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NOTE

from :	The Presidency
to :	COREPER/General Affairs Council
Subject :	<i>Presidency report Implementation of EC conclusions - state of play</i>

This report presents the state of play in implementation of priority orientations set out in the conclusions of the European Council, with a particular focus on the main tasks which are due to be completed by the end of the year and on which work is still ongoing. Where appropriate, next steps and Presidency intentions are also indicated.

This report is issued under the responsibility of the Presidency, in order to allow the General Affairs Council to fully play its horizontal coordination role and in order to inform preparations for the October European Council.

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HORIZONTAL MATTERS

1. **Multiannual Financial Framework** - *in progress, expected on time*

The June EC called for the development of the Negotiating Box with a view to reaching agreement by the end of 2012, as well as for the acceleration of work on the relevant legislative texts. Work is progressing in the Friends of the Presidency group, in COREPER and in the GAC to finalise the Negotiating Box for the special EC convened on 22-23 November; the Presidency will shortly insert ranges of figures in the Negotiating Box. Bilateral consultations will be held by President of the EC in November. In parallel, the intensive work on negotiations on the 60 related legislative texts, has been continued with the aim to complete partial general approach agreements before the end of the year. In parallel, informal trilogues with the European Parliament and the Commission have been initiated keeping a strict demarcation between the financial and non-financial issues. The overall aim remains to achieve as much progress as possible on all of these files by the end of the year, in order to facilitate the timely adoption of the relevant sectoral legislation.

ECONOMIC AND FINANCIAL AFFAIRS

2. **"Two-pack"** - *trilogues ongoing*

The March EC called for the adoption by June of the two outstanding proposals aimed at further strengthening euro area surveillance. The Compact for Growth and Jobs also mentions these proposals as priority measures. A general approach had already been reached in Council in February; after the indicative EP plenary vote in June, trilogues are currently taking place with the aim of reaching a first reading agreement by the end of the year.

3. Banking supervision - *in progress within the Council*

As agreed at the June EC, work has started on the Commission proposal for a single supervisory mechanism for banks, adopted on 12 September (a main Regulation which confers supervisory powers to ECB and a second one which amends EBA Regulation). An ad-hoc working party has been set up to deal with these issues. The aim of the Presidency is to achieve rapid progress with a view to reaching agreement by the end of the year and have the single supervisory mechanism in place by 1/1/2013.

4. Capital requirements - *trilogues ongoing*

The March EC had called for an agreement on the proposals relating to bank capital requirements by June 2012, bearing in mind the objective of having a single rule book, and of ensuring timely and consistent implementation of Basel III. A general approach had already been reached in Council in May and trilogues are ongoing with the EP, with the aim to reach a first reading agreement before the end of the year.

5. MiFID - *in progress within the Council*

The March EC called for agreement on the proposals relating to markets in financial instruments by the end of the year, bearing in mind the objective of having a single rule book. Work is progressing within the Council and a general approach appears within reach by November, allowing the start of negotiations with the EP at the end of the year.

6. Credit rating agencies - *trilogues ongoing*

The March EC called for the adoption of amendments to the Regulation on Credit Rating Agencies as soon as possible. After a general approach was reached in the Council in May, trilogues are currently ongoing with the EP. A first reading agreement before the end of the year appears within reach.

7. Institutional cooperation for the implementation of the Compact - *in progress*

The June EC called for improved cooperation between the institutions in order to ensure the timely implementation of the provisions of the Compact for Growth and Jobs which require EU legislation. In this respect, a draft Common Understanding between the European Parliament, the Council and the Commission has been prepared and agreed within the Council in October; the Presidency has sent the text to the EP.

8. Patent - *final contacts with EP*

The EC has repeatedly called for an agreement on the unitary patent package, composed of a Regulation establishing an enhanced cooperation on the unitary patent, a Regulation on translation arrangements and the Unitary patent court agreement. An agreement was reached at the June EC on the issue of the seat of the Unitary Patent Court and the deletion of Articles 6-8 of the Regulation on the unitary patent. Contacts are ongoing with the EP for agreement on the Regulation on the unitary patent; the EP plenary vote may take place in autumn. The final adoption of the package and the signing of the UPC agreement is envisaged to take place in December.

9. Venture capital and Social Entrepreneurship Funds - *final contacts with EP*

The proposals on venture capital and social entrepreneurship funds were identified as priority measures by the EC, with a target date for agreement in June 2012. The Danish Presidency reached a provisional (ad referendum) agreement with the EP on the 28th of June 2012, but this subsequently proved to be unacceptable for Coreper. The Cyprus Presidency is currently working with Member States as well as with the other institutions to resolve the one remaining issue (tax regime of eligible third countries). This would allow the adoption of the files by the end of the year.

10. Dispute resolution for consumers - *trilogues ongoing*

The March EC had set the target for agreement on rules on online dispute resolution by June 2012. A general approach has been reached before summer and trilogues are ongoing with the EP with a view to reaching a first reading agreement in December on the package of alternative dispute resolution and online dispute resolution rules for consumers.

11. Accounting Directive - *trilogues to start*

The March EC had called for an agreement on the simplification of accounting requirements by the end of June 2012. While a mandate for trilogues was approved in Coreper in May, negotiations with the EP could not start and a general approach was adopted in June. Following the EP committee vote in September, trilogues start in November with a view to reaching a first reading agreement by the end of the year.

12. Public procurement - *in progress within the Council*

The public procurement package, comprising three proposals, represents one of the priority levers of the Single Market Act I. Its rapid adoption is foreseen in the Compact for Growth and Jobs. Work is ongoing within the Council on all three proposals. The EP IMCO committee vote was postponed for end of November/ early December. This no longer allows a first reading agreement by the end of this year as initially intended by the Presidency; the aim is now to reach a general approach on the whole package by the end of 2012.

13. Professional qualifications - *in progress within the Council*

The priority of the proposal on the recognition of professional qualifications is recognised in the Compact for Growth and Jobs; it is also one of the priority levers of the Single Market Act I, for which the EC had set the target date for adoption by December 2012. An orientation debate was held at the May Competitiveness Council and the Presidency is taking work forward at technical and political level. The EP IMCO vote is planned for 28 November 2012. A progress report is envisaged for the December Competitiveness Council. Given the complexity of the proposal and the timetable of the EP, further political impetus is necessary in order to allow more rapid progress, in line with the targets agreed at EC level.

14. E-signature - *in progress within the Council*

The proposal on electronic identification and trust services for electronic transactions in the internal market is one of the priority levers of the Single Market Act I, and the Compact for Growth and Jobs calls for its adoption as soon as possible. The proposal was adopted by the Commission on 4 June and work has started within the Council working party. The Presidency envisages the adoption of a progress report at the December TTE Council.

15. Posting of workers - *in progress within the Council*

The proposal for a *Directive on the enforcement of Directive 96/71/EC on the posting of workers* was adopted by the Commission on 21 March 2012. It represents one of the priority levers of the Single Market Act I, for which the EC had set the target date for adoption by December 2012. Work is ongoing at technical level and the Presidency envisages either a general approach or a progress report at the December EPSCO Council.

16. SMA II - *examination to start within the Council*

As announced in the Compact for Growth and Jobs, the Commission adopted on 3 October its communication on further growth-enhancing measures within the second Single Market Act and committed to deliver all legislative proposals by spring 2013. The Cyprus Presidency aims to address the SMA II through the adoption of Conclusions at the December Competitiveness Council.

17. Services - *work ongoing at Commission level*

The Commission is working on the implementation of its Governance and Services Communications, with the key deliverable of a first annual report as part of the Growth Survey later this year.

18. Smart regulation - *awaiting Commission Communication*

The Compact for Growth and Jobs indicates that the Commission will present a communication on further steps in "smart regulation", including measures to support micro-enterprises, by the end of 2012.

19. Single innovation indicator - *awaiting Commission document*

The March EC called for stepping up efforts with a view to rapidly establishing and implementing the inventory of EU-funded R&D and the single innovation indicator. The Commission proposal on the headline indicator for innovation is expected late 2012; depending on its timing, it could be addressed at the December COMPET Council.

20. Copyright - *in progress within the Council*

As called for by the March EC, the Commission has adopted a proposal on collective rights management on 12 July and has presented it in Coreper on 13 September. Work has started at technical level within the Council.

21. Trans-European Energy Infrastructure - *trilogues to start*

The June European Council had called for a rapid agreement of the Trans-European Energy Infrastructure regulation. The regulation is one of the priority measures of the Single Market Act I for which the EC had set the target date for adoption by December 2012. Following the EP Committee vote in September and the approval of a mandate by Coreper, trilogues are set to start in October with a view to reach a first reading agreement by the end of the year.

22. Internal Energy Market - *awaiting Commission Communication*

As noted at the March 2012 EC, the Commission will issue on 14 November a Communication assessing the degree of liberalisation and integration of the internal energy market. It will look into prevailing obstacles for meeting the 2014 objective set by the European Council. The report will include a country-specific analysis and an Action Plan with concrete benchmarks. The Presidency intends to address it at the December TTE Council.

23. EIB capital increase - *in progress, expected on time*

The Compact for Growth and Jobs foresees the increase of the EIB's paid-in capital by EUR 10 billion, by means of a decision to be taken by the EIB Board of Governors which should enter into force before the end of the year. The procedure is ongoing on the basis of Article 308 TFEU with the aim of completing it by the end of the year. The EIB's lending programme will already reflect the Bank's increased lending capacity. The EIB Board will in November discuss the Bank's next three-year business plan, where the annual lending volumes, sectoral priorities and risk-sharing instruments will be decided upon. The Bank will also increase its technical and financial advice to help project delivery and real investments. This capital increase will be the basis for a new Growth and Employment Facility, which according to the EIB should provide EUR 60 billion leading to additional investments up to EUR 180 billion for innovation and skills, access to finance, resource efficiency and strategic infrastructure.

24. Project bonds - *work ongoing in TEN committees*

The TEN-T and TEN-E Committees have already authorised EUR 100 million for project bonds in the area of transport and EUR 10 million for energy. The co-operation agreement with the EIB will be signed at the end of October and the EIB has now already been working for months on the project pipeline to ensure that projects can get off the ground quickly. The remaining EUR 120 million will be mobilised early next year. The multiplier is expected to range between 15 and 20, so that EUR 100 million should ultimately generate investments of up to EUR 2 billion.

25. Structural funds - *work ongoing at Commission and Member States level*

Concerning the EUR 55 billion structural funds budget for 2013, the Commission is working upstream with MS to ensure that this money can be mobilised quickly and efficiently. Several MS have frontloaded projects and are practically ready to allocate a big part of the 2013 funds. On the basis of a rough estimate, we expect around 50% of the funds to be used for priority infrastructure (rail, broadband, energy, environment), 25% for research, innovation, SMEs and IT services, and 25% for labour market, human capital and social inclusion measures.

26. FTT enhanced cooperation - *awaiting request for enhanced cooperation*

As indicated in the Compact for Growth and Jobs, a number of Member States intend to launch a request for an enhanced cooperation on the proposal for a Financial Transaction Tax. After receiving a request supported by at least nine Member States, the Commission can put forward a draft Council decision authorising the enhanced cooperation. After the EP has given its consent, the Presidency will then endeavour to ensure its adoption by December 2012 as called for in the Compact.

27. Savings taxation - *in progress within the Council*

The EC had already on several occasions called for rapid agreement on the negotiating directives for savings taxation agreements with third countries (Switzerland, Liechtenstein, Monaco, Andorra and San Marino). This is mentioned as a priority measure also in the Compact for growth and jobs. Discussions on the way forward are taking place with a view to an adoption by the Council of the mandate allowing for the start of such negotiations.

28. Energy taxation - *in progress within the Council*

The Commission proposal was presented in April 2011. In response to the June 2012 EC conclusions, discussions have been moved forward at the Council working party. In order to facilitate discussions, the Presidency has presented a compromise proposal on whole text on 28 September.

29. Tax evasion - *Council Conclusions in preparation*

As announced in the Compact for Growth and Jobs, on 2 July, the Commission adopted a Communication on concrete ways to reinforce the fight against tax fraud and tax evasion including in relation to third countries. Council Conclusions setting out which actions should be a priority in the field of tax evasion and fraud will be adopted at the November ECOFIN Council.

30. Common European Asylum System - *trilogues ongoing on most elements*

The June EC confirmed the objective of completion of the Common European Asylum System by the end of 2012. Considerable progress has been made on all building blocks of the CEAS. The legislative procedure is finalised regarding the Qualifications Directive. Agreement has been reached with the EP in July on the Reception Conditions Directive. Trilogues started on the Procedures Directive. On the Dublin Regulation, trilogues on the outstanding issue of comitology shall start immediately after the adoption of the terms of reference by Coreper. Finally, as regards the Eurodac Regulation, the Council Asylum Working Party and the JHA Counsellors concluded the work on the revised Commission proposal of 30 May and the text has been submitted to Coreper for a negotiating mandate. Trilogues will start as soon as the EP has adopted its position. The aim remains to conclude all files by the end of the year.

31. Schengen governance - *trilogues ongoing / general approach*

The June 2011 EC mentioned as priorities the proposals on Schengen governance (evaluation mechanism and temporary reintroduction of border controls). After an agreement at the June 2012 JHA Council on the substance of the two proposals, work on these, and a number of other files, has been suspended by the European Parliament. Following coordinated efforts by the Presidency and the President of the EP and following a decision of the Conference of Presidents in September, negotiations on the 5 files have resumed. The first technical meeting and the first trilogue on the evaluation mechanism proposal and the temporary reintroduction of internal borders control respectively already took place.

32. Stockholm programme midterm review - *Presidency report under preparation*

In December 2009, the EC had invited the Commission to present a midterm review of the Stockholm programme before June 2012. The Presidency intends to prepare a mid-term review under its responsibility for the JHA Council in December.

33. Schengen enlargement - *in progress within the Council*

The March 2012 EC called for the adoption of the decision on full application of the Schengen acquis to Bulgaria and Romania in September 2012. Given that the September JHA Council was cancelled, this issue will be addressed at the October JHA Council. The Presidency will endeavour to make progress as regards identifying and implementing measures which would contribute to the successful enlargement of the Schengen area to include Romania and Bulgaria, as mentioned by the EC.

TRADE

34. Trade agreements - *in progress within the Council*

The Compact for Growth and Jobs identifies the negotiation, signing and conclusion of trade agreements as a priority measure. It mentions the objective to finalise negotiations with Singapore and Canada by the end of the year, which appears possible in light of current progress. Work is ongoing in the various bilateral and multilateral negotiations and the Commission provides information regularly on progress made. Regarding the US, the High Level Working Group is expected to assess all options to strengthen the EU-US trade and investment relationship. An Interim Report of the Group was issued on 19 June 2012, and the final report is expected to be issued before the end of the year. Concerning Japan, on 20 July 2012, the Commission submitted to the Council a proposal for opening negotiations on a Free Trade Agreement with Japan and work has started within the relevant Council bodies. Agreements were also signed with Peru and Colombia and the Commission initialled the DCFTA with Ukraine.

35. New trade and investment opportunities with the neighbouring regions- *in progress*

In October 2011, the EC called for opening up new trade and investment opportunities with the neighbouring regions. Trade negotiations with Georgia and Moldova were launched in February 2012. The 1st negotiating round with Armenia took place in June 2012.

Regarding the South Mediterranean countries, the FAC (Trade) on 14 December 2011, adopted negotiating directives for Deep and Comprehensive Free Trade Agreements (DCFTA) with Egypt, Jordan, Morocco and Tunisia. Launching of negotiations shall be decided once the scoping exercises are concluded. The scoping exercises for Morocco, Tunisia and Jordan are under way.

36. Investment policy- *in progress within the Council*

In October 2011, the EC stated that the EU should develop a comprehensive investment policy, aimed at achieving liberalisation and protection as part of the EU's common commercial policy. In this context, investment negotiations are ongoing within the framework of the Free Trade Agreement negotiations with India, Canada and Singapore.

37. International Procurement instrument - *in progress within the Council*

The Compact for Growth and Jobs foresees the rapid examination of the Commission proposal on access to public procurement markets in third countries. Work is ongoing within the Council on the proposal submitted by the Commission on 26 March 2012.

38. Pakistan preferences - *near conclusion of the legislative process*

In line with the European Council's commitment¹ to grant exclusively to Pakistan increased market access to the EU and time limited reduction of duties on key imports, a Regulation introducing emergency autonomous trade preferences for Pakistan has been agreed upon and, following adoption, publication is foreseen by mid November 2012.

¹ See European Council "Declaration on Pakistan" of 16 September 2010 (doc. EUCO 21/10)