority of the euro area member states, which means it had the support of 72% of eurozone member states (i.e. 14 out of 19), representing 65% of the population of the euro area. (Legal basis: article 283(2) of the Treaty on the Functioning of the European Union.)

[Eurogroup press release on ECB executive board: Eurogroup gives support to Philip Lane's candidacy, 11 February 2019](#)

FISCAL SUSTAINABILITY REPORT 2018

The Council adopted conclusions on the Commission's latest fiscal sustainability report, published on 18 January 2019.

The [report](#), which is published every three years and is thus the fifth since 2006, provides an analysis of the fiscal sustainability challenges faced by member states in the short, medium and long term, according to a horizontal assessment framework. Its aim is to contribute to the monitoring and coordination of member states' fiscal policies, as well as of the aggregate fiscal stance of the euro area.

The 2018 edition finds that despite an overall improvement in EU public finances over the last few years, fiscal risks are still present. The following countries are found to be at high risk of fiscal stress:

- in the short term: Cyprus - due to high or increasing debt levels;
- in the medium term: Belgium, France, Hungary, Italy, Portugal, Spain, UK - mainly due to weak fiscal positions, sensitivity to adverse shocks and projected age-related public spending;
- in the long term: Belgium, Hungary, Italy, Luxembourg, Spain, UK - mainly due to projected rising costs of ageing and in some cases due to vulnerabilities linked to elevated government debt levels.

In its conclusions, the Council welcomes the Commission's report and reaffirms the importance of the fiscal sustainability analysis, in particular in the framework of the Stability and Growth Pact and of the European Semester.

The conclusions highlight that the appropriate combination of policies to deal with the fiscal sustainability challenge should focus on ensuring macro-financial stability and sound public finances, including through reforming pension, healthcare and long-term care systems, as well as reforms that increase productivity, growth and employment. They also emphasise that current conditions, with low interest rates, should be used to rebuild fiscal buffers, in particular in member states with high government debt.

[Council conclusions on the Commission's fiscal sustainability report](#)

EU BUDGET

Discharge for 2017

The Council recommended that the European Parliament grant a discharge to the Commission for the management of the EU's budget for 2017.

The recommendation was prepared in the light of an annual report from the Court of Auditors.

The Council also adopted recommendations on the discharge to be given to 32 EU 'decentralised' agencies, 6 executive agencies and 8 joint undertakings for the implementation of their 2017 budgets.

These recommendations refer to a series of special annual reports by the Court of Auditors.

[Draft Council recommendation on the 2017 budget discharge](#)

[Court of Auditors report on management of the EU's general budget for 2017](#)

[Draft Council recommendation on 2017 discharge to the decentralised agencies](#)

[Draft Council recommendation on 2017 discharge to the executive agencies](#)

[Draft Council recommendation on 2017 discharge to the joint undertakings](#)

Guidelines for 2020

The Council adopted conclusions establishing budget guidelines for 2020.

The guidelines are intended as input for the Commission when it prepares the draft EU budget for 2020. The draft budget will constitute the basis for negotiations between the European Parliament and the Council.

The draft guidelines underline that the budgetary procedure for 2020 will be the last of the programming period 2014-2020. In this regard, the budget will play an important role in the delivery of the Union's objectives and priorities under the multiannual financial framework (MFF).

The Council considers that the budget for 2020 should ensure prudent budgeting and leave sufficient margins under the ceilings to deal with unforeseen circumstances. At the same time, sufficient resources should be allocated to those programmes and actions that contribute most towards achieving Union policies. In addition, the budget should allow commitments already made under the current MFF to be paid in due time, in order to avoid any unpaid claims, in particular in cohesion policy.

The Council considers that budgetary discipline must be maintained at all levels and that the MFF (as reviewed) and past commitments must be respected. It also stresses the need to respect budgetary principles, notably annuality and unity of the budget. Establishing an adequate level of payment appropriations for the last year of the programming period is of high importance, thereby pre-empting future accumulation of outstanding bills.

The Council takes note of the draft agreement on the UK's withdrawal from the EU, according to which, for the years 2019 and 2020, the UK is to contribute to and participate in the implementation of the EU budgets.

As regards the EU's administrative expenditure, the Council calls for further rationalisation. It urges all institutions to reduce or freeze their administrative expenditure and encourages them to continue, as a minimum, to apply decreases in full-time equivalents (FTEs) across all staff categories in order to offset any increases necessary in light of evolving policy priorities. The Council also reiterates its call upon the Commission to put forward appropriate follow-up measures in order to truly stabilise the administrative costs and to keep the overall number of staff, including contract agents, under control.

[Council conclusions on the budget guidelines for 2020](#)

OTHER BUSINESS

Financial services

The presidency updated ministers regarding work on legislative proposals in the field of financial services.

[February 2019 progress report on financial services legislative proposals](#)

Carbon pricing and aviation tax

The Dutch minister provided information on the Netherlands' initiative to hold an international conference to discuss ways to enhance cooperation at EU level on carbon pricing in the aviation sector on 20-21 June 2019.

MEETINGS IN THE MARGINS OF THE COUNCIL

Eurogroup

Ministers of the eurozone member states attended a meeting of the Eurogroup on 11 February.

In regular format, ministers were briefed by the Commission and the ECB on the main findings of the latest post-programme missions to Ireland and Portugal. Ministers also discussed the nomination for the upcoming vacancy at the ECB. They gave support to Philip Lane to succeed Peter Praet, whose term of office expires on 31 May.

For more information, see the [press release](#).

In inclusive format, the Eurogroup continued to discuss the deepening of the Economic and Monetary Union. Ministers held a first exchange of views on the way forward regarding the voluntary budgetary instrument for convergence and competitiveness for the euro area and for member states participating in the exchange rate mechanism (ERM II).

[Eurogroup main results](#)

Ministerial breakfast

Ministers held a breakfast meeting to discuss the economic situation in the EU on the basis of the Commission's winter forecast, published on 7 February.

OTHER ITEMS APPROVED**GENERAL AFFAIRS****Statistics - geographical breakdown levels**

The Council adopted a decision not to object to a Commission delegated regulation updating the composition of EU aggregates in EU statistics concerning balance of payments, international trade in services and foreign direct investment.

The amendments are linked to preparations for the withdrawal of the UK from the EU and the need to reflect the UK as a third country rather than a member state ([5844/19](#), [15853/18](#)).

FOREIGN AFFAIRS**Relations with Kyrgyzstan**

The Council adopted the decision on the signing, on behalf of the EU, of a protocol to the partnership and cooperation agreement (PCA) establishing a partnership between the EU and the Kyrgyz Republic, in order to take account of the accession of Croatia to the EU. The Council also approved the conclusion by the European Commission, on behalf of the European Atomic Energy Community, of another protocol to the PCA between the EU and Kyrgyzstan to take account of the accession of Croatia to the EU.

The PCA between the EU and the Kyrgyz Republic has been in force since 1999. It outlines three main pillars of cooperation: political dialogue, economic relations and cooperation in a variety of sectors, such as social, finance, science, technology and culture. According to the act of accession of Croatia to the EU, Croatia accedes to the international agreements signed or concluded by the EU and its member states by means of a protocol to those agreements. The European Parliament gave its consent for the conclusion of the protocol on 15 January 2019.

In 2017, the EU and the Kyrgyz Republic launched further negotiations for a modernised, comprehensive bilateral agreement, which will replace the PCA.

[EU-Kyrgyz Republic relations \(EEAS\)](#)

[Delegation of the EU to the Kyrgyz Republic](#)

Technical Centre for Agricultural and Rural Cooperation (CTA)

The ACP-EU committee of ambassadors gave a discharge to the director of the Technical Centre for Agricultural and Rural Cooperation (CTA) for the implementation of its budget for the 2017 financial year, on the basis of the auditor's report and the financial statements of the corresponding financial year.

The CTA is a joint international institution of the African, Caribbean and Pacific (ACP) group of states and the EU, established in 1983 under the Lomé Convention and operated within the framework of the ACP-EU Cotonou Agreement since 2000. The CTA's mission is to advance food security, resilience and inclusive economic growth in ACP countries through innovations in sustainable agriculture. It is funded by the European Development Fund.

[Technical Centre for Agricultural and Rural Cooperation \(CTA\)](#)

[EU relations with the African, Caribbean and Pacific \(ACP\) group of states](#)

DEVELOPMENT COOPERATION

European Development Fund - discharge

The Council gave a discharge to the Commission for the financial management of and activities funded under the 8th, 9th, 10th and 11th European Development Fund for the 2017 financial year.

JUSTICE AND HOME AFFAIRS

European border and coast guard agency - EU-Albania agreement

The Council adopted a decision on the conclusion of the status agreement between the EU and Albania on actions carried out by the European border and coast guard agency in Albania ([10302/18](#)).

The purpose of such an agreement is to authorise the European border and coast guard agency to coordinate operational cooperation between member states and a third country with respect to management of the external borders. In that respect, the agency can carry out actions at the external borders involving one or more member states and a third country neighbouring at least one of those member states, subject to the agreement of that neighbouring country, including on the territory of that third country.

The agreement between the EU and Albania was signed on 5 October 2018 ([see press release](#)).

AGRICULTURE

Rural development and direct payments in the years 2019 and 2020

The Council adopted a regulation amending regulations 1305/2013 and 1307/2013 as regards certain rules on direct payments and support for rural development in respect of the years 2019 and 2020 ([PE-CONS 3/19](#)).

The new regulation amends the rural development and direct payments regulations for the 2019 and 2020 claim years with a view to facilitating the transition from the current to the new Common Agricultural Policy (CAP). The regulation will in particular:

- allow for the flexibility between pillars and the transfer of the estimated product of the reduction of payments to be continued in the calendar year 2020;
- phase out the payment for areas with natural constraints;
- widen technical assistance at the initiative of the Commission in order to prepare for the future CAP.

Animal welfare in the EU: Council conclusions

The Council adopted conclusions on the European Court of Auditors' special report entitled "[Animal welfare in the EU: closing the gap between ambitious goals and practical implementation](#)" (CoA SR No 31/2018).

The report highlights that the EU has some of the world's highest animal welfare standards. However, although EU action to improve animal welfare has been successful in some areas, weaknesses persist in certain areas related to welfare issues on the farm, during transport and at slaughter. The report also makes recommendations to strengthen the links between animal welfare and agricultural policy.

The Council conclusions are set out in document [5870/19](#).

Spirit drinks

The Council decided not to oppose a Commission regulation amending Annex III to regulation 110/2008 on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks ([5144/19](#) + [ADD 1](#)).

The amendments concern the withdrawal of the technical files of a number of geographical indications for spirit drinks, following the positive opinion of the Committee for Spirit Drinks.

INTERNAL MARKET

Time-limits for entry summary declarations and pre-departure declarations as regards the UK

The Council decided not to object to a Commission regulation concerning the time-limits within which entry summary declarations regarding goods arriving in the customs territory of the EU from the United Kingdom and pre-departure declarations concerning goods leaving the customs territory of the EU for a destination in the United Kingdom will have to be lodged if the United Kingdom leaves the EU without a withdrawal agreement.

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

Council conclusions on the EU customs union and its governance

The Council adopted a set of conclusions aimed at providing guidance in developing the EU customs union and its governance, as set out in [5650/19](#).

TRANSPORT**EU-Western Balkans Transport Community – staffing matters**

The Council adopted a decision on the position to be taken on behalf of the EU within the EU-Western Balkans Transport Community's Regional Steering Committee as regards certain staffing matters ([5399/19](#), [5397/19](#)).

ENERGY**Southern Gas Corridor Advisory Council**

The Council decided to authorise the signature, on behalf of the European Union, of the joint declaration at the fifth ministerial meeting of the Southern Gas Corridor Advisory Council ([5780/19](#)).

The ministerial meeting will take place in Baku on 20 February 2019. The joint declaration is expected to be endorsed by representatives of Azerbaijan, Albania, Bosnia and Herzegovina, Bulgaria, Georgia, Greece, Italy, Turkey, Croatia, Montenegro, Romania, San Marino, the UK, the USA, and the EU.

The joint declaration welcomes the progress made in the implementation of the Southern Gas Corridor and states the determination of the signatories to continue deepening the long term strategic relationship between the stakeholders. The signatories also declare that they will maintain their efforts to ensure that the gas corridor will deliver natural gas to Europe by 2020, and express their intention to continue to promote the expansion of the Southern Gas Corridor to further markets.

SOCIAL POLICY

European Social Fund

The Council decided not to object to a Commission regulation concerning the definition of standard scales of unit costs and lump sums for reimbursement of expenditure by the Commission to member states under the European Social Fund ([regulation no 1304/2013](#)) ([5660/19](#), [15803/18](#) + [ADD 1](#)).

The Commission regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force unless the European Parliament objects.

ENVIRONMENT

Ecolabel: updated rules for certain cleaning products and detergents

The Council decided not to oppose the adoption of a Commission decision concerning the rules for compliance with EU ecolabel criteria for hand dishwashing detergents, industrial and institutional dishwasher detergents, dishwasher detergents, hard surface cleaning products, laundry detergents, and industrial and institutional laundry detergents ([5575/19](#), [15096/18](#) + [ADD 1](#)).

The Commission decision is subject to the regulatory procedure with scrutiny. This means that now that the Council has given its consent, the Commission may adopt the decision, unless the European Parliament objects.

Emissions trading system: harmonised free allocation of emission allowances

The Council decided not to object to a Commission regulation concerning updated rules for harmonised free allocation of CO₂ emission allowances under the emissions trading system (EU ETS). These consist of more detailed implementation requirements and include, inter alia, the addition or deletion of definitions, possible modifications to the monitoring rules regarding the data collected by member states and the production level data and the determination of historical activity levels ([5813/19](#), [15801/18](#) + [ADD 1](#)).

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

EU ETS: Brexit safeguard measures

The Council decided not to object to an amendment to a Commission regulation as regards the EU emissions trading system ([5784/19](#), [15821/18](#)).

The amendment sets out safeguard measures to protect the integrity of the EU ETS when the UK leaves the EU. Without this amendment, the UK operators would not have been bound by the obligation to surrender allowances for 2018 emissions by 30 April 2019 (i.e. after the United Kingdom's exit from the EU on 29 March 2019) even though the industrial operators would have received free allowances and the UK authorities would have auctioned allowances in 2018. This would have undermined the environmental integrity of the EU ETS.

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

TRANSPARENCY**Public access to documents**

On 12 February 2019, the Council approved the reply to confirmatory application No 29/c/02/18 ([15099/18](#) + [COR 1](#)).
