



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 had a first discussion on the implementation of the Europe 2020 Strategy ahead of the mid-term review at the Spring 2015 European Council. It also focused on the factors necessary to foster 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]

I. GROWTH, COMPETITIVENESS AND JOBS

A. THE EUROPEAN SEMESTER

1. The European Council in December 2013 endorsed the five broad policy priorities for the European Union and its Member States set out in the 2014 Annual Growth Survey (AGS): pursuing differentiated, growth-friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness, tackling unemployment and the social consequences of the crisis, while modernising public administration. To steer the Council's 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 on the follow-up to reforms to improve the functioning of labour markets. The National Reform Programmes and the Stability and Convergence Programmes should respond in a concrete and ambitious manner to last year's Country-Specific Recommendations and address the issues identified in the Commission's recent analysis in the context of the stability and growth pact and the macroeconomic imbalances procedures, including its in-depth reviews, taking full account of the discussions held in the Council in the framework of the European Semester.
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2. 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 have not gone away. With this in mind, the European Council calls for stepping up efforts to reach the Europe 2020 targets and looks forward to the planned review of the EU 2020 Strategy in 2015.

B. INDUSTRIAL COMPETITIVENESS

3. Europe needs a strong and competitive industrial base, in terms of both production and investment, as a key driver for economic growth and jobs. Competitiveness requires a stable, simple and predictable environment, including better regulation. The overall framework at European and national levels must be made more conducive to investment and innovation and the reshoring of manufacturing jobs. The Commission communication "For a European Industrial Renaissance" provides important input in this respect.
 4. Industrial competitiveness concerns and competitiveness proofing should be systematically mainstreamed across all EU 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. Efforts must continue to fully exploit the potential of the internal market in goods and services and to foster entrepreneurship. Infrastructure networks, including digital networks, need to be developed and updated with intelligent and innovative technologies. Particular attention should be paid to encouraging the creation and growth of SMEs, including facilitating access to finance.
 5. Through its budget, the European Union contributes to industrial competitiveness. The best possible 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.
 6. The competitiveness of European industry on international markets cannot be taken for granted. Efforts should continue to improve market access around the world by facilitating the
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integration of European companies in global value chains. The European Council calls on the European Investment Bank to further contribute to enhancing European companies' internationalisation and competitiveness. Taking forward an ambitious trade and investment agenda and promoting European and 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.

7. 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 by the public and private sectors should be directed to promoting mobility, education and vocational training. All available instruments should be used to this end, such as the European Structural and Investment Funds (ESIF), the new generation of Erasmus +, the Grand Coalition for Digital Jobs, the European Alliance for Apprenticeships or the Youth Employment Initiative and the Youth Guarantee. Industry should be more involved in forecasting future skills needs.
 8. Intellectual property and patenting are key drivers for growth and innovation. Despite its leading role in a number of technology industries, the European Union 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 concerned Parties will ratify the agreement on the Unified Patent Court and make the necessary legal and administrative arrangements so that the EU patent regime can enter into force by the end of 2014.
 9. 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 as a cross-cutting element for enhancing the competitiveness of the European industry.
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10. 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.
11. A strong, resource-efficient and competitive European industrial base must be seen in relation to a coherent European climate and energy policy, including through addressing the issue of high energy costs.

C. CLIMATE AND ENERGY

12. 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 EU targets for greenhouse gas emission reduction, renewable energy and energy efficiency, which need to be fully met by 2020.
 13. Taking into account the timeline agreed in Warsaw for the conclusion of a global climate agreement at the 21st session of the Conference of the Parties 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 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 on greenhouse gas emissions, renewables and energy efficiency, for which the Commission communication provides a good basis, will provide the necessary stability and predictability for its economic operators and confirm the EU's role globally.
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14. 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 as to how they deliver their commitments in order to reflect national circumstances and respect their freedom to determine their energy mix.
15. With a view to 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:
- analyse the implications for individual Member States of the Commission's proposals for emission reductions and renewable energy in the EU;
 - elaborate mechanisms which will result in fair effort sharing and foster the modernisation of the energy sector;
 - develop measures to prevent potential carbon leakage and call for long-term planning security for industrial investment, in order to ensure the competitiveness of Europe's energy-intensive industries;
 - review the Energy Efficiency Directive in a timely manner and develop an energy efficiency framework.

The European Council will take stock of progress made on these issues at its meeting in June, based inter alia on consultations with Member States, with a view to taking a final decision before the end of the year.

16. 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 calls for speeding up efforts 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, and integrating Member States into the European continental networks, as well as with neighbouring third countries;
 - 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.
17. Efforts to reduce Europe's high gas energy dependency rates should be intensified, especially for 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, the EU needs to accelerate further diversification of its energy supply, elaborate ways to increase its bargaining power, continue to develop renewable and other indigenous energy sources and coordinate the development of the infrastructure to support this diversification in a sustainable manner. Implementation of relevant projects of common interest should be speeded up and available EU resources, including the CEF, and the EIB financing capacity, should be swiftly mobilised in support of these objectives.
18. In the light of the main cost drivers identified in the Commission communication, the European Council calls for sustained efforts to moderate the energy costs borne by energy end-users, in particular through:
- a progressive evolution of support mechanisms for renewables to a more cost-effective and market-based system and more convergence of national support schemes beyond 2020;
 - 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, while recognizing the role of Member States in ensuring security of supply;
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- promotion of domestic resources and of competition on gas supply markets and addressing the issue of the contractual linkage of gas and oil prices.

On the basis of the above measures, Member States will take the appropriate actions leading to cost reduction in the manner most suited to their specific circumstances.

19. In addition, the European Council calls on the Member States to further examine their different national practices on energy policy levies, tax components of prices and network costs, with the objective of minimising negative consequences for energy prices. Building on 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)

20. The European Council welcomes the Commission's report on the state of play of negotiations on savings taxation with European third countries (Switzerland, Liechtenstein, Monaco, Andorra and San Marino) and calls on those countries to commit fully to implementing the new single global standard for automatic exchange of information, developed by the OECD and endorsed by the G20, and to the early adopters initiative.

The European Council calls on the Commission to carry forth the negotiations with those countries swiftly with a view to concluding them by the end of the year, and invites the Commission to report on the state of play at its December meeting. If sufficient progress is not made, the Commission's report should explore possible measures that might be applied in respect of third countries non complying with the new global standard.

In the light of this, the Council will adopt the Directive on taxation of savings income at its next March 2014 meeting.

The European Council invites the Council to ensure that, with the adoption of the Directive on Administrative Cooperation by the end of 2014, EU law is fully aligned with the new global standard.

II. EXTERNAL RELATIONS

21. Ahead of the 4th EU-Africa Summit on 2 and 3 April 2014, the European Union remains committed to building a partnership of equals with Africa and strengthening relations in all relevant areas in response to the growing interdependence between the European Union and Africa.
22. The European Council emphasises in particular that continued international support for African partners in the area of security remains crucial and encourages other donors to participate in burden-sharing. Therefore, the European Union will continue to provide operational support through its civilian crisis management missions and military operations, at 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 for 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.
23. 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 prevent conflicts and address crises effectively and rapidly. The European Council encourages further work at EU level to enhance support for African capacity development in a comprehensive and systematic way encompassing advice, mentoring, training and equipment. The European Council invites the High Representative to make further proposals in this regard, including on a possible clearing house on the provision of equipment to support training provided by the EU.

[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.]
