



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 13 May 2013

7625/13

LIMITE

CO EUR-PREP 18

NOTE

from:	General Secretariat of the Council
to	Permanent Representatives Committee / Council
Subject:	European Council (22 May 2013) - 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.

o
o o

I. ENERGY

1. Against the backdrop of high pressure on Europe's competitiveness and increasing energy demand from major economies, the EU's energy policy must ensure the uninterrupted supply of households and companies at affordable and competitive prices. While the orientations set by the European Council in February 2011 remain valid and must continue to be implemented, further work is required as set out below.

2. Good progress has been made towards meeting the objectives of completing the **internal energy market** by 2014 and developing **interconnections** so as to put an end to the isolation of certain Member States from European gas and electricity networks by 2015. Particular priority will be given to:
 - (a) the effective and consistent implementation of the third "energy package", as well as speeding up the adoption and implementation of remaining network codes. Member States which have not yet completed transposition will do so as a matter of urgency;
 - (b) the implementation of all other related legislation, such as the Directive on the promotion of renewable energies and the Regulation on security of gas supply;
 - (c) more determined action on the demand side as well as the development of related technologies, including the elaboration of national plans for the swift deployment of smart grids and smart meters in line with existing legislation;
 - (d) stepping up the role and rights of consumers, including as regards change of suppliers, improved management of energy use and own energy generation; measures should be taken at the appropriate level to help cover the basic energy needs of vulnerable consumers without jeopardising the functioning of the internal energy market.

3. The Commission intends to report on the state of implementation of the internal energy market early in 2014. Member States will 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.
4. Significant **investments** in new and intelligent energy infrastructure are needed to secure the uninterrupted supply of energy at affordable prices. Such investments are vital for jobs and growth and will help enhance competitiveness. Their financing should largely come from the market, which makes it all the more important to have a predictable climate and energy policy framework post-2020, conducive to mobilising private capital and to bringing down costs for energy investment. The European Council welcomes the Commission's Green Paper on a 2030 framework for climate and energy policies and notes its intention to come forward with such a framework in due time, after which the Council will revert to this issue.
5. As regards action taken to facilitate investments, priority will be given to:
 - (a) the swift implementation of the TEN-energy Regulation and the adoption this autumn of the list of projects of common interest;
 - (b) the adoption by the end of the current legislature of the Directive on the deployment of alternative fuels infrastructure;
 - (c) the revision by the Commission of state aid rules to allow for targeted interventions to facilitate energy and environmental investment, ensuring a level-playing field and respecting the integrity of the single market;
 - (d) the presentation by the Commission of guidelines on efficient and cost-effective support schemes for renewable energies and on ensuring adequate generation capacity;

- (e) EU and national measures to boost the financing of the economy, including as regards innovative instruments and possibilities for enhanced support by the EIB, in particular for energy efficiency and resource efficiency (on the agenda of the June 2013 European Council);
 - (f) continued efforts in energy R&D, technology and exploitation of synergies with ICT, which calls for better coordination of EU, Member States and industry.
6. It remains crucial to further intensify the **diversification of Europe's energy supply** and develop indigenous energy resources. To that end:
- (a) the deployment of renewable energy sources will continue, while ensuring their cost-effectiveness and integration in the internal energy market;
 - (b) the Commission intends to assess a more systematic recourse to indigenous sources of energy with a view to their safe and sustainable exploitation;
 - (c) given the increasing interlinking of internal and external energy markets, Member States will enhance their cooperation in support of the external dimension of EU energy policy; the Council will follow up on its conclusions of November 2011 and review developments regarding EU external energy policy before the end of 2013.
7. The impact of high **energy prices and costs** must be addressed, bearing in mind the primary role of the market and tariffs in financing investment. The European Council calls for work to be taken forward on the following aspects:

- a) energy efficiency measures can contribute in an important manner to reversing current trends in energy prices and costs. The implementation of Directives on energy efficiency and on energy performance of buildings is of crucial importance. The Commission will review the Directives on eco-design and energy labelling before end 2014 in line with technological developments;
 - b) innovative modalities of financing, a more systematic use of supply diversification and improved liquidity in the internal energy market also have a particular role to play when addressing energy costs;
 - c) the issue of the contractual linkage of gas and oil prices also needs to be looked at in this context;
 - d) the Commission intends to present before the end of 2013 an analysis of the composition and drivers of energy prices and costs in Member States, with a particular focus on the impact on households and energy intensive industries, and more widely as regards the EU's competitiveness vis-à-vis global economic counterparts. These issues will be addressed in the context of the discussion scheduled for the February 2014 European Council on industrial competitiveness and policy.
8. The Council will report back on progress on the implementation of the orientations agreed today by the end of the year.

II. TAXATION

9. It is important to take effective steps to fight tax evasion and tax fraud and tackle aggressive tax planning, particularly in the current context of fiscal consolidation, in order to protect revenues and ensure the confidence of citizens in the fairness and effectiveness of tax systems. Increased efforts are required in this field, combining measures at the national, European and global levels, in full respect of Member States' competences. The European Council calls for rapid progress on the following issues:

- (a) Member States will give priority to the concrete follow up to the Action Plan on strengthening the fight against tax fraud and tax evasion;
- (b) [*p.m. taxation of savings interests: Directive on taxation of savings and negotiating mandates to improve agreements with neighbouring countries, in light of ECOFIN outcome;*]
- (c) work will be accelerated to extend the automatic exchange of information at the level of the EU to cover the full range of income. To that end, the Commission intends to propose amendments to the Directive on administrative cooperation during the summer.
- (d) at the international level, building on the EU's experience and on the momentum recently brought by the initiative of five Member States, the EU will seek to take a leading role in the automatic exchange of information as the new international standard, taking account of existing EU arrangements. The EU will develop to that end strong coordinated positions in the context of the G8, the G20 and the OECD;

- (e) the Council will adopt by July 2013 at the latest the pending measures to counter VAT fraud, i.e. the Quick Reaction Mechanism and the Directive on reverse charge;
- (f) work will be carried forward as regards aggressive tax planning and profit shifting, in line with the Commission's recommendations on these issues. The Commission intends to present before the end of the year a proposal for the revision of the "parent/subsidiary" Directive and is reviewing the anti-abuse provisions in relevant EU legislation;
- (g) it is important to continue work within the EU on the elimination of harmful tax measures. To that end a reflection should be carried out on how to strengthen the Code of Conduct on business taxation;
- (h) efforts taken against aggressive tax planning, profit shifting, lack of transparency and harmful tax measures also need to be pursued globally, with third countries and within relevant international fora, such as the OECD, on the basis of strong common EU positions. In particular, further work is necessary to ensure that third countries meet appropriate standards of good governance in tax measures;
- (i) there is a need to deal with tax evasion and fraud and fight money laundering, within the internal market and vis-à-vis non-cooperative jurisdictions, in a comprehensive manner. In both cases the identification of beneficial ownership is important. The revision of the third directive on anti-money laundering should be adopted by the end of the year;
- (j) efforts are required to respond to the challenges of taxation in the digital economy, taking full account of ongoing work in the OECD. The Commission intends to further assess these issues, including possible measures to avoid erosion of taxable profits, in advance of the October 2013 European Council discussion on the digital agenda;
- (k) the Council will report back on progress on all these issues by December 2013.