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**Fifth meeting of the Accession Conference with Iceland
at Ministerial level - Six new chapters opened, one more
chapter provisionally closed, substantial progress achieved**

The fifth meeting of the Accession Conference with Iceland at Ministerial level was held today in Brussels to open negotiations on Chapter 1 - Free Movement of Goods, Chapter 16 - Taxation, Chapter 17 - Economic and Monetary Policy, Chapter 22 - Regional Policy and Coordination of Structural Instruments, Chapter 27 - Environment, and Chapter 30 - External Relations. Furthermore, the Accession Conference provisionally closed negotiations on Chapter 8 - Competition Policy.

In addition, the Conference confirmed at Ministerial level the opening of Chapter 9 - Financial Services, Chapter 18 - Statistics, and Chapter 29 - Customs Union, which were opened at the Accession Conference with Iceland at Deputy Level, held in Brussels on 24 October 2012.

The European Union delegation was led by Dr. Erato Kozakou-Marcoullis, Minister for Foreign Affairs of Cyprus. The Icelandic delegation was led by Össur Skarphéðinsson, Minister for Foreign Affairs and External Trade. The European Commission was represented by Štefan Füle, Commissioner for Enlargement and European Neighbourhood Policy.

Today's meeting marked a substantial step forward in the accession negotiations with Iceland. The EU noted that the negotiations were advancing well and have entered a decisive phase, but also that challenging chapters lie ahead.

With today's Conference, out of a total of 35 negotiation chapters, 27 chapters have now been opened for negotiations of which 11 chapters have already been provisionally closed. Further Accession Conferences will be planned, as appropriate, in order to take the process forward in the first half of 2013.

P R E S S

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The accession negotiations were launched in July 2010.

CHAPTERS OPENED

Regarding the opening of negotiations on Chapter 1 - Free Movement of Goods, Chapter 16 - Taxation, Chapter 17 - Economic and Monetary Policy, Chapter 22 - Regional Policy and Coordination of Structural Instruments, Chapter 27 - Environment, and Chapter 30 - External Relations, the Union has closely examined Iceland's present state of preparations. On the understanding that Iceland has to continue to make progress in the alignment with and implementation of the *acquis* in these chapters, the EU noted that there are benchmarks that need to be met for provisional closure of these chapters, and/or that agreement needs to be reached on Iceland's requests expressed in its respective negotiating positions. The benchmarks for each chapter opened include:

Chapter 1 - Free Movement of Goods

- Iceland makes further progress in legislative alignment with the Directives on the Community codes relating to medicinal products for veterinary and human uses;
- Iceland demonstrates progress in the proper organization of market surveillance and on the alignment to the EU market surveillance framework.

In addition, the EU accepted Iceland's request for a derogation as regards cadmium content in fertilizers.

Chapter 16 - Taxation

- Iceland submits to the Commission a detailed timetable and action plan on legislative alignment with the *acquis* to be able to implement the EU taxation legislation fully by the date of accession, in particular as regards addressing the existing gaps in the areas of VAT and excise duties;
- Iceland demonstrates sufficient progress in developing its administrative capacity for the implementation of the *acquis* in this chapter, and,
- Iceland presents to the Commission a comprehensive and coherent strategy towards IT Interconnectivity.

In addition, the EU considered acceptable Iceland's requests to maintain the exemption of international transport of passengers from VAT and to maintain existing national exemptions for domestic passenger transport, work of authors and composers, and funeral services. The EU also considered acceptable the request for a permanent reduced VAT rate with regard to the "Hvalfjarðargöng" tunnel on the basis of the justification provided by Iceland that a reduced rate is necessary for this busy daily commuter tunnel. The EU considered acceptable as well the request for a transitional period to align with the *acquis* the rules related to personal allowances of alcohol and tobacco for travellers, and crew members of airline and shipping companies travelling from abroad, but for a maximum period of 2 years, after which Iceland needs to comply with the rules laid down in Council Directive 2007/74/EC.

Chapter 17 - Economic and Monetary Policy

- Iceland adopts the minimum required standards to guarantee the institutional and financial independence of the Central Bank of Iceland, as first steps towards ensuring tangible progress towards full alignment of the legal framework regarding its independence by the date of accession, and,
- Iceland makes tangible progress towards full alignment of its legal framework with the *acquis* as regards the integration of its Central Bank in the European System of Central Banks, the prohibition of monetary financing and privileged access of the public sector by the date of accession.

Chapter 22 - Regional Policy and Coordination of Structural Instruments

- Iceland adopts an institutional set-up for the implementation of EU Cohesion Policy;
- Iceland submits to the Commission an overall capacity building plan for EU Cohesion Policy implementation;
- Iceland completes and submits to the Commission advance drafts of a National Strategic (Planning) Document and of the Operational Programmes, and,
- Iceland completes and submits a draft design of its Management Information System (MIS).

Chapter 27 - Environment

Regarding the opening of negotiations on Chapter 27 - Environment, the EU did not propose any closing benchmarks as it considered that Iceland has reached a reasonable level of alignment with the *acquis* and has in place a high level of administrative capacity to implement it. However, there are significant differences between the EU *acquis* and Iceland's legislation in this chapter, notably in the areas of nature protection (such as whaling, where the EU has invited Iceland to reconsider its position), and climate change. Therefore, this chapter may only be provisionally closed once an agreement has been reached on Iceland's requests expressed in its negotiating position.

Chapter 30 - External Relations

- Iceland demonstrates a track record of positive cooperation and effective coordination with the EU in the WTO.

CHAPTER PROVISIONALLY CLOSED

Chapter 8 - Competition Policy

Regarding Chapter 8 - Competition Policy, given the high level of Iceland's state of preparedness and its fulfilment of obligations regarding this chapter, the EU noted that at this stage the chapter does not require further negotiations.

The EU underlined that it would devote particular attention to monitoring all specific issues mentioned in its common position. Monitoring of progress in the alignment with and implementation of the *acquis* will continue throughout the negotiations. The EU will, if necessary, return to this chapter at an appropriate moment.
