



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: Presidency
to: COREPER/Council

Subject: *European Council (19 and 20 March 2009)*
– *Draft conclusions*

The attached draft conclusions are presented by the Presidency with a view to their adoption by the European Council on 19 and 20 March 2009.

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The European Council agreed on the need to rapidly deliver on reforms to ensure responsible and reliable financial markets for the future. It agreed to continue with the swift implementation of the European Economic Recovery Plan on the basis of the coordinated framework adopted last year. [In this context, it reached agreement on the Community part of the Plan.] It defined the Union's position with a view to the G20 Summit in London on 2 April.

The European Council also reverted to the issue of energy security. It specifically agreed on orientations for setting up a crisis mechanism to deal with disruptions of supplies. It took further steps in preparation of the Copenhagen Conference on climate change. Finally, it agreed a Declaration launching the Eastern Partnership.

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The meeting of the European Council was preceded by an exposé by the President of the European Parliament, Mr Hans-Gert Pöttering, followed by an exchange of views.

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I. Economic and financial situation

Building confidence and promoting financial stability

1. Deciding the right response to the financial and economic crisis remains the main task of the European Union and restoring confidence and the proper functioning of the financial market is an indispensable precondition to reaching this goal.
2. The magnitude and the underlying causes of the ongoing global financial and economic crisis demonstrate the need to reshape macroeconomic global management and the regulatory framework for financial markets. Prudential rules, crisis management arrangements and the supervisory framework must be strengthened.

3. In this connection, the European Council calls on the Council and the European Parliament to rapidly reach agreement on the legislative acts relating to credit rating agencies, the solvency of insurers, the capital requirements for banks, and cross-border payments, so as allow their adoption before the parliamentary recess.
4. Further efforts are urgently required in order to improve global macroeconomic management and the regulation and supervision of financial institutions. The report from the High Level Group on financial supervision and the Commission communication of 4 March 2009 constitute a good basis for future work. The ECOFIN Council is instructed to examine them as a matter of urgency and to report back with a view to first decisions to be taken at the June 2009 European Council. The Council is also invited to continue working on a coordinated approach to the treatment of impaired assets on the basis of the Commission communication of 25 February 2009.

Getting the real economy back on track

5. The European Council expresses confidence in the medium and long term outlook of the EU economy. Working in a coordinated manner, within the framework of the Single Market and EMU, the EU will overcome the crisis.
6. Good progress has been made in implementing the European Economic Recovery Plan adopted last December. Although it will take time for the positive effects to work their way through the economy, the size of the fiscal effort (around 3.3% of EU GDP or over €400 billion) will generate new investments, boost demand and create jobs. Maintaining the momentum of this work will be an essential complement to restoring the functioning of credit markets and facilitating the flow of lending to the real economy.
7. Regarding the Community contribution to the Plan the European Council welcomes the progress reached on advanced payments from the structural and cohesion funds, the agreement on reduced VAT rates [energy and internet projects, the European Globalisation Adjustment Fund p.m.]

8. Measures taken by Member States to support the real economy should be implemented in a timely, targeted and temporary manner, while respecting the following guiding principles: promoting openness within the internal market and vis-à-vis third countries; ensuring non-discrimination of products and services from other Member States; ensuring consistency with long-term reform objectives. To that end Member States should share information and best practices and pool their efforts to generate synergies.
9. Continuing implementation of agreed recovery measures is crucial both at national and Community levels. The Commission and the Council are invited to evaluate and monitor measures undertaken and report back to the June European Council.
10. Member States should return to their medium-term budgetary objectives as soon as possible, in line with their economic recovery and in conformity with the Stability and Growth Pact, thereby returning government deficits to positions consistent with sustainable public finances as soon as possible.
11. Stressing the importance of macro-financial stability as an essential element for the resilience of the European economy as a whole, the European Council invites the Commission and the Council to actively monitor the situation and, if needed, be prepared to act on a case-by-case basis.

Benefiting from the renewed Lisbon Strategy for Jobs and Growth

12. In the current crisis, the renewed Lisbon Strategy, including the current Integrated Guidelines, remains the effective framework for fostering sustainable growth and jobs. The crisis offers an opportunity for pursuing and accelerating structural reforms. The short-term measures taken by the EU and the Member States must be in line with the medium- and long-term objectives of the Strategy.

13. The European Council endorses the updated country-specific integrated recommendations for the economic and employment policies of the Member States and calls for their swift implementation.
14. Work should be speeded up and concrete measures taken urgently in the following areas: removing barriers while preventing the creation of new ones, including on mobility, and achieving a fully operational internal market; reducing further administrative burdens; improving framework conditions for business with a special focus on SMEs and innovation; stepping up and improving the quality of investment in knowledge, education and research.
15. The European Council recognizes that free global trade is one of the key prerequisites for European economy to remain highly competitive and calls for pursuing bilateral and multilateral trade negotiations.
16. No effort should be spared to stimulate employment and to prevent and limit job losses and negative social impact. The Employment Summit to be held in May will assess the situation on the basis of an exchange of views on the extent to which recovery measures taken by Member States have succeeded in supporting employment and may agree on further measures if necessary. The Summit will be prepared in consultation with all relevant stakeholders.

Working together at the global level

17. A global crisis requires global responses. Coordinated and timely action is necessary to put the global economy back on track towards recovery. The efforts undertaken by the EU need to be adequately reflected at the international level.

18. The G20 Summit in London has a crucial role to play in reshaping the global financial system and rebuilding the confidence of economic actors across the world. The European Union should take a leading role in negotiating the reform of financial markets; strengthening our ability to manage crises; promoting a swift return to sustainable economic growth; and supporting developing countries in order to avoid putting at risk the progress achieved in recent years, thus undermining their economic and political stability. To that end, the European Council adopts the joint position set out in Annex 1 and invites the Presidency to ensure appropriate follow-up to the Summit.

II. Energy and climate change

Enhancing the Union's energy security

19. Energy security is a key priority which needs to be enhanced by improving energy efficiency, diversifying energy suppliers, sources and supply routes, and promoting the Union's energy interests vis-à-vis third countries. In order to deliver on energy security, the EU collectively as well as each Member State must be prepared to combine solidarity with responsibility. In that light, the European Council endorses the broad initiatives set out in the Second Energy Strategic Review and further refined in the Council (TTE) conclusions of 19 February 2009. In particular, it agrees on the following:
- Energy infrastructures must be developed. To that end, the Commission is invited to rapidly present the detailed actions required to realise the priority areas identified in the SER¹. Looking to the longer term, the Commission is invited to present early in 2010 its proposal for a new EU Energy Security and Infrastructure Instrument.

¹ Southern Gas Corridor, a diverse and adequate LNG supply for Europe, effective interconnection of the Baltic region, the Mediterranean Energy Ring, adequate North-South gas and electricity interconnection within Central and SE Europe and the North Sea and North West Offshore Grid.

- The recent gas crisis has demonstrated the urgent need to establish adequate crisis mechanisms, as well as to work to establish clear guarantees from suppliers and transit partners that supplies will not be interrupted. The Council should rapidly examine the forthcoming Commission proposals to revise legislation on the security of gas supply. This should include an appropriate crisis mechanism ensuring the preparedness of all actors, transparency and prior information through the development of plans for security of supply; solidarity among Member States through the development of regional plans; and improved assessment coordination through the redefinition of the threshold for deciding actions at Community level.
- The promotion of energy efficiency can contribute in a very significant manner to energy security. The European Council therefore calls on the Council to agree, before the end of the year, on the proposals contained in the Energy Efficiency Package and the revision of the energy efficiency Action Plan.
- An efficient, liberalised and well connected internal energy market is a prerequisite for an effective policy on energy security. Therefore the European Council calls on the Council and the European Parliament to conclude an agreement on the third package for the Internal Energy Market before the parliamentary recess.
- Energy plays an increasingly important part in the EU's external relations. Stressing the importance of diversifying sources, fuels and routes of energy supply, the European Council invites the Commission to propose by mid-2009 a concrete mechanism to facilitate access to Caspian gas. The European Council also recalls the need to look for ways of using indigenous fossil fuel resources as well as promoting renewables and tackle barriers to energy from renewable sources.

Preparing the Copenhagen Conference on climate change

20. The European Union remains committed to contribute to bringing about a global and comprehensive climate agreement in Copenhagen in December 2009 designed to limit global warming to below 2°C. To this end, the European Council recalls the EU's commitment to a 30% emission reduction as its contribution to such an agreement provided that other developed countries commit themselves to comparable emission reductions and that advanced developing countries contribute adequately according to their responsibilities and respective capabilities. The conclusions of the Council in March 2009 set out in more detail the efforts the EU expects from developed and developing countries, including the need for the overall target for developed countries to be distributed in a manner that is fair and ensures the comparability of efforts.
21. Appropriate domestic and external sources of finance, both private and public, will be required for financing mitigation and adaptation actions. The European Union will take on its fair share of financing such actions. Future discussions on generating financial support should focus on combining different approaches including a contributory approach, market-based approaches, and other potential funding sources and financing mechanisms.
22. The European Council underlines the need to explore in more detail the practical means for financing mitigation, adaptation, technology support and capacity building and will return to this question as necessary at its subsequent meetings on the basis of further work by the Commission and the Council. In this context, the European Union will pay special attention to the needs of the most vulnerable developing countries.

III. European Neighbourhood Policy

Eastern Partnership

23. The European Council welcomes the establishment of the Eastern Partnership, endorses the principles of the Commission Communication of 3 December 2008 and adopts the Declaration annexed to these conclusions. It invites the Council to take forward all necessary preparations towards a launching Summit with the partner countries in Prague on 7 May 2009.
24. The Eastern Partnership will promote stability and prosperity between the EU and the Eastern partners addressed by the European Neighbourhood Policy. The European Council agrees on a deeper bilateral engagement and on a new multilateral framework involving the EU, Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine, aiming at accelerating reforms, approximation and integration.
25. The European Council further calls on the Commission as well as the current and incoming Presidencies to advance speedily with the practical implementation of the Partnership together with the partners and requests the Commission to submit a report on the first year of implementation of the Eastern Partnership to be considered by the European Council at its meeting in June 2010.

Barcelona process: Union for the Mediterranean

26. The European Council reiterates its will to strengthen its partnership with Mediterranean countries in the spirit of the Paris Summit and Marseille Ministerial Meeting. It is in the interest of all parties concerned to implement this ambitious initiative despite the difficult regional context.

IV. EU – US Relations

27. [Presidency to inform about the informal meeting of EU Heads of State or Government with the US President p.m.]

V. Treaty of Lisbon

28. The European Council was informed of the state of play in implementing its conclusions of December 2008 on the Treaty of Lisbon. It will revert to this issue at its June 2009 meeting.
29. [CZ to inform about ratification process. p. m.]
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AGREED LANGUAGE WITH A VIEW TO THE G20 SUMMIT IN LONDON

Coordinating international action to promote a swift return to sustainable economic growth

- (i) Continue international coordination of fiscal stimulus measures. Implement swiftly planned fiscal stimulus packages. Once the recovery takes hold, an orderly reversal of macroeconomic stimuli is warranted.
- (ii) Give priority to restoring the functioning of credit markets and facilitating the flow of lending to the economy, acting on a timely and coordinated basis and safeguarding the level playing field.
- (iii) Ensure consistency of fiscal measures with longer-term objectives such as improving competitiveness and productivity and addressing the challenges of ageing populations and climate change.
- (iv) Keep markets open and avoid all form of protectionist measures (no new barriers to investment or to trade and no new export restrictions).
- (v) Strive to swiftly reach agreement on modalities for the Doha Development Agenda with an ambitious and balanced outcome.
- (vi) Support efforts to ensure trade financing reaches all businesses, including small and medium-sized enterprises, in both developed and developing world, and does so quickly and without causing distortions.
- (vii) Support a multilateral initiative on trade finance, as the decline in trade finance contributes to the exacerbation of the decline in world trade.

Strengthening our ability to manage and prevent crises at the global level

- (viii) Implement swiftly the IMF quota and voice reform of April 2008. Double IMF resources so that the Fund can help its members swiftly and flexibly if they experience balance of payments difficulties. The IMF lending framework should be streamlined and adjusted to strengthen the Fund's capacity to prevent and respond to crises. [Agree that the EU Member States are ready to provide a fast temporary support of IMF lending capacity in a form of a loan in the total amount of USD [75 to 100]bn.]
- (ix) Enhance the collaboration between the IMF and the FSF aimed to identify systemic risks and weaknesses arising from the financial sector and regulation and ensure that members take corrective action.
- (x) Support the reform of the governance of international financial institutions. In particular, reform the IMF so that it reflects more adequately relative economic weights in the world economy and review process for the selection of top management for the IMF and the World Bank. Enlarge and strengthen the FSF to include major financial and economic actors [, including the European Commission].
- (xi) Work to find consensus on, and adopt, a Global Charter for Sustainable Economic Activity, based on market forces, but preventing excesses, as a first step towards a set of global governance standards.

Better regulating financial markets

- (xii) Strengthen transparency and accountability to avoid pitfalls of the past, in particular by making macro-prudential supervision standard part of the financial sector oversight.
- (xiii) Ensure appropriate regulation or oversight of all financial markets, products and participants that may present a systemic risk, without exception and regardless of their country of domicile. This is especially true for private pools of capital, including hedge funds and alternative investment vehicles.

- (xiv) Subject credit rating agencies to proper regulation and supervision in an internationally consistent manner, to ensure quality and transparency of ratings and avoid conflicts of interest.
- (xv) Protect the financial system from non-transparent, non-cooperative and loosely regulated jurisdictions, including off-shore centres. Draw up a list of such jurisdictions and develop a toolbox of sanctions to use against them. Request proposals from Financial Action Task Force, OECD and Financial Stability Forum (FSF).
- (xvi) Adopt common principles of sound corporate governance and remuneration practices, preventing that compensation schemes incentivise excessive risk taking.
- (xvii) Improve supervisory cooperation, in particular through the rapid establishment of colleges of supervisors for all major cross-border financial institutions by the end of 2009. Supervisors to exchange good practices and promote global convergence of practices.
- (xviii) Improve the regulation relating to banks' capital, to ensure that banks build additional buffers of resources in good times, so that they are better equipped to face bad times.
- (xix) Improve prudential rules, including by mitigating their pro-cyclical effects, improving accounting standards to enhance transparency and truthfulness, and enhancing the accountability of the International Accounting Standard Board.

Supporting developing countries in responding to the effects of the crisis

- (xx) Promote global development as part of the solution to the global crisis and a basis for peace and stability.
- (xxi) Honour commitments to increase development assistance. Reaffirm commitment to deliver on the Millennium Development Goals. Meet aid-for-trade pledges and give duty-free and quota free-access to least developed countries.

- (xxii) Make full use of other official sources of financing, such as export credits and investment guarantees as well as development-oriented support in the areas of research and technology, peace and security, migration and climate change. Enhance the effectiveness and coordination of instruments and resources.
- (xxiii) Enable Multilateral Development Banks to help counter the effects of the crisis in developing countries, particularly as regards the poorest and most vulnerable populations. Launch a multilateral initiative on trade finance to reinforce the efforts of the World Bank Group and other agencies.
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DECLARATION BY THE EUROPEAN COUNCIL ON THE EASTERN PARTNERSHIP

List of reference documents submitted to the European Council

- Key Messages adopted by the Council (EYC) on youth policy (xxxx/09) and on education and training (xxxx/09) on 16 February 2009
- Conclusions of the Council (Environment) on the preparation of the Spring European Council adopted on 2 March 2009 (xxxx/09)
- Key Issues adopted by the Council (Competitiveness) on 5/6 March 2009 (xxxx/09)
- Key Messages adopted by the Council (EPSCO) on 9 March 2009 (xxxx/09)
- Key Issues Paper adopted by the Council (ECOFIN) on 10 March 2009 (xxxx/09)
- Conclusions on the Follow-up to the Single Market Review adopted by the Council (Competitiveness) on 5 March 2009 (xxxx/09)
- Terms of reference to the G20 Summit adopted by the Council (ECOFIN) on 10 March 2009 (xxxx/09)
- Presidency paper on main messages to the G20 summit on developing countries and the global economic crisis (xxxx/09)
- Conclusions on the further development of the EU position on a comprehensive post-2012 climate agreement adopted by the Council (Environment) on 2 March 2009 (xxxx/09)
- Conclusions on international financing of climate change adopted by the Council (ECOFIN) on 10 March 2009 (xxxx/09)
- Conclusions on the development dimension for a comprehensive post-2012 climate change agreement adopted by the Council (General Affairs and External Relations) on 16 March 2009 (xxxx/09)
- Conclusions on the Second Strategic Energy Review adopted by the Council (TTE) on 19 February 2009 (xxxx/09)
- Presidency note on promoting the security of gas supplies (xxxx/09)
- Council Conclusions on Afghanistan (7364/09)