



**COUNCIL OF
THE EUROPEAN UNION**



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PRESS RELEASE

3148th Council meeting

Economic and Financial Affairs

Brussels, 21 February 2012

President

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Main results of the Council

The Council agreed a general approach on two draft regulations aimed at further improving economic governance in the euro area.

The proposals provide for enhanced monitoring of euro area countries' budgetary policies and strengthened surveillance of euro area member states that experience financial disturbance or request financial assistance.

The presidency will now start negotiations with the European Parliament with a view to enabling adoption of the two regulations at first reading.

*The Council adopted a regulation harmonising rules for **short selling and credit default swaps**.*

The regulation introduces common transparency requirements and harmonises the powers that regulators may use in exceptional circumstances. Its adoption follows an agreement reached with the European Parliament in October.

*The Council adopted conclusions providing guidance to the member states for tackling macroeconomic and fiscal challenges, to be submitted to the European Council under this year's **European Semester**. The 23 member states participating in the Euro Plus Pact also adopted conclusions.*

Furthermore, the Council adopted:

- a directive exempting **very small companies** from accounting and financial reporting obligations;*
- a recommendation to the European Parliament on the discharge to be given for implementation of the EU's general **budget for 2010**;*
- conclusions setting the Council's priorities for negotiation with the Parliament of the EU's **2013 budget**;*
- conclusions on the follow-up to the UN conference on **climate change** held in Durban at the end of last year.*

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- 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>).
 - Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

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Deputy Prime Minister and Minister for Finance

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United Kingdom:

Mr George OSBORNE

Chancellor of the Exchequer

Commission:

Mr Olli REHN

Vice President

Mr Michel BARNIER

Member

Mr Algirdas ŠEMETA

Member

Mr Janusz LEWANDOWSKI

Member

Other participants:

Mr Jörg ASMUSSEN

Member of the Executive Board of the European Central Bank

Mr Werner HOYER

President of the European Investment Bank

Mr Thomas WIESER

President of the Economic and Financial Committee

Mr Philippe GUDIN de VALLERIN

President of the Economic Policy Committee

The government of the acceding state was represented as follows:

Croatia:

Mr Maroje LANG

Assistant Minister, Ministry of Finance

ITEMS DEBATED**ECONOMIC GOVERNANCE - SECOND PACKAGE**

The Council agreed a general approach on two draft regulations on economic governance, namely:

- a regulation for enhanced monitoring and assessment of draft budgetary plans of euro area member states, especially those subject to an excessive deficit procedure ([6565/12](#));
- a regulation on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance ([6566/12](#)).

This will enable the presidency, on behalf of the Council, to start negotiations with the European Parliament, with a view to reaching agreement at first reading before the end of the Danish presidency.

The two regulations would introduce provisions for enhanced monitoring of euro area countries' budgetary policies. Member states would be required to submit annually to the Council and the Commission their draft budgetary plans for the next year by 15 October. Closer monitoring would apply to member states in excessive deficit procedure in order to enable the Commission to better assess whether there is a risk of non-compliance with the deadline to correct the excessive deficit. Member states experiencing severe difficulties with regard to their financial stability or receiving financial assistance on a precautionary basis would be subject to even tighter monitoring than member states in excessive deficit procedure.

MACROECONOMIC IMBALANCES: ALERT MECHANISM REPORT

The Council took note of the presentation by the Commission of its so-called *alert mechanism report*, marking the first step in implementing new surveillance provisions for the prevention and correction of macroeconomic imbalances (*doc. [6360/12](#)*). It held an exchange of views.

It asked the Economic and Financial Committee to prepare draft conclusions on the report for the Council's meeting on 13 March, taking into account the views expressed.

In its report, the Commission recommends further in-depth analysis of the economic situation in Belgium, Bulgaria, Denmark, Spain, France, Italy, Cyprus, Hungary, Slovenia, Finland, Sweden and the United Kingdom. In addition to further examination of those individual countries, the Commission also plans to assess in the coming months divergence in economic performance across member states.

The report does not examine macroeconomic imbalances in countries that are subject to an adjustment programme – Greece, Ireland, Portugal and Romania – as they are already under enhanced economic surveillance.

The *alert mechanism report* includes the final design of the scoreboard of economic indicators:

- current account balance;
- net international investment position;
- export market shares;
- nominal unit labour costs;
- real effective exchange rates;
- evolution of unemployment;
- private sector debt;
- private sector credit flow;
- house prices;
- general government sector debt.

PREPARATION OF THE MARCH EUROPEAN COUNCIL

– European Semester

The Council adopted conclusions providing policy guidance to the member states for tackling macroeconomic and fiscal challenges under this year's *European Semester*. It agreed to submit them to the European Council with a view to its meeting on 1 and 2 March.

The *European Semester* involves simultaneous monitoring of the member states' structural reforms and fiscal policies during a six-month period every year. The conclusions provide guidance on short-term priorities under their national reform programmes (structural reforms) and stability or convergence programmes (fiscal policies), to be presented in April.

The conclusions can be found in [6353/1/12 REV 1](#).

– Euro Plus Pact

The 23 member states participating in the *Euro Plus Pact*¹ adopted conclusions regarding the links between the pact and the *European Semester*, and agreed to submit them to the European Council.

The *Euro Plus Pact*, concluded last March, is intended to strengthen economic policy coordination between member states with the aim of improving competitiveness and enabling a greater degree of policy convergence.

The conclusions can be found in [6404/1/12 REV 1](#).

¹ All except the Czech Republic, Hungary, Sweden and the United Kingdom.

PREPARATION OF G-20 MINISTERIAL MEETING

The Council endorsed EU terms of reference in preparation for a meeting of G-20 finance ministers and central bank governors to be held in Mexico City on 25 and 26 February.

The terms of reference contain common positions, for both the EU institutions and EU member states that participate in the G-20, on the various issues to be discussed at the meeting, i.e. on financial market reforms, G-20 framework for growth, commodities, increasing the IMF's resources, and the reform of the international monetary system.

At the most recent G-20 meeting, in Mexico City on 19-20 January, EU representatives called for a swift and substantial increase in IMF resources in response to the sovereign debt crisis. In December, euro area member states agreed to contribute EUR 150 billion in bilateral loans to the IMF's general reserves. Other member states have also indicated their willingness to take part in the process.

EU BUDGET

Discharge for 2010

The Council adopted a recommendation to the European Parliament on the discharge to be given to the Commission for implementation of the EU's general budget for 2010 ([6081/12 ADD 1](#)).

Some delegations emphasised the importance of EU resources being correctly accounted for, in particular in times when member states are making significant budgetary consolidation efforts ([6081/1/12 REV 1](#)).

The recommendation was prepared on the basis of the Court of Auditors' annual report¹.

The Council also adopted recommendations on the discharge to be given for their 2010 budgets to the directors of 24 EU agencies, six EU executive agencies and seven joint undertakings ([6083/12 ADD 1](#) + [6084/12 ADD 1](#) + [6086/12 ADD 1](#)).

In accordance with the EU's budgetary discharge procedure, the recommendations will now be submitted to the Parliament, along with Council conclusions on a series of Court of Auditors special reports ([6081/12 ADD 2](#)).

Guidelines for 2013

The Council adopted conclusions setting its priorities for the EU's general budget for 2013.

The conclusions can be found in document [6260/12](#). They will serve as the basis for negotiations with the European Parliament and the Commission later this year.

Some delegations asked the Commission to ensure that its draft EU budget for 2013 reflects the consolidation efforts currently being undertaken at national level. Others highlighted the need to honour commitments made in the past.

The conclusions emphasise the need to take into account economic and budgetary constraints at national level and to maintain budgetary discipline at all levels. They call for a balance to be struck between fiscal consolidation and the need to continue investments, in order to avoid hampering the respect of commitments already made and to avoid impeding efforts to overcome the economic crisis. This balance should be reached through the prioritisation of objectives and the allocation of resources to actions that best contribute to growth and employment.

¹ [OJ C 326, 10.11.2011.](#)

OTHER BUSINESS**– Derivatives - Clearing and reporting requirements**

The Council was informed of the outcome of a trilogue meeting with the European Parliament and the Commission on 9 February, at which an agreement was reached on a draft regulation on over-the-counter derivative transactions, central counterparties and trade repositories.

It is expected that, once technical work has been completed, a letter will be sent to the Parliament to indicate that the Council can agree to the compromise text. The regulation will then be adopted by the Parliament in plenary session and by the Council without further discussion.

– Deposit guarantee schemes

The Council took stock of work on a draft directive on deposit guarantee schemes following adoption by the European Parliament on 16 February of its position in first reading.

– Business taxation

The Council took note of the presentation by the French and German delegations of a joint paper on work carried out at national level on convergence in business taxation.

MEETINGS IN THE MARGINS OF THE COUNCIL

The following meetings were held in the margins of the Council:

– ***Macroeconomic dialogue with the social partners***

A dialogue on macroeconomic issues was held on 20 February between the presidency, the Commission, the European Central Bank and the president of the Eurogroup, on the one hand, and the social partners (employers and trade unions at EU level and representatives of public enterprises and SMEs), on the other.

– ***Eurogroup***

Ministers of the euro area member states attended a meeting of the Eurogroup on 20 February.

– ***Ministerial breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation.

They were also briefed:

- by the chairman of the Economic and Financial Committee (EFC) on work within the EFC on the implementation of measures to strengthen the banking industry, including bank recapitalisation;
- by the president of the European Investment Bank (EIB) on the follow-up given to the informal meeting of the European Council on 30 January as regards action to promote economic growth, in particular strengthened support for SMEs.

OTHER ITEMS APPROVED**ECONOMIC AND FINANCIAL AFFAIRS****Short selling and credit default swaps**

The Council adopted a regulation on short selling and certain aspects of credit default swaps which introduces common EU transparency requirements and harmonises the powers that regulators may use in exceptional situations where there is a serious threat to financial stability (*docs [6216/12](#) + [6216/12 ADD 1 REV 1](#) + [PE-CONS 68/11](#)*).

The United Kingdom delegation abstained.

Adoption of the regulation follows agreement reached with the European Parliament at first reading on 18 October 2011, and subsequent approval by the Permanent Representatives Committee on 10 November.

For details, see press release [6625/12](#).

Climate finance - Follow-up to the Durban Conference

The Council adopted the following conclusions:

"The Council:

1. WELCOMES the appreciation by the Conference of the Parties of fast-start financing provided by developed countries and RECONFIRMS that the official report on 2011 fast start finance provided by the EU and its Member States will be submitted to the UNFCCC secretariat by May 2012;

2. WELCOMES the approval of the governing instrument for the Green Climate Fund (GCF) and the way forward outlined in the Durban Decisions with regard to the expeditious full operationalization of the GCF; REITERATES that the Fund is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change; REITERATES FURTHER that the Fund will promote the paradigm shift towards low – emission and climate – resilient development paths by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change in developing countries particularly vulnerable to the adverse effects of Climate Change; WELCOMES that the Fund will catalyse climate finance, both public and private, and at the international and national level; ENCOURAGES the Board to develop methods to enhance complementarity between the GCF and other relevant bilateral, regional and global funding mechanisms and institutions, to better mobilize the full range of financial and technical capacities and improve the overall effectiveness of international climate finance;
3. WELCOMES the further specification of the functions of the Standing Committee on Climate Finance in order to assist the Conference of the Parties in exercising its functions with respect to the financial mechanism of the Convention and in preparing a biennial overview of climate finance flows; INVITES the Committee to define an efficient and cost – effective work programme that avoids any overlap with other institutions;
4. REAFFIRMS the importance of continuing to provide support by developed countries beyond 2012 as set forth in the Durban decisions; WELCOMES the work programme on long-term finance to discuss under the UNFCCC the conclusions and recommendations by the UN Secretary General's High-level Advisory Group on Climate Change Financing (AGF) and by the international financial institutions in the context of the G20 in order to contribute to the on-going efforts to scale up the mobilization of climate change finance after 2012, to enable and support action on mitigation, REDD+ adaptation, technology development and transfer and capacity building; CONSIDERS that this work programme may provide useful input towards the identification of a path for scaling up climate funding from 2013 towards 2020 in the context of meaningful mitigation actions and transparency on implementation with a view to hold the increase in global average temperature below 2°C above preindustrial levels; despite significant domestic financial challenges and fiscal constraints the EU and its Member States REITERATES the importance of the EU and its Member States delivering on the fast start commitments in 2012 according to the overall pledge of fast start financing;

5. **COMMITTS** during 2012 to continue to work together with other countries and relevant stakeholders, on potential pathways for long term finance, including analysing the options for the mobilization of resources from a wide variety of sources, including innovative sources, that may contribute to reaching the long term committed goal of mobilizing jointly US\$100 billion per year by 2020 by developed countries in the context of meaningful mitigation actions and transparency on implementation, and the monitoring and reporting of climate financing; In this context **STRESSES** the need for a fair burden sharing among developed countries in the provision of public finance while taking into account the need for fiscal consolidation in Member States;
6. **REITERATES** that the carbon pricing of global aviation and maritime transportation would generate the necessary price signal to efficiently achieve more emission reductions from these sectors and that carbon pricing of global aviation and maritime transportation have as well the potential to generate large financial flows; **INVITES** the Commission to prepare a reflection paper by June on carbon pricing of global aviation and maritime transportation taking into account the developments in IMO and ICAO and previous work by AGF and by the World bank and other international organizations for the G20; **STRESSES** the need of taking into account national budgetary rules and the principles and provisions of the UNFCCC in the use of potential revenue; **URGES** Parties to IMO and ICAO to further increase their efforts to make progress on market based mechanisms to address emissions from global aviation and maritime transportation;
7. **WELCOMES** the Durban decision on REDD+ financing, and **INVITES** the Commission to explore how to scale up results based financing for REDD+ over time including towards the committed goal of \$100 bn USD, inter alia with respect to catalysing the private sector investments in order to address the drivers of deforestation and how to further increase the effectiveness and efficiency of REDD+ financing."

Economic aspects of resource efficiency

The Council adopted the following conclusions:

"The Council of the European Union,

RECALLING:

- the Council conclusions on the Roadmap to a Resource-Efficient Europe of 19 December 2011;
 - the conclusions of the European Council of 24 June 2011,
 - the Council conclusions on a competitive European economy: "Industrial competitiveness in the light of resource efficiency" of 29 September 2011";
 - the conclusions of the European Council of 23 October 2011;
1. WELCOMES the Communication on the Roadmap to a Resource-Efficient Europe which is a key element of the resource-efficient flagship initiative under the Europe 2020 Strategy leading the EU into economic transformation towards a more sustainable and competitive economy, and contributing to world-wide efforts to ensure a transition towards a green economy.
 2. RECOGNIZES the proposed milestones of the Roadmap as a good basis for further discussion among Member States, the Commission and all key stakeholders with a view to the transition towards a sustainable and responsible resource-efficient economy and society in a progressive and cost-effective way, while having in mind that the purpose of the proposed indicative milestones is to point out the general directions for future actions and feed-in the discussions on potential targets¹.
 3. STRESSES that actions taken must be consistent with the need for economic stability and fiscal consolidation and be economically efficient and cost – effective, and URGES Member States and the Commission to prioritise actions with the most positive impact on Europe's competitiveness, sustainable economic growth and job creation in line with the overall objectives of the Europe 2020 Strategy. As part of a long term strategy, indicative intermediate milestones for 2020 may be considered after broad consultation of relevant stakeholders.

¹ [14632/11](#) of 23 September 2011.

4. STRESSES that environmental taxes, revenues from market-based instruments and removal of environmentally harmful subsidies may contribute to a wider fiscal consolidation process, and in that context; CALLS for the rationalization and the phasing out of environmentally or economically harmful subsidies including fossil fuels. Member States may wish to take in to account the impact of such measures on the most vulnerable groups in society through appropriate social policy instruments;
5. CONSIDERS that the identification of best practices at Member State level and national programmes could play an important role in identifying the most efficient and effective tools for improving resource efficiency.
6. UNDERLINES that market-based instruments, such as emission trading systems, are important when implementing green growth strategies, complemented by regulatory instruments, information tools and non-market instruments as appropriate and, STRESSES the importance of flexibility in order to take into account country specific circumstances.
7. STRESSES that, EU-level action, complementing action by Member States, should be based on clear justification and evidence of value added and, taking into account the national peculiarities, be consistent with full respect of the subsidiarity and proportionality principles and the Commission Communication on Smart Regulation in the EU.
8. HIGHLIGHTS that decisions in relation to taxation legislation at EU level shall be taken by unanimous decision of the Council.
9. LOOKS FORWARD to the Impact Assessments of the actions proposed in the roadmap, taking into account a country specific approach as appropriate and the interaction with (existing) market – based instruments that are already in place. CALLS upon the Commission to further mainstream resource efficiency consideration in the impact assessment of all relevant policy proposals; UNDERLINES the importance to consider effects on the whole economy when analyzing the actions proposed in the roadmap."

TRADE POLICY

Update of the EU's list of dual use items

The Council adopted its position at first reading on a draft regulation updating the EU's list of dual use items and technology subject to control of exports and transit, in order to align it with international rules ([18144/11](#) and [18144/11 ADD 1](#)).

The adoption follows a political agreement reached within the Council on 5 December 2011. The first reading position will be forwarded to the European Parliament for a second reading.

The regulation will bring regulation 428/2009, which set up the EU regime for the control of exports, transfer, brokering and transit of dual use items, into line with the latest developments in the relevant international export control regimes¹.

Regulation 428/2009 contains the common list of dual use items and technology that has to be regularly updated, in order to further limit the risk of sensitive dual-use items being used for military purposes and/or in proliferation programmes, while ensuring that legitimate trade is not hindered.

DEVELOPMENT COOPERATION

European development fund

The Council adopted recommendations to the European Parliament on the discharge to be given to the Commission in respect of the implementation of operations under the 8th, 9th and 10th European development funds for the financial year 2010 ([5458/12](#) + [5459/12](#) + [5460/12](#)).

In addition, the Council approved a statement concerning the statement of assurance of the Court of Auditors relating to the activities of the 8th, 9th and 10th European development funds for the financial year 2010 ([5980/12](#)).

¹ Australia Group (AG) for biological and chemical items; Nuclear Suppliers Group (NSG) for civil nuclear items, the Missile Technology Control Regime (MTCR) and the Wassenaar Arrangement (WA) for conventional arms and dual-use goods and technologies.

INTERNAL MARKET**Micro-enterprises - Exemption from accounting reporting obligations ***

The Council adopted a directive aimed at exempting very small companies from accounting and financial reporting obligations ([79/11](#) and [6202/12 ADD1 REV1](#)), following an agreement with the European Parliament at second reading.

The new provisions have the potential to significantly reduce the administrative burden for those companies not exceeding the limits of two of the following criteria: a balance sheet total of EUR 350 000, a net turnover of EUR 700 000 and an average of ten employees during the financial year.

The directive will allow member states to exempt micro-enterprises from the publication of annual accounts. This optional exemption will be compatible with national obligations to keep records showing the company's business transactions and financial situation.
