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NOTE

from: General Secretariat of the Council

To: Permanent Representatives Committee / Council

Subject: European Council (20 and 21 March 2014)
- Draft conclusions

In accordance with Article 2(3)(a) of the Council's Rules of Procedure, delegations will find attached the draft conclusions prepared by the President of the European Council, in close cooperation with the member of the European Council representing the Member State holding the six-monthly Presidency of the Council and with the President of the Commission.

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The European economy is recovering, after several years of limited or even negative growth. The recovery is expected to strengthen this year. The European Council had an exchange of views on the economic and social situation and outlook. It discussed in particular the most appropriate policy response for the short and medium term. It concluded the first phase of the European Semester and discussed the implementation of the Europe 2020 Strategy while looking forward to the mid-term review that will be done at the Spring 2015 European Council. It focused also on the necessary elements to foster a stronger European industrial competitiveness as a driver for economic growth and jobs. It held a first policy debate on the framework for climate and energy in the period from 2020 to 2030 and agreed on the way forward in terms of orientations and procedure. It underlined the important link between industrial competitiveness and climate and energy policies. [p.m. external relations]

1. GROWTH, COMPETITIVENESS AND JOBS

A. THE EUROPEAN SEMESTER

1. The European Council in December 2013 endorsed the broad policy priorities for the European Union and its Member States set out in the 2014 Annual Growth Survey (AGS). To steer the Council discussions on the 2014 European Semester, the European Council put particular emphasis on policies enhancing competitiveness, supporting job creation and fighting unemployment, particularly youth unemployment, and the follow-up of reforms improving the functioning of labour markets.

2. The European Union and its Member States have made significant progress in recent years in view of ensuring the long-term sustainability of public finances and improving financial conditions and competitiveness. It is important to support the ongoing economic recovery by continuing to pursue sound fiscal policies and to step-up reforms that promote growth and job creation on a sustainable basis. In this respect, the National Reform Programmes and the Stability and Convergence Programmes should take into account last year's Country Specific Recommendations and also build on the Commission's recent analysis in the context of the macroeconomic imbalances procedures, including its in-depth reviews, in full compliance with the Stability and Growth Pact. Policies in individual Member States should fully reflect their shared responsibility for ensuring the smooth functioning of the Economic and Monetary Union. The European Council invites the Commission and the Council to continue to closely monitor the aggregate fiscal stance of the euro area, on the basis of the Commission's forecasts.

3. The European Council assessed the implementation of the Europe 2020 Strategy on the basis of the Commission Communication. Achieving the Strategy's goal of smart, sustainable and inclusive growth remains crucial. The crisis has slowed down progress towards the key goals of the Strategy and the long-term challenges affecting growth in Europe. With this in mind, the European Council calls for redoubling efforts to reach the Europe 2020 targets and looks forward to the planned review of the EU 2020 Strategy, and the public consultation to be launched by the Commission.

B. INDUSTRIAL COMPETITIVENESS

4. Europe needs a strong and competitive industrial base both in terms of production and investment as a key driver for economic growth and jobs. The regulatory framework at European and national levels must be made more conducive towards investment and innovation and the reshoring of manufacturing jobs. The Commission Communication "For a European Industrial Renaissance" provides an important input in this respect.
5. Industrial competitiveness concerns and competitiveness proofing should be systematically mainstreamed across all policy areas and should be part of impact assessments. Member States are invited to match European measures to strengthen competitiveness of industry at national level.
6. Competitiveness requires a stable, growth and innovation-friendly environment. Therefore, efforts must continue to fully exploit the potential of the internal market, both in goods and services. Infrastructure networks need to be developed and updated with intelligent and innovative technologies.
7. Through its budget, the European Union finances industrial competitiveness. Best use should be made of EU instruments such as Horizon 2020, the Connecting Europe Facility, the European Structural and Investment Funds and COSME as well as market-based and other innovative financial instruments to support competitiveness and access of SMEs to finance, including in support of smart specialisation across EU regions.

8. The competitiveness of the Union's industry on international markets cannot be taken for granted. Efforts should continue to improve market access around the world by facilitating the integration of European companies in global value chains. In this context the European Council calls on the European Investment Bank to further contribute to enhancing European companies' internationalization and competitiveness. Taking forward an ambitious trade and investment agenda and promoting international standards and regulations are important elements contributing to enhancing the EU's industrial competitiveness globally. This should help open markets, defend EU interests and actively promote a level playing field in third markets. Further action must also be pursued on ensuring access to core raw materials.
9. Fostering the Union's industrial growth requires the right skills. The European Council urges the Commission and the Member States to address shortages in the area of science, technology, engineering and mathematics (STEM skills) as a matter of priority, with increased involvement of industry. Further efforts of public and private sectors should be directed to promote mobility, education and vocational training, including through the European Structural and Investment Funds (ESIF), the new generation of Erasmus +, the Global Coalition for Digital Jobs or the European Alliance for Apprenticeships. Industry should be more involved in vocational training and in forecasting future skills needs.
10. Intellectual property and patenting are key drivers for growth and innovation. Despite the leading role of the European Union in a number of technology industries, it is lagging behind in patenting. The European Council therefore calls for enhancing support to these high-growth sectors, in order to preserve the European Union's technology lead. The European Council invites the concerned Parties to ratify the agreement on the Unified Patent Court and to make the necessary legal and administrative arrangements so that the agreement and the Regulation on the EU patent can enter into force by the end of 2014.

11. The European Council recalls that key enabling technologies (KETs) are of crucial importance for industrial competitiveness. KETs of high industrial interest, such as batteries for electro-mobility, intelligent materials, high performance production and industrial bio-processes, should be strengthened by swiftly identifying projects of European interest. Special attention should be paid to the role of cleantech.
12. On the basis of the orientations set out above, the European Council invites the Council, the Commission and the Member States to continue work. The European Council will come back to these issues in the context of the Europe 2020 Strategy review in March 2015.
13. A strong and competitive European industrial base must be seen in relation with a coherent European energy and climate policy, including through addressing the issue of high energy costs.

C. CLIMATE AND ENERGY

14. A coherent European energy and climate policy must ensure affordable energy prices, industrial competitiveness, security of supply and achievement of our climate and environmental objectives. Substantial progress has been made towards the attainment of the 20/20/20 targets for greenhouse gas emission reduction, renewable energy and energy efficiency, which need to be fully met by 2020.
15. Taking into account the timeline agreed in Warsaw for the conclusion of a global climate agreement at the Conference of Parties 21 in Paris in 2015, the European Council confirms that the European Union will submit its contribution at the latest by the first quarter of 2015, as should do all major economies. In the light of the UN Climate Summit in September 2014 the new EU target for greenhouse gas emission reductions will be in line with the agreed EU objective for 2050, and should be more ambitious than the impact in 2030 of the full implementation of measures envisaged in current obligations. Such an agreed EU policy framework, for which the Commission Communication provides a good basis, will provide the necessary stability and predictability to its economic operators and confirm the EU's role globally.

16. The new framework should be based on the following principles:
- further improve coherence between greenhouse gas emissions reduction, energy efficiency and the use of renewables and deliver the objectives for 2030 in a cost-effective manner, with a robust Emissions Trading System playing a central role in this regard;
 - ensure security of energy supply for households and businesses at affordable and competitive prices;
 - provide flexibility for the Member States in how they deliver their commitments in order to reflect national circumstances, energy mix and capacities.
17. In view of an early agreement on a new policy framework for energy and climate in the period 2020 to 2030, the European Council invites the Council and the Commission to continue work and rapidly develop the following elements:
- deepen the understanding of implications on individual Member States of the Commission's proposals for emission reductions and renewable energy in the EU;
 - elaborate equity mechanisms which will result in fair effort sharing and foster the modernisation of the energy sector;
 - develop the measures to prevent potential carbon-leakage in order to ensure the competitiveness of Europe's energy-intensive industries;
 - review in a timely manner the Energy Efficiency Directive and develop elements of the energy efficiency framework.

The European Council will take stock of progress made on these issues at its June meeting, with a view to taking a decision before the end of the year.

18. The objectives of completing the internal energy market by 2014 and developing interconnections so as to put an end to any isolation of Member States from European gas and electricity networks by 2015 remain a priority. The European Council acknowledges good progress made since its May 2013 meeting and calls for keeping the implementation momentum in particular as regards :
- speedy implementation of all the measures to meet the target of achieving interconnection of at least 10% of their installed electricity production capacity for all Member States. Special attention should be paid to improving interconnections with the more remote and/or less well connected parts of the single market;
 - effective and consistent implementation of the Third Energy Package by all players in the European energy market;
 - effective application and enforcement of EU rules regarding market integration and energy efficiency, and striving for a level playing field for companies operating within the EU.
19. The European Council is concerned about Europe's high energy dependency rates, especially on gas, and calls for intensifying efforts to reduce them, especially in the most dependent Member States. Moderating energy demand through enhanced energy efficiency should be the first step which will also contribute to other energy and climate objectives. Moreover, Europe needs to further diversify its energy supply, continue to develop renewable and other indigenous energy sources and coordinate the development of the infrastructure to support this diversification.
20. In light of the main cost drivers identified in the Commission Communication, the European Council calls for sustained efforts in moderating the energy costs supported by energy end-users, in particular through:
- streamlining by Member States of their use of energy support schemes, in line with the State aid guidelines and best practice guidance provided by the Commission;
 - sustained investment in energy efficiency and demand-side management all along the value chain and at the R & D stage;

- fuller use of the electricity generation capacity available on the internal market rather than relying on national capacities alone;
- promotion of domestic resources and of competition on gas supply markets and re-negotiation of gas contracts, including the issue of the contractual linkage of gas and oil prices.

On the basis of the measures above, Member States will take the appropriate actions leading to cost reduction in a manner most suitable to their specific circumstances. Coordination between Member States as well as across sectoral policies must be ensured in order to facilitate the achievement of EU-level objectives.

21. In addition, the European Council calls on the Member States to further examine their different national practices on energy policy levies and tax components of prices, which have seen the greatest rise in recent years. Following best practice, Member States should strive to minimise negative consequences for energy prices. Building on the recent experience, Member States will continue to regularly exchange information on major national energy decisions which have a possible impact on other Member States, while fully respecting national choices of energy mix.

PM: Single Resolution Mechanism (Results of legislative work and the IGC)

PM: Taxation (Results of Council work)

2. EXTERNAL RELATIONS

22. Ahead of the 4th EU-Africa Summit on 2-3 April 2014, the European Union remains committed to building a partnership of equals with Africa and strengthen relations in all relevant areas in response to the growing interdependence between the European Union and Africa.
23. The European Council emphasises in particular that continued international support to African partners in the area of security remains crucial. Therefore, the European Union will continue to provide operational support through its civilian crisis management missions and military operations, upon the request of individual countries and in close cooperation with other regional and international actors. In this context, it underlines the urgency of mobilising financial and operational support to the African-led International Support Mission to the Central African Republic (MISCA) and reaffirms the Union's commitment to deploy its operation EUFOR RCA in the coming weeks.
24. The European Union will also consider ways and means to support African initiatives for capacity-building, which will strengthen the African Peace and Security Architecture and enable African partners to effectively and rapidly address crises. The European Council encourages further work at EU level to enhance support to African capacity development in a comprehensive and systematic way encompassing advice, mentoring, training and equipment, including through the establishment of a clearing house mechanism.

[p.m. In the light of events, the European Council will assess the situation in Europe's Eastern neighbourhood, in particular in Ukraine, and may also address other specific foreign policy issues.