

EEE 1602/22

DRAFT MINUTES

Subject: Draft minutes of the 53rd meeting of the EEA Council
Brussels, 24 November 2021

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of the 53rd meeting of the

EEA COUNCIL

(Brussels, 24 November 2021)

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The EEA Council held its 53rd meeting in Brussels on 24 November 2021.

The meeting was chaired by Ms Anniken HUITFELDT, Minister for Foreign Affairs of Norway, who led the EEA EFTA delegation accompanied by Mr Pascal SCHAFHAUSER, Ambassador of Liechtenstein to the EU, and Mr Kristján Andri STEFÁNSSON, Ambassador of Iceland to the EU.

The EEA EFTA delegation also included Mr Henri GÉTAZ (Secretary-General of the European Free Trade Association - EFTA), and Ms Bente ANGELL-HANSEN (President of the EFTA Surveillance Authority - ESA).

The EU delegation was led by Mr Zdravko POČIVALŠEK, Minister of Economic Development and Technology of Slovenia, accompanied *inter alia* by representatives of the General Secretariat of the Council, the European External Action Service, and the European Commission.

Opening statement of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

Co-chair, dear colleagues,

I welcome you to the 53rd meeting of the EEA Council. I propose that we deal with the items 1, 2, 3, and 4 of the agenda without prior discussion.

Intervention of Minister Zdravko POČIVALŠEK on behalf of the European Union

Dear Ms Chair,

Dear Colleagues from Norway, Lichtenstein and Iceland, from the EFTA Secretariat, and from the EFTA Surveillance Authority.

The COVID-19 pandemic forced the EEA Council to limit physical meetings and function remotely for a year and a half. It is therefore my great pleasure and honour to be able to welcome you again in the premises of the Council of the European Union, on the occasion of the 53rd session of the EEA Council.

Before we go into the substance of our agenda, allow me to express my thanks to the members of our teams who have contributed to the organisation of this session and, in particular, to the EFTA Secretariat for the excellent cooperation in finalising the arrangements for the session.

Following your proposal, we would like to confirm our agreement on dealing with items 1 to 4 of our Agenda without prior discussion.

We are looking forward to a fruitful exchange!

Intervention of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

Thank you, these points are then adopted. That takes us directly to item 5, the orientation debate on New Industrial Policy.

1. ADOPTION OF THE AGENDA

The EEA Council adopted the Agenda, as set out in EEE 1604/21.

2. APPROVAL OF THE MINUTES

The EEA Council approved the minutes of the 52nd meeting of the EEA Council, which took place in Brussels on 19 November 2019, as set out in EEE 1604/20.

3. APPROVAL OF THE MINUTES

The EEA Council approved the minutes of the informal video conference of the EEA Council, which took place on 25 May 2021, as set out in EEE 1602/21.

4. PROGRESS REPORT BY THE EEA JOINT COMMITTEE

The EEA Council took note of the Progress Report by the EEA Joint Committee, as set out in EEE 1603/21.

5. ORIENTATION DEBATE ON NEW INDUSTRIAL POLICY

Intervention of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

When the EU launched its revised New Industrial Strategy in May this year, it was with the aim to strengthen resilience. Another important element was to enable industry to lead the green and digital transitions and drive Europe's competitiveness.

The EEA EFTA States of course share these aims and ambitions. We look forward to discussing how we enable our industries to take a prominent role in the twin transition on a strong competitive basis.

I will first give the floor to the EU Council Presidency.

Intervention of Minister Zdravko POČIVALŠEK on behalf of the European Union

Dear Colleagues,

The EU launched its updated Industrial Strategy in May 2021 with the aim to strengthen resilience, make Europe's industry able to lead the green and digital transformation, and to drive Europe's competitiveness.

The aim of our debate today is to discuss what are the concrete tools and policies that could be used to strengthen European industries so that they can be the driving force in the shift towards climate neutrality and digitalisation.

The updated Industrial Strategy reaffirms the priorities set out in the Commission's '*New Industrial Strategy for Europe*' of March 2020, published the day before the WHO declared COVID-19 a pandemic. At the same time, it responds to the lessons learned from the crisis. It aims at boosting the recovery and enhancing the EU's open strategic autonomy. And it suggests measures to accelerate the green and digital transitions of the EU economy.

The updated Strategy offers new instruments to strengthen the resilience of the Single Market, especially in times of crisis. It also responds to calls for identifying and monitoring the main indicators of the competitiveness of the EU economy as a whole.

Finally, yet importantly, the updated Strategy addresses the need to identify and better understand the EU's dependencies in key strategic areas and presents a toolbox to address them. This is of particular significance in the case of raw materials needed for making the green and digital transitions happen.

The COVID-19 crisis has shown Europe's vulnerability to global challenges and disorder resulting from interruptions in value chains. It has made evident that the challenge is not only related to digital and technology aspects, but that other areas such as the access to critical raw materials are equally relevant.

Europe must assess and address its vulnerabilities and dependencies on third countries regarding strategic goods, services, technologies and infrastructure. We need to find appropriate and coherent policy responses, and look into possibilities for alliances with our partners worldwide to strengthen existing global value chains and to diversify external sources of supply.

Securing access to critical raw materials is a fundamental and necessary precondition for a successful achievement of the EU's green and digital transitions. Implementing the twin transitions will not be possible without the supply of the necessary raw materials. Therefore, the EU urgently needs to address dependencies on imports of important raw materials from third countries.

We need to diversify the supply of raw materials and develop production capacities for key raw materials in Europe whenever possible. But we also need to consider the potential of the circular economy and the increased recycling of secondary raw materials to reduce the EU's dependencies in strategic value chains.

The EU must become more self-reliant, as only its unity can offer the scale and power for the Europeans to cope with the effects of major transnational shocks and to keep control of strategic areas and value chains related to the EU's essential needs.

Progressing towards strategic autonomy requires an approach that encompasses political, economic and technological dimensions. This includes increased investments in research, innovation and education, which are fundamental for ensuring, for example, the EU's technological sovereignty.

Particular attention should be paid to the challenges and specific needs of small and medium-sized enterprises (SMEs) which are considered as important drivers for developing strategic technologies. SMEs should receive more support in getting access to finance and in adapting to the green and digital transitions of the EU economy.

These efforts need to be assisted by other policy fields, such as trade policy, product standards, environmental policy or international taxation rules.

However, we have to keep in mind that addressing our vulnerabilities and dependencies and achieving more strategic autonomy does not mean isolationism in an interconnected world, but reinforced cooperation whenever possible. It is about achieving a stronger degree of control over Europe's choices and future.

It is not an alternative to key partnerships, but a condition for the EU to be a more effective partner in the world that is able to defend its own interests and priorities.

With that, I would like to pass the floor to the European Commission, which may wish to add some considerations on the subject.

Intervention of Director Hubert GAMBS on behalf of the European Commission

Dear Ministers,

Dear Ambassadors,

Dear colleagues,

The 2021 Industrial Policy Update emphasises three priorities, namely:

- a more resilient Single Market;
- accelerated green and digital transitions;
- the need of an open strategic autonomy.

COVID-19 made it clear that our Single Market, while robust, was not ready for a shock like the one triggered by the pandemic.

The free movement of workers was severely disrupted. There were export bans of certain goods between EU Member States. Both limitations wreaked havoc with industrial supply chains.

To help become more resilient, the 2021 Annual Single Market Report looked at the Single Market and industry, through the lens of 14 industrial ecosystems.

Some shortcomings in standardisation, in services, recognition of professional qualifications and public procurement are rather well known.

Although the Single Market will always need to improve, we are now making major progress along at least two axes:

Firstly, the Single Market Enforcement Taskforce is rapidly resolving a large number of ad-hoc problems. I would like to commend the EEA-EFTA countries good cooperation in this taskforce.

Secondly, we will propose a Single market Emergency Instrument that will create rules for the functioning of the Single Market under duress.

This is a structural solution that shall ensure the free movement of goods and services, and pursue efforts to step up market surveillance in critical areas, in case another single-market-wide emergency situation occurs.

The manifest need to green and digitalise our economy does not mean that it will happen by itself. Market failures, among which particularly the externalities of greenhouse gas emissions, make industrial policy interventions necessary.

A major component of the green transition is of course our “fit for 55 strategy”: we need to reduce carbon emission by 55% by 2030 and we need to become carbon-neutral by 2050.

In order to achieve the twin green and digital transition, we need to transform each of our 14 industrial ecosystems. We do not believe we can achieve this with a single plan.

We will attempt to formulate transition pathways for each industrial ecosystem. These transition pathways are not only for decarbonisation, but also for other aspects of environmental sustainability as well as for digitalisation, resilience and other aspects.

For each transition pathways, we must think of the needs in investment, technology, skills, and in shaping a favourable regulatory environment. Infrastructure such as Solar panels, wind turbines, networks, will also need to be built. Solar panels, wind turbines and many alternatives, as well as ways to reduce energy consumption and energy storage will require further innovations. Employees will have to develop new skills – as combustion engines and electrical engines require different skills for manufacturing, maintenance and operations. Many new professions will emerge.

Regarding investments, I would like to point out that the EU member states must foresee in their Recovery and Resilience Plans for green and digital investments at least 37% and 20% respectively, out of the total allocation of 600 billion euros. In fact, many plans exceed these investment thresholds.

For technologies, we are trying to set up alliances to encourage the development of new technologies and use, among other things, the "IPCEI" tool, that is State aid intended to promote the implementation of important projects of common European interest. In particular for hydrogen, batteries and microelectronics, the IPCEIs manage to mobilise private and public players and contribute to generate considerable progress in their respective fields.

Transition pathways also must be compatible with business models – European industry needs to remain competitive. Higher prices for carbon-based energy may speed up the uptake of renewables. However, they may be fatal for many companies and citizens. We therefore need to make sure that renewable energy sources become widely available and affordable.

I would also like to point out our proposal for a border adjustment mechanism. Imports into the EU of goods that would fall under our Emission Trading Scheme, if domestically produced, will face a levy in order to level the playing field. But only, if such a levy is not yet applied in the country of origin.

For two ecosystems, tourism and energy-intensive industries, we have published our first assessment in the form of scenarios for public consultation. The publications of assessments for the other ecosystems will follow.

The COVID-19 situation has made us painfully aware of some strategic dependencies. Think, for example, of personal protective equipment.

As part of our industrial policy update, we have analysed strategic dependencies and we are thinking about solutions to reduce these dependencies and mitigate their effects.

Think of the Chips Act and our plan to produce a fifth of global semiconductors in the EU.

Some may fear a protectionist development. This is not warranted.

We are committed to an open strategic autonomy – we want to continue benefitting from all the advantages that international trade offers to both us and our trading partners.

We do believe that our economy – and the same applies to the economies of trading partners – should not suffer from sudden scarcities where these can be easily avoided.

A better diversification of sources and strategic stocks may help. For chips and a small number of other products we need to re-shore or near-shore production.

We are now talking with all kinds of actors – Member States, enterprises, other actors in the industrial ecosystems and stakeholders, and of course our EEA-EFTA partners, – to help us improve our insights of the industrial policy update.

Intervention of Minister Anniken HUITFELDT on behalf of Norway

Dear colleagues,

The climate summit in Glasgow was a big step in the right direction. We agreed to strengthen our efforts to uphold the 1.5-degree goal.

How do we follow up?

A new industrial policy is a key part of the answer. Norway aims to build a strategic industrial partnership with the EU. A partnership that will cut emissions and create new jobs. We will contribute with experience and resources.

For more than 100 years, Norway has developed hydropower. The last 50 years, we have learned to operate offshore. Today, we are building on this experience in new business areas. Offshore wind is currently our largest renewable export. We will continue the work on opening areas for offshore wind.

We are investing heavily in carbon capture and storage. We need large-scale carbon capture to meet our ambitious climate goals. In several industrial processes, carbon capture is the only technology that can cut emissions.

This is the case for production of cement and steel. And for waste incineration. Gas will remain important in the energy transition. Both for European energy security and for cutting emissions.

By replacing coal and by balancing variable renewables. And natural gas combined with carbon capture can become a significant source of clean hydrogen.

You could easily think that Norway - as a significant producer of oil and gas – would want to slow down the transition towards a green economy. Think again: Last year, more than half of all new cars sold in Norway were electric.

Taxation rules and incentives made this possible. It comes with a substantial cost for the government.

Green shipping is also a priority for us. Our maritime industry is implementing new zero- and low-emission solutions. My government will accelerate the transition to a green economy.

We will support private investments in new technology. And revise regulations. The EEA Agreement will be vital in the green transition. It provides the framework for our climate and industrial cooperation.

And for Norway's participation in the single market – our most important market.

Thank you.

Intervention of Ambassador Pascal SCHAFHAUSER on behalf of Liechtenstein

Dear Ministers, dear Colleagues,

At this point, our Minister was meant to express how happy she is to finally meet her colleagues and partners on the EU side in a physical meeting again. Unfortunately, however, our Minister had to cancel her journey to Brussels last minute. The Covid19 situation in Liechtenstein has deteriorated quickly with the school sector particularly affected. Since our Minister is also Minister of Education, the exceptional situation in the education sector requires her presence at home and all travels have been cancelled until the end of the year. We kindly ask for your understanding and send the Minister's best regards. She is looking forward to participating at the next EEA Council in spring 2022.

But let us now focus on substance. I would like to first thank the Commission for the interesting presentation on the Updated Industrial Strategy. Our discussion today is a natural follow-up to our exchange earlier this year on open strategic autonomy. It is also highly relevant for Liechtenstein.

The industry is the flagship of Liechtenstein's economy, accounting for almost 43 per cent of GDP. Liechtenstein is thus among the most highly industrialized countries in Europe and worldwide. Some of our companies are global players, leading their respective markets – for example in construction tools, car parts, dental products, or convenience foods. The great majority are however SMEs with fewer than 10 employees. The amount of productive companies per inhabitant is higher than in most other countries: Around 12.5 active companies per 100 inhabitants are counted in Liechtenstein, underscoring the widespread entrepreneurship among our population.

Liechtenstein's economy, which also counts on a strong services sector, including financial services, is thus highly diversified. Yet there is one thing that most of our companies have in common: They offer their goods and services across borders, relying in particular on their access to the Single Market, for exports as well as imports.

We therefore warmly welcome the renewed focus in the Updated Industrial Strategy on strengthening the Single Market. Addressing global, external factors – especially supply chain dependencies – is of course also important. But a focus on advancing the Single Market has one key advantage: We can simply do it ourselves.

Even prior to pandemic times, the four freedoms required our constant attention and care. The Covid-19 crisis and the uncoordinated race for national restrictions could have brought the Single Market to a collapse, were it not for the Commission's tireless efforts to safeguard the core of these freedoms. We therefore look forward to the proposed Single Market Emergency Instrument, which should improve Europe's capacity to deal with future crisis in a spirit of coordination and solidarity. As we set our sight on the recovery, we must all do more to bring down persistent barriers that affect the good functioning of the Single Market.

In this regard, we particularly appreciate the detailed work that has gone into analysing and monitoring these barriers, for example through the new Annual Single Market Report. We fully agree with the Commission that progress has been too slow in the last few years, especially in services.

Let me conclude by emphasising our strong support for the Industrial Strategy which aims at enhancing the competitiveness of the European industrial sector in a competitive global market. As SMEs are often at the core of innovation and crucial for our economies, it is important that their administrative capacities are well taken into account when new initiatives are undertaken. Keeping the administrative requirements proportional and to the minimum necessary will allow and enable SMEs to participate in and benefit from these important initiatives.

Thank you.

Intervention of Ambassador Kristján Andri STEFÁNSSON on behalf of Iceland

Thank you, Minister, dear colleagues,

[General – Strengthening Single Market Resilience]

Meeting in this format, let me again convey the regards of Foreign Minister Thordarson who regrets not being able to be with us today due the situation at home where a new government is in the making.

It is safe to say that we have learned a thing or two about our economies during the pandemic. While some sectors have performed remarkably well, others have suffered. In Iceland, our then fast-growing tourism sector was particularly badly hit. No doubt our participation in the internal market helped in the adjustment that followed and will be equally as important for the recovery of the sector, not least when demand for workers increases again.

The outbreak of the pandemic early last year, shed light on some of the vulnerabilities of our markets and supply chains. With closing borders and supply disruptions, we were faced with serious lack of predictability and the world's economies came to a temporary halt. Friendly neighbours were competing and scrambling for essential supplies. Fortunately, things are looking better now as vaccination uptake continues, and trade has started to recover. However, we must build on the experience from the pandemic.

Iceland is a small, export-driven, and open economy. We basically rely on supplies from abroad. Therefore, we have been reminded of the importance of the rules-based trading system. In that line we would strongly support the important task of safeguarding the functioning of the four freedoms during crisis and welcome measures to further strengthening the internal market.

We continue to be a firm advocate of better regulation as way of unleashing business. I am confident more can be done there to alleviate some of the burden that in particular small and medium-sized companies are faced with in their operations. Anything we can do to help them to focus on innovation rather than red tape will be rewarded in faster recovery and much needed long-term growth. I see you have a particular focus on further liberalisation in the market for services, and there our government has indeed been taking steps to simplify rules and procedures for the benefit of businesses.

[Dealing with Supply Dependencies]

As regards cooperation within of the internal market to counter resource dependency, it is important that it be used to increase our options in securing supplies, but not to crack down on free and fair trade. We must safeguard the international trading system.

It is also noteworthy how some of the strategic supplies the EU is dependent on are also crucial for the twin transition, be it batteries for electric cars or cloud services.

We concur with what is stated in the review from this spring that in most cases industry itself is best placed to improve resilience and hedge against dependencies that may lead to vulnerabilities. I believe that open and competitive markets are the best way to increase production capacity in the region. However, in some cases we will have to focus on diversifying supply from abroad. Here again we have to be clear-eyed about the risks but also on guard against protectionism.

I note that you seek cooperation with your closest neighbours on this. I am happy that Iceland is able to reinforce your goals in some sectors, for example with steady supply of aluminium produced from sustainable energy and green-powered data centres. I think there is also potential for further cooperation on hydrogen.

[Accelerating the twin transition]

More ambitious climate goals are calling for quickened phase of the green transition. Iceland is very much committed to working with our EEA partners to reduce emissions by 55% by 2030. We have also set our own target of carbon neutrality by 2040. Iceland is in a very privileged but well-earned place as we did some of the energy transition decades ago when we managed to harvest our hydro- and geothermal energy resources.

While I concur governments can play a role in encouraging industry to take greater steps, there is always a risk that government intervention produces perverse incentives that may not always deliver the desired result. In that regard it is unfortunate when countries engage in bartering about who can provide the highest state aid to secure a factory or operations within their border. We are all in the same boat here and we urge that there have to be clear rules on this to safeguard fair competition.

The positive thing here is that business and industry are already taking an initiative in the green transition. Their role will be crucial because broad support for the green transition requires innovative solutions that only industry, science and research can deliver. That we can maintain our standard of living while it may entail different solutions from those used today and are harming our climate.

Icelandic companies have been developing such noteworthy solutions. To name a couple of examples, the company Carbfix is a front runner in carbon capture and storage. Another company, Marorka, is a world leader in increased energy efficiency of ships.

We took notice of the Fit for 55-package presented by the Commission this summer. Iceland will continue to monitor the proposals presented in the package and many of them are EEA relevant or relate to our joint fulfilment of emission targets. In particular, I note the proposal for a so-called Carbon Border Adjustment Mechanism – C-BAM. We need to steer and accelerate the industry towards a cleaner and less-emitting production and prioritise green goods.

With this noble goal in mind, it is regrettable that C-BAM will only apply to direct emissions of greenhouse gases emitted during production processes. In the case of Iceland where aluminium is produced solely from green energy, the system will do little to distinguish these products – carbon-price wise – from production responsible for much more emission. I hope this can be looked into in further development of the system.

As regards the digital transition it is simply a matter of survival. If we are not able to keep up with the advance of technology and develop the necessary infrastructure, our economies will be left behind – uncompetitive in the sectors of industry that will need to fuel future growth.

We have to be able to provide industry with a clear framework for operation in a timely manner while not getting in its way. We also have to plan for and encourage people to seek and acquire the necessary skills to be able to participate in the evolving digital workplace. Iceland is fortunate to have a strongly skilled workforce. But more needs to be done to channel people into the area of science and innovation.

The challenges are known, and while I cannot comment on the upcoming platform of the government, the twin transition will be a top priority in the coming years. The Horizon programme and the other funding programmes of the EU, in which Iceland participates, will continue to play a key role in providing funds for new and innovative research and projects relating to the twin transition.

To sum up, the review of the New Industrial Strategy presented this spring highlights well some of the new challenges we face. It also addresses how we can positively meet these challenges. We look forward to future engagement on this topic and our continued cooperation in shaping a better internal market.

Thank you.

Intervention of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

Thank you. If there are no more comments, I would like to conclude this item by thanking all participants for an interesting debate.

And this brings me to the next item on our agenda – the assessment of the overall functioning of the EEA Agreement.

6. ASSESSMENT OF THE OVERALL FUNCTIONING OF THE EEA AGREEMENT

Intervention of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

Ministers,

Colleagues,

The EEA Agreement forms the cornerstone of our relations with the EU. It has served our societies well for the past quarter of a century. This has also been the case during the last year-and-a-half. It has provided a basis for finding common solutions to the unprecedented challenges posed by the COVID-19 pandemic.

From the outset, our close alignment enabled us to step up cooperation on research, procurement and roll-out of vaccines. Our economic responses were coordinated. Distortions to the internal market, for example with regard to state aid, were limited. We resolved challenges to the free movement of goods relating to the export of medical protective equipment and the export scheme for vaccines. Last but not least, we were able to facilitate the free movement of people through our joint COVID certificate. These achievements have been crucial in promoting normalisation of our societies and the recovery of our economies. 2

The merits of the EEA Agreement are not always clear to stakeholders or the wider public. Good knowledge and understanding of the Agreement are essential for it to function smoothly. We need to continue to promote increased knowledge and a broader understanding of the EEA Agreement. This will facilitate the effective, predictable fulfilment of the rights and obligations set out in the Agreement and foster a sense of ownership of the EEA among the 30 Member States.

Starting in August of this year, the EFTA Secretariat, the EFTA Surveillance Authority (ESA) and the Financial Mechanism Office (FMO) have all been co-located in the EFTA House. This opens the door to a wide array of synergies. The EFTA House is uniquely positioned to highlight the important role of the EEA Agreement in the future.

Looking ahead, we share the same broad priorities for our work in the coming months. To achieve a sustainable recovery from the pandemic, we need to overcome vulnerabilities. For example, supply chain bottlenecks are affecting many sectors of our economies. We also need to advance the twin green and digital transitions.

The EEA EFTA States look forward to being close partners in these efforts. The recent EEA EFTA Comments on the Digital Services Act and the Digital Markets Act illustrate our commitment to this process. Our discussion of the New Industrial Strategy today is timely, as our industries are actively confronting these changes and challenges. 3

A significant achievement since the last EEA Council meeting is our participation in the new generation of EU programmes (2021-2027). Thanks to our common efforts, our participation in 12 out of the 13 programmes planned has now been formalised.

We would like to thank the EEAS and the Commission services for their part in making this happen. We also appreciate your assistance in ensuring our participation both in the preparatory phases and from the start of the programme period. We rely on your continued support to promote participation in accordance with the EEA Agreement.

The current period of the EEA and Norway Grants is coming to an end. The EEA EFTA States remain committed to supporting a strong and independent civil society and to reducing social and economic disparities in the EEA. In June the EU and the EEA EFTA States both concluded in their respective reviews that there is still a need to address economic and social disparities in the EEA. We are now ready to enter into dialogue with the EU on the next period of the Grants.

Finally, I would like to commend both sides on their hard work this year to reduce the backlog. However, a great deal still needs to be done: a number of acts are in the early stages of the incorporation process, and the backlog remains high. Continued efforts are needed on both sides. All parties must honour their responsibilities, including by allocating adequate resources. Let me assure you that this work is a high priority for the EEA EFTA States. 4

To conclude, we would like to thank the outgoing EU Chair, Slovenia, for close and constructive cooperation during your Presidency. In particular, we appreciated your efforts to enable us to participate in informal EU Council meetings and political dialogues. This is important for promoting effective collaboration. We look forward to working with the incoming French Presidency in the first half of next year.

Thank you.

Intervention of Minister Zdravko POČIVALŠEK on behalf of the European Union

Dear Colleagues,

First of all, we would like to reiterate once again the importance of these regular meetings of the EEA Council which give us the opportunity to assess together the application of the EEA Agreement and to hold a useful exchange of views on recent developments related to it.

Managing Director EICHORST will give you a detailed report on the day-to-day developments with regard to the EEA Agreement and on the concrete progress achieved since May.

Before giving her the floor, we would like to highlight some important developments that have taken place during the Slovenian Presidency of the Council.

Firstly, we would like welcome the incorporation of some very important pieces of legislation into the EEA Agreement, such as the decisions on the EU Digital COVID Certificate, the Directive establishing a single European Railway Area and the 4th Railway Package, the acts establishing the Body of European Regulators for Electronic Communications (BEREC) and the European Electronic Communications Code or the Space Programme Regulation.

The incorporation of several programme regulations into the EEA Agreement on 24 September was also a significant milestone. We look forward to the positive impact of the EEA EFTA States' participation in EU programmes in the 2021–2027 period. We are confident that this participation will allow our stakeholders to work together in areas of great common interest, and to identify and deliver new solutions to address environmental, digital, health, social and innovation challenges.

Furthermore, we would like to welcome the continued efforts made by all sides to reduce the backlog of EEA relevant EU *acquis* to be incorporated into the EEA Agreement and to accelerate the incorporation process.

Regarding bilateral issues, we need to reiterate the particular importance the EU and its Member States attaches to further liberalisation of trade in processed agricultural products with Iceland and Norway as foreseen in the EEA Agreement.

Lastly, we would like to note with regret that the EEA Council is not in a position to adopt conclusions this semester.

I will now wish to give the floor to the EEAS representative.

Intervention of Managing Director Angelina EICHHORST on behalf of the EEAS

Dear Ministers, Representatives of EEA-EFTA/EEA institutions, Ambassadors, ladies and gentlemen,

Thank you very much for this opportunity to share with you some thoughts on the EU view of the European Economic Area cooperation.

The EEA is the deepest and widest relationship the EU has with any third country in the world.

The EEA brings us together as equal partners in the shared internal market, giving access to its four freedoms.

The EEA is also a broader platform for our cooperation. It goes way beyond the Single Market, includes other areas, like research, defence, technological development, environment and culture.

The European Economic Area also contribute in the spirit of solidarity, through the EEA and Norway Grants, to a marked reduction of social and economic disparities in the EEA and to supporting of free and vibrant civil society and the justice sector. We look forward to start soon negotiations on renewal of the EEA Financial Mechanism beyond 2021, to ensure a continued smooth functioning of the Single Market which is in the interest of all its participants.

The EEA is a real success story. For quarter of century already, it has opened up new opportunities and means of cooperation for its 30 members.

We have seen, in the discussions in the context of the UK withdrawal and also with regard to Switzerland, that the European Economic Area is a strong point of reference for third countries wishing to participate in the EU's Single Market.

Ladies and Gentlemen,

Let me give you some examples of our current main work strands. At the end of September we adopted the necessary decisions to allow for the participation of the EEA EFTA States in altogether 13 EU programmes under the new multiannual financial framework 2021-27 (MFF). These include Horizon Europe, Erasmus+, Creative Europe, Digital Europe, and Single Market Programme.

It merits to be highlighted that the EEA EFTA States were the first countries, non EU Members, associated to the Horizon Europe Programme. This was thanks to the EEA Agreement, which provides the legal basis. This made the process of association much easier and faster than with other Third countries.

Let me highlight some of our other recent successes:

I am pleased to say that after several years of discussions the incorporation of the 3rd and 4th Railway Packages was finalised in September.

We have also after years of discussion now managed to incorporate the Regulation establishing the Body of European Regulators for Electronic Communications (BEREC), where we have reached a solution preserving the two-pillar structure of the Agreement

At our latest meeting of the EEA Joint Committee in October, we have incorporated the Second Capital Requirements Regulation (CRR II), and the EU Waste Directive. It is the CRR II, which continues the work of securing a more robust banking sector in the EU in the wake of the financial crisis of 2008–2009, and it is a very important part of EU acquis.

In October, we have also ensured participation of your countries in the European Space Programme, which further extends your participation in the Galileo satellite navigation system. The latest generation of this system has 20cm high accuracy and it is a game changer for autonomous driving and commercial drones. Let me also mention your participation in Copernicus (Earth Observation System) and EGNOS (system for navigation of airplanes).

These are just a few examples of recent issues we have been working on. It is paramount for the successful functioning of the EEA agreement to ensure a dynamic takeover of the rapidly evolving EU acquis. Our main long-term challenge remains the reduction of the amount of EU legal acts pending incorporation into the EEA Agreement, the so-called backlog.

More efforts are clearly needed on both sides to reverse the increasing trend, especially in the areas of energy and transport, where the backlog remains particularly high. EEA legislation in these sectors is of key importance to implement our shared political priorities.

In this context, let me refer also to the upcoming work on the “Fit for 55 package” on climate, energy, land use, transport and taxation policies, which aim at reducing net greenhouse gas emissions by at least 55% by 2030. The implementation of the package is key for Europe becoming the world's first climate-neutral continent by 2050 and making the European Green Deal a reality.

It is equally important to ensure that the rules continue to be applied and interpreted in the same manner in order to maintain the integrity of the Single Market

Ladies and Gentlemen,

In conclusion, the EEA Agreement is something we must jointly cherish and protect. It makes possible for us to be jointly part of the European integration project, economically and politically.

The EEA Agreement gives our citizens free access to the vast European labour market and helps our countries fill gaps in our own labour markets.

Your citizens have the same rights and obligations as EU citizens including the right to work, study, and settle in all the EEA countries.

We need to ensure that this all is well communicated and explained to the public, so that it is clear that all these benefits are not taken for granted, but result of our joint intensive work and political will.

Intervention of Minister Anniken HUITFELDT on behalf of Norway

Ministers and colleagues, I will now speak in my capacity as Minister of Foreign Affairs of Norway.

The new Norwegian Government stands firmly behind the EEA Agreement and the other agreements Norway has with the EU.

At this meeting I would like to highlight three key points regarding our European policy.

The first point is that we will put labour policy at the forefront. Movement of labour is one of the main pillars of the internal market. The right to seek work in all 30 EEA states is one of our greatest assets. And it is not least a fundamental freedom for each EEA citizen.

But freedom of movement for people must not lead to a race to the bottom. Workers shall be well treated and well paid, no matter where they come from.

My government will demand that in the Norwegian market, employers provide for Norwegian standards on pay and other work-related matters. Within the framework of the EEA agreement.

My second point is on climate policy. We welcome the Glasgow Climate Pact agreed on earlier this month. However, in our view, the wording could have been stronger. European leadership in this area will remain crucial.

Norway shares the goals of the European Green Deal. We can contribute technology and expertise to the implementation of the Green Deal in many areas:

- offshore wind,
- green shipping,
- hydrogen, carbon
- capture and storage (CCS)
- and sustainable batteries.

We have more than 50 years of experience in offshore energy production. Our engineers have built the cleanest petroleum industry in the world. Their expertise is needed to build green energy production in the future.

The third policy priority area I wish to mention is protecting democracy and the rule of law. The EEA Agreement is not just a mechanism for securing welfare, jobs, and opportunities. It is also a platform for protecting and defending fundamental rights and values.

Norway is part of the European legal order through our agreements with the EU. Some EU member states are challenging the basic principles of this order, and this is worrying.

Democracy is not just elections. It is also the independence of the judiciary, a free press and the respect for minorities. When these sectors are undermined, democracy itself suffers.

The EEA and Norway Grants contribute to reducing social and economic disparities in Europe. They also play a role in upholding democracy and the rule of law. This is more important than ever.

We all agree that European cooperation is about more than the market, more than money. It is about our common values. We must keep in mind that the internal market is based on the rule of law.

Attempts to undermine the rule of law threaten the integrity of the internal market. We will all be much poorer, in every sense of the word, if such attempts succeed.

The pandemic has confirmed that we have much to gain from working together. International cooperation is key. The EEA stands out in this regard. A common set of rights and obligations benefits all parties.

We look forward to continuing to expand our cooperation in the years ahead.

Thank you.

Intervention of Ambassador Pascal SCHAFHAUSER on behalf of Liechtenstein

Dear Ministers, dear colleagues,

We continue to find ourselves in challenging times. The Covid-19 pandemic still has a strong grip on our societies. Many of us experience a spike of infections and are putting new restrictions in place. In these times we must uphold our good EEA cooperation and the principles of free movement. Both have been a key reason why Europe fared better during the health crisis than other parts of the world.

As the pandemic drags on, we must ensure good solutions for the “new normal”. This new normal affects many aspects of our daily lives. Let me give an example. Many employees started working from home. In our case, with half of the work force not residing in Liechtenstein, this means that the home office is often not very far but still abroad. We therefore face important questions due to existing EEA legislation in the field of social security predating the pandemic and the change it has brought to the working environment and set-up. Thanks to transitional arrangements in response to the Covid pandemic, a pragmatic solution is currently in place that allows for flexibility beyond the 25 per cent rule of Regulation 883/2004. The exception from the 25 per cent rule, however, is currently only applicable until the end of this year. The pandemic has proven that we must prepare our work places for the future and offering teleworking will be an essential part of it for many employers and employees. We therefore believe that a good common solution must be found quickly for the many commuters in the EEA. This solution should allow non-resident employees to benefit from home-office possibilities to the same extent as resident ones, thereby avoiding a difference in treatment certainly not intended by the said legislation.

Overcoming the pandemic also requires looking towards the future. The EU's ambition to build back better is of central importance in this regard. Liechtenstein welcomes the Commission's focus on preparing the continent for the green and digital transitions. The goals pursued match very well the priorities of the Liechtenstein Government, which recently presented its new Government Programme for 2021 to 2025.

Sustainability is the primary theme of our Government Programme for the coming years. It sets out a comprehensive concept of sustainability, including the social, economic, environmental and financial dimension. Such a comprehensive concept is key in achieving the goals of the EU Commission's Green Deal. The new Government programme ensures that Liechtenstein is ready to make its contribution and our national "Energy Strategy 2030" and "Climate Vision 2050" prepare us to shoulder our share in reducing CO2 emissions.

A sustainable future also requires digital transformation. Liechtenstein is an innovative workplace with companies investing a lot in research and development. The Government supports them by providing a legal framework that ensures legal certainty and predictability. This includes rules for new technologies that protect investors and consumers. A prime example of such rules is our national Token and Trustworthy Technology Service Provider Act, which was the first law in the world to regulate Blockchain technologies. We are pleased that the Commission also issued draft legislation to regulate this new field of economic activity and are open and interested in sharing our experience in the field.

We are aware that the green and digital transition of Europe is a generational project that requires close partnerships beyond the EU. The EEA Agreement is a solid basis for such a partnership and we look forward to jointly leading our societies into a sustainable future. As the pandemic has shown, the Agreement is not only capable of handling major shocks, but in fact an indispensable tool to proactively address such challenges. It is therefore the natural basis for our cooperation as we work together towards a greener and more digital future.

Intervention of Ambassador Kristján Andri STEFÁNSSON on behalf of Iceland

Thank you, Chair, Minister,

Dear colleagues,

In Iceland, we have just been through general elections. The Government retained its majority and the current coalition partners aim to continue their cooperation with a renewed mandate.

Recovering from the pandemic will be an important task of the new government. So will the twin transition we have just discussed and we will strive to make them mutually re-enforcing. GDP growth is already predicted at 4% in 2021 and 5% in 2022, so we have a head-start.

While the new policy platform of the government is yet to be announced our firm commitment to the EEA Agreement remains unchanged and the EEA Agreement will continue to serve as the basis for our relationship with the EU.

COVID has certainly brought to light what our societies are made of and they have by and large proven remarkably resilient. The same is to be said about our EEA Agreement.

And while our close cooperation during the past months has not been without challenges, including on the export authorisation scheme, the common resolve to find solutions has been reassuring and has to continue to be our guiding force.

For the future, we need to draw strategic lessons from the crisis response and management of the EEA during the pandemic. It is not least for challenging times that agreements and mutual rights and obligations are made. As your closest partners, we will need to remain faithful to each other in such times. Also when things are not going right, it has to be normal to raise concerns, discuss them and work towards joint solutions between the EEA partners. As we all know, this is essential in any good relationship.

For the internal market to function well we have to keep up our efforts to update the EEA Agreement regularly and in a timely fashion.

The good functioning of the EEA Agreement remains a shared responsibility of all parties. Preserving the two-pillar system is essential.

The growing number of EU agencies and their increasing influence has not been without challenges. This is putting strain on the basic features of the EEA Agreement. So far we have been pragmatic and found solutions.

The two-pillar solutions found for the EU Financial Supervisory Authorities seem to be working well in practice and it will be important to uphold that approach when we incorporate the revision of the ESAs and adapt for similar setups in the EEA Agreement.

The proposed institutional setup for the new Anti-Money Laundering Authority under discussion needs specific attention in this regard. The EEA EFTA States will provide a comment on this particular matter in due course.

Finally, we cannot conclude without touching upon trade conditions for fish and agricultural products between Iceland and the EU – as we have also done in recent meetings. This continues to be a matter of interest and concern for my government although I must mention that my minister has had positive exchanges with colleagues on the side of the Commission recently.

As has been mentioned, we have agreed there is still a need to alleviate social and economic disparities in the EEA and we are ready to start these discussions.

A key aim of reducing these disparities, as laid out in Article 115 of the EEA Agreement, is to promote a continuous and balanced strengthening of trade and economic relations between the EEA partners, including trade in fish and agriculture.

Despite active participation in the internal market for over 25 years and “being part of the widest and deepest relationship the EU has with any other third country” to put it in the words of the EEAS itself, our fish and fisheries products are still subject to a broad range of tariffs. This has to be a two-way street. In conformity with established practice, we expect the negotiations on the Financial Mechanism, to be conducted in parallel with negotiations on market access for fish and other marine products.

Moreover, significant external events and internal developments have radically changed the starting point for the Agricultural Agreement which entered into force between Iceland and the EU in 2018. Here, there is a need for rebalancing of some of the tariff quotas provided for under this agreement.

I therefore trust, as stated in my Minister’s meetings with the various Commissioners this summer, that the EU side will duly address these issues with a fresh approach. We will continue to insist on improved market access for fish and rebalancing of trade in agriculture.

Thank you.

Intervention of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

Thank you. If there are no further comments I hereby conclude the discussion on the functioning of the EEA Agreement.

7. OTHER BUSINESS

Intervention of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

We are then on the last agenda item for today, namely other business. The EEA EFTA States do not have any further issues to raise. Would the EU side like to raise any other issues?

Intervention of Minister Zdravko POČIVALŠEK on behalf of the European Union

No, thank you, we do not have any topics to raise under 'Other Business'.

Closing remarks of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

As chair of the EEA EFTA side I would like to make two brief remarks at the end of our meeting, on behalf of Iceland, Liechtenstein and Norway.

First, we regret that it has not been possible to adopt formal EEA Council conclusions in today's meeting.

However, my second remark is that we have undertaken a thorough stock-taking of the functioning of the European Economic Area (EEA) agreement today. This stock-taking has confirmed and underlined both the good functioning of this Agreement and the high quality of our cooperation.

Through the EEA Agreement we are equal partners in the internal market. We look forward to continuing our close cooperation for a strong recovery and a green and digital transition that is fair. With our participation in EU programmes, we will deliver new solutions together on environmental, digital, health, social and innovation challenges.

I would like to express my gratitude to you, the Slovenian Presidency of the Council of the EU. And to the Commission and the European External Action Service for your important contributions to the good functioning of the Agreement. We value this cooperation. We look forward to working with the French Presidency in the first half of next year.

In order not to prolong this meeting, I would like to conclude by referring to the fuller statement that has been made available. Thank you.”

Closing remarks of Minister Zdravko POČIVALŠEK on behalf of the European Union

From my side, I would like to thank you all for your attendance and your contributions to this very constructive meeting.

Intervention of Minister Anniken HUITFELDT on behalf of the EEA EFTA side

I then declare the meeting closed.

53rd meeting of the EEA COUNCIL**(Brussels, 24 November 2021)****LIST OF PARTICIPANTS AT THE PLENARY SESSION****Norwegian Delegation (EEA EFTA Chair)**

H.E. Ms Anniken HUITFELDT	Minister of Foreign Affairs, Ministry of Foreign Affairs
H.E. Mr Rolf Einar FIFE	Ambassador, Mission of Norway to the EU
Ms Eirin Kristin KJÆR	Political adviser, Ministry of Foreign Affairs
Mrs Laila STENSENG	Director-General, Department for European Affairs and International Trade, Ministry of Foreign Affairs
Mr Jørn GLOSLIE	Director, Department for European Affairs and International Trade, Ministry of Foreign Affairs
Ms Audhild NYDAL ENGER	Senior Adviser, Department for European Affairs and International Trade, Ministry of Foreign Affairs

Icelandic Delegation

H.E. Mr Kristján Andri STEFÁNSSON	Ambassador, Mission of Iceland to the EU
Mr Ragnar G. KRISTJÁNSSON	Director-General, Directorate for External Trade and Economic Affairs, Ministry for Foreign Affairs
Ms Katrín SVERRISDÓTTIR	Director of EEA Cooperation, Mission of Iceland to the EU, Acting Deputy Head of Mission of Iceland to the EU
Ms Ragnheiður HARÐARDÓTTIR	Counsellor, Mission of Iceland to the EU
Mr Þorvaldur Hrafn YNGVASON	First Secretary, Mission of Iceland to the EU

Liechtenstein Delegation

H.E. Mr Pascal SCHAFHAUSER	Ambassador, Mission of the Principality of Liechtenstein to the EU
Ms Nuscha WIECZOREK	First Secretary, Mission of the Principality of Liechtenstein to the EU

Slovenian Delegation (EU Council Presidency)

Mr Zdravko POČIVALŠEK	Minister of Economic Development and Technology
Msc Karla PINTER	Director General, Internal Market Directorate, Ministry of Economic Development and Technology
Mr Aleš ZABUKOVEC	Counsellor, Chair of the EFTA Working Party, Permanent Representation of Slovenia to the EU
Ms Tatjana KOŠIR	Head of Sector for Trade policy, Ministry of Economic Development and Technology
Ms Mojca PLAZNIK	Head of European and International affairs, Ministry of Economic Development and Technology
Ms Ana VUKOSAVLJEVIĆ	EFTA attaché, Permanent Representation of Slovenia to the EU

EU Council Secretariat

Mr Matthew REECE	Head of Unit, Enlargement and European Neighbourhood
Ms Andreaia VISCONTI-IORDACHITA	Desk Officer for Non-EU Western Europe, Enlargement Unit

European External Action Service

Ms Angelina EICHHORST	Managing Director
Ms Clara GANSLANDT	Head of Division, Western Europe

European Commission

Mr Hubert GAMBS	Deputy Director-General DG GROW - Internal Market, Industry, Entrepreneurship and SMEs
Mr Tom DIDERICH	International Relations Officer, DG GROW

EFTA Secretariat

Mr Henri GÉTAZ	Secretary-General
Ms Hege Marie HOFF	Deputy Secretary-General
Mr Andri LÚTHERSSON	Deputy Secretary-General
Ms Marit C. SCHAGE ANDRIA	Director, Internal Market Division
Ms Heidi JAKOBSEN	Senior Officer, EEA Coordination Division
Mr Thorfinnur OMARSSON	Senior Officer, Secretary-General's Office

EFTA Surveillance Authority

Ms Bente ANGELL-HANSEN	President
Mr Högni KRISTJÁNSSON	College Member
Mr Stefan BARRIGA	College Member

REPORT

Subject: Progress report of the EEA Joint Committee to the 53rd meeting of the EEA Council

Decision making

1. The EEA Joint Committee has up to 29 October adopted 146 Joint Committee Decisions (JCDs) incorporating 283 legal acts since the Informal meeting of the Members of the EEA Council on 28 May 2021. In the period from 1 January to 29 October 2021, the EEA Joint Committee has adopted 303 JCDs incorporating 554 legal acts. This number includes ten decisions incorporating eight acts which were adopted by written procedures on 3 and 15 March, 30 June, 14 and 28 July 2021. In comparison, during the period from 1 January to 23 October 2020, 170 JCDs incorporating 275 legal acts were adopted.
2. As of 6 October 2021, there were 594 legal acts outstanding where the compliance date in the EU had passed, compared to 559 acts on 30 October 2020. Since October 2020 therefore, the overall number of legal acts outstanding has increased slightly. Of the 594 legal acts outstanding on 6 October 2021, 245 acts are still in the early stages of the incorporation process, where the compliance date in the EU has passed less than six months ago.
3. As of 6 October 2021, the number of JCDs awaiting the fulfilment of constitutional requirements where the six-month period had expired was 23, compared to 22 on 12 May 2021.

4. Important decisions incorporated since the informal meeting of the Members of the EEA Council on 28 May 2021, include:

- Decision No 183/2021 on emissions from medium combustion plants,
- Decision Nos 187/2021 and 188/2021 on the EU Digital COVID Certificate and Decisions Nos 225/2021, 241/2021, 242/2021 and one Decision on the Long list of acquis for incorporation on 29 October 2021, establishing the equivalence of COVID certificates issued by certain non-EEA countries,
- Decision 226/2021 on marine equipment,
- Decision No 227/2021 concerning the recognition of qualifications of doctors,
- Decisions No 229/2021 to 232/2021 and 235/2021 on Animal Health Law (level 2 acts),
- Decision No 234/2021 on the transparency and sustainability of the EU risk assessment in the food chain,
- Decision No 247/2021 incorporating the Directive establishing a single European Railway Area and related acts (the Railway Package, recast),
- Decision No 248/2021 incorporating Regulation on the European Union for Railways and related acts (the 4th Railway Package),
- Decisions No 262/2021, 263/2021 and 265/2021 to 271/2021 incorporating 10 EU Programme Regulations (Digital Europe, EU4Health, Single Market programme, Horizon Europe, LIFE programme, Erasmus+, Creative Europe, UCPM, Solidarity Corps and ESF+),
- Decision No 274/2021 and 275/2021 incorporating the acts establishing the Body of European Regulators for Electronic Communications (BEREC) and the European Electronic Communications Code,
- Decision No 278/2021 incorporating a Regulation concerning migratory bees,

- Decision No 298/2021, incorporating 7 acts establishing the equivalence of COVID certificates issued by certain non-EEA countries,
- Decision No 301/2021 incorporating the Second Capital Requirements Regulation (CRR II) - one of the three acts in the Banking Reform Package,
- Decision No 318/2021 incorporating the Waste Directive,
- Decision No 319/2021 incorporating the Space Programme Regulation.

Decision shaping

5. The EEA EFTA States are participating in 12 programmes under the 2021-2027 MFF, in addition to several decentralised and executive agencies. Discussions on participation in one more programme are ongoing.
6. Since the last EEA Council, the EEA Joint Committee has taken note of EEA EFTA Comments on the following subjects:
 - EEA EFTA Comment on the revision of the Eurovignette Directive,
 - EEA EFTA Comment on the Digital Services Act.

Briefings in the Joint Committee

7. In the period from 28 May 2021 to 24 November 2021, the EEA Joint Committee has received briefings on:
 - EEA EFTA Comment on the revision of the Eurovignette Directive,
 - EEA EFTA Comment on the Digital Services Act.

Status of issues outstanding

8. The discussions on the following issues have not yet been concluded:
 - Directive on the energy performance of buildings,

- Directive on energy efficiency,
 - Regulation on common rules in the fields of civil aviation and establishing a European Union Aviation Safety Agency (EASA),
 - Regulation on common rules and standards for ship inspection survey organizations and related acts (the Ship Inspection Package),
 - Directive concerning the provision of audiovisual media services (Audiovisual Media Services Directive),
 - Directive on Tobacco Products,
 - Regulation on organic production and labelling of organic products.
9. The Joint Committee has reiterated its determination to work towards the rapid conclusion of these issues.

Financial Mechanisms

10. The Agreement on the EEA Financial Mechanism and the Agreement on the Norwegian Financial Mechanism for the period 2014-2021 amounts to total contributions of 1548.1 and 1253.7 million euro, respectively. Programmes signed in 14 beneficiary states (Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia) are well into implementation.
11. The EU side and the EEA EFTA States have submitted their reviews, under Article 11 of Protocol 38C of the EEA Agreement, on the need to address social and economic disparities in the EEA and concluded that the need persists.