

EEE 1608/18

DRAFT MINUTES

Subject: Draft minutes of the 49th meeting of the EEA Council
Brussels, 23 May 2018

DRAFT MINUTES

of the 49th meeting of the

EEA COUNCIL

(Brussels, 23 May 2018)

CONTENTS

Page

1.	Adoption of the Provisional Agenda (EEE 1601/18)	5
2.	Approval of the minutes of the 48 th meeting held in Brussels on 14 November 2017 (EEE 1604/18)	5
3.	Progress report by the EEA Joint Committee (EEE 1603/18)	5
4.	Resolution of the EEA Joint Parliamentary Committee adopted at its 50 th meeting in Stavanger on 7-8 May 2018 on the <i>Annual Report of the EEA Joint Committee on the Functioning of the EEA Agreement in 2017</i>	5
5.	Resolutions of the EEA Consultative Committee adopted at its meeting in Reykjavik on 3-4 May 2018 on the Work-Life Balance in the EEA, and on A socially fair road transport sector in the EEA with effectively enforced common rules	6
6.	Draft Conclusions of the EEA Council (doc. 1602/18)	6
7.	Orientation Debate: <i>the Review of the European Supervisory Authorities</i>	6
8.	Assessment of the overall functioning of the EEA Agreement	15
9.	Other business	34

<u>Annex I:</u>	List of Delegations	36
<u>Annex II:</u>	Progress report by the EEA Joint Committee (EEE 1603/18)	40
<u>Annex III:</u>	Conclusions of the 49th meeting of the EEA Council (EEE 1602/1/18 REV 1)	44

The EEA Council held its 49th meeting in Brussels on 23 May 2018.

The meeting was chaired by Mr Emil KARANIKOLOV, Minister of Economy of Bulgaria, who led the delegation of the European Union, composed of him and representatives of the General Secretariat of the Council, the European Commission and the European External Action Service.

The EEA EFTA side was led by Mr Guðlaugur Þór ÞÓRÐARSON, Minister for Foreign Affairs of Iceland, accompanied by Ms Ine ERIKSEN SØREIDE, Minister for Foreign Affairs of Norway, and Ms Aurelia FRICK, Minister for Foreign Affairs, Justice and Culture of Liechtenstein.

The EEA EFTA side also included Mr Kristinn F. ÁRNASON, Secretary-General of the European Free Trade Association (EFTA), and Ms Bente ANGELL-HANSEN, Mr Högni KRISTJÁNSSON and Mr Frank BÜCHEL (EFTA Surveillance Authority ESA).

Opening statement of Minister Emil KARANIKOLOV on behalf of the European Union

Dear colleagues from Iceland, Norway and Liechtenstein, from the EFTA Secretariat and from the EFTA Surveillance Authority,

First of all, allow me to wish you and your delegations a very warm welcome on behalf of the Council of the European Union.

We are especially pleased to have Minister Eriksen SØREIDE with us today, for her first EEA Council meeting. Congratulations on your appointment as Minister for Foreign Affairs of Norway and we wish you every success in your new duties. We are certain that our relations will continue to be marked by the same high level of cooperation which characterised them in the past.

Before we start our meeting, I would like to express my thanks to all of you and, in particular, to the EFTA Secretariat for the excellent cooperation in finalising the arrangements for this meeting.

I am looking forward to our discussions!

Intervention of Minister Mr Guðlaugur Þór ÞÓRÐARSON on behalf of the EEA EFTA side

Thank you, we look forward to the discussion and an exchange of views with our partners in the EU.

Intervention of Minister Emil KARANIKOLOV on behalf of the European Union

Let us now move to the formal agenda of our EEA Council, as set out in document 1601/18. I hope there is agreement, in order to gain time, to deal with items 1, 2, 3, 4, 5 and the conclusions of our meeting of today, appearing under item 8 of our agenda, without further discussion, and therefore note our agreement on the agenda and the other documents related to those items.

Intervention of Minister Mr Guðlaugur Þór ÞÓRÐARSON on behalf of the EEA EFTA side

I would like to confirm that we agree to deal with items 1, 2, 3, 4, 5 and 8 of our Agenda without discussion and move to item 7 before item 6.

1. ADOPTION OF THE AGENDA

The EEA Council adopted the Agenda, as set out in EEE 1601/18.

2. APPROVAL OF THE MINUTES

The EEA Council approved the minutes of the 48th meeting of the EEA Council, which took place in Brussels on 14 November 2017, as set out in EEE 1604/18.

3. 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 1603/18.

4. RESOLUTIONS OF THE EEA JOINT PARLIAMENTARY COMMITTEE

The EEA Council took note of the Resolution of the EEA Joint Parliamentary Committee adopted at its 50th meeting in Stavanger on 7-8 May 2018 on the *Annual Report of the EEA Joint Committee on the Functioning of the EEA Agreement in 2017*.

5. RESOLUTIONS OF THE EEA CONSULTATIVE COMMITTEE

The EEA Council took note of the Resolutions of the EEA Consultative Committee adopted at its meeting in Reykjavik on 3-4 May 2018 on the *Work-Life Balance in the EEA*, and on *A socially fair road transport sector in the EEA with effectively enforced common rules*.

6. CONCLUSIONS OF THE EEA COUNCIL

The EEA Council adopted the Conclusions, as set out in EEE 1602/18.

7. ORIENTATION DEBATE ON 'THE REVIEW OF THE EUROPEAN SUPERVISORY AUTHORITIES'

Intervention of Minister Emil KARANIKOLOV on behalf of the European Union

Dear colleagues,

As agreed, we will be taking now item 7 before item 6, namely the revision of the European System of Financial Supervision.

In the context of the Capital Markets Union Action Plan, the Commission adopted in September last year a package of proposals to revise the regulations establishing the European System of Financial Supervision.

These four Regulations are in force since 2010, and the three newly created supervisory authorities (one for securities and markets, one for banking and a third for insurance and pensions products) as well as the European Systemic Risk Board have all functioned well.

This being said, new challenges have emerged, such as the departure of the United Kingdom from the European Union. Therefore, we need to continue putting in place an effective and reliable supervisory system in the Union in order to ensure the proper functioning of capital markets.

The EU finance ministers had a first exchange of views on this package in November 2017. During the Informal meeting of finance ministers last month in Sofia, we also discussed this proposal in the context of a broader discussion on the Capital Markets Union.

At expert level, these proposals started being examined in October last year under the Estonian Presidency and the work has continued under the Bulgarian Presidency.

The Presidency has carefully listened to delegations' positions on the proposals revising the European Supervisory Authorities' Regulations and we are continuing these discussions in order to find where a future compromise may lie.

In the context of the package on the review of the European System of Financial Supervision, the Council has also been working since last year on the proposal to amend the organisational system of the European Systemic Risk Board.

This is key to reinforce the Board's role in the macro-prudential oversight of the financial system within the Union and to prevent or mitigate systemic risks to financial stability.

The review of the Regulation on the European Systemic Risk Board on which we have been working aims to render the supervision of systemic risks at an EU level still more independent and will further enhance transparency.

Work is very intensive on all the proposals during our Presidency and the negotiations will continue under the Austrian Presidency.

We hope to find an agreement in the Council on the entirety of review proposals on the European System of Financial Supervision as soon as possible, keeping in mind the final objectives of this review and the interests of Member States and of the Union as a whole.

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 Mr Olivier GUERSENT on behalf of the European Commission

Mr Olivier GUERSENT presented the Commission proposal COM(2017)536 on the review of the European Supervisory Authorities ('ESAs') the purpose of which was to foster integration in the EU in the area of financial services. He further explained that the proposal consisted of the following three pillars:

- a) first pillar: allow the European Supervisory Authorities to be able to closely monitor that implementation of the law is consistent across the Member States and give them the means to do so;
- b) second pillar: ESMA (European Securities and Markets Authority) would be given more powers in targeted areas in order to exercise direct supervision;
- c) third pillar: 'governance' and 'funding':
 - i) 'governance': the ESAs would be given a structure that would allow them to use their new convergence powers. One of the pivotal elements would be the establishment of an Executive Board which would not be composed of National Supervisory Authorities but of independent members or staff of the ESA, that would have the power to take decisions without going to the Board of Supervisors (which would be composed of national authorities);
 - ii) 'funding': new rules would be proposed, notably financing the ESAs via industry contribution, instead of them being fully financed by public money.

After the presentation, Mr GUERSENT answered the questions raised by the EEA EFTA States, mainly focusing on the proposed Executive Board.

Intervention of Minister Guðlaugur ÞÓR ÞÓRÐARSON on behalf of the EEA EFTA States

Almost four years ago we reached a political agreement to incorporate the European Financial Supervisory Authorities into the EEA Agreement. This was three years after ESMA (European Securities and Markets Authority) EBA (European Banking Authority) and EIOPA (European Insurance and Occupational Pensions Authority) had started their operation (2011). EFTA participation in the European financial system is important for the internal market in financial service to function well.

The political agreement was only the beginning. Many challenges had to be overcome to find a solution under the framework of the Agreement which respects the two-pillar system and ensures a level playing field for financial services. This objective was achieved – and the three ESAs were incorporated into the Agreement in 2016.

Since the establishment of the ESAs in 2011, close to 450 acts in financial services have been published by the EU. We have made good progress in incorporating these acts into the Agreement. However, outstanding financial regulations still account for the majority of the backlog. Together we are working hard to incorporate them into the Agreement.

Each act has to be studied separately not least to ensure that the two-pillar system of the EEA Agreement is upheld. We are now on a good track and thank the EU - DG FISMA and the EEAS - for their continued constructive cooperation.

The Commission has now proposed a major overhaul of the ESAs. This includes an extension of direct supervision at the European level, a new governance structure and changes to the funding system.

We would like to emphasise that any solution reached on the EU side regarding a revised structure must ensure the same level of participation for the EEA EFTA States that is full participation except for the right to vote. This is the current situation and should be the solution upheld under a new set-up.

On direct supervision, we share the view of many Member States that any transfer of competence to the European level should be limited to exceptional instances where national supervision is obviously inferior due to the nature of the supervised entities.

For the European Systemic Risk Board, we are very pleased with the Commission's proposal which provides for improved participation of the EEA EFTA States in the ESRB. We ask the Council to ensure that the current wording is kept in the proposal.

These initial views have been put forward in an EEA EFTA Comment submitted to your side in April. As full participants in the internal market of financial services, the earlier we are informed about discussions in the Council the more prepared we will be to assess and incorporate the revised ESAs into the Agreement.

At the end of the day it is our common interest to find solutions that fully respect the common rules of the financial supervisory framework as well as the two-pillar structure of the EEA. We look forward to following the developments and count on your continued cooperation and collaboration.

Intervention of Minister Guðlaugur ÞÓR ÞÓRDARSON on behalf of Iceland

I would like to reiterate our concerns regarding developments under the two-pillar structure of the EEA Agreement: it has become more and more difficult, when EU acts providing for such delegation of powers are incorporated into the EEA Agreement, to find solutions that respect the two-pillar structure of the Agreement.

This development is causing more and more unease in Iceland, for parliamentarians, scholars and the general public alike. It is debatable how much further Iceland can go in accepting solutions which are not fully compatible with the two-pillar structure.

Our experience with the EEA has been positive. It has provided us with a stable framework to participate in the EU internal market and access for Icelandic goods and services to one of our most important markets. But there is still room for improvement.

Iceland and the EU have a bilateral free trade agreement since 1972 providing for liberalisation in imports of fisheries products to the EU. The EEA Agreement has been in force since 1994 but we still do not have full liberalisation when it comes to trade in fisheries products to the EU market.

Regularly there are revisions of the fisheries trade protocols. This is done parallel to negotiations on the EEA Financial Mechanism, where the EEA/EFTA States make substantial financial contributions to reduce economic and social disparities within the EEA.

Iceland has repeatedly asked the EU to improve market access for our fisheries products. I am of the view that full liberalisation of trade in fisheries products is long overdue. That would be in line with recent FTAs which the EU has concluded with third countries.

Intervention of Minister Eriksen SØREIDE on behalf of Norway

Risks spread fast between countries and institutions.

The global financial crisis clearly demonstrated the need for sensible regulation of the financial sector.

Norway welcomes measures that improve the functioning of EU's financial markets, economic development and reduce risk of future financial crises.

We recognise the importance of a supranational financial supervisory system.

EEA cooperation in financial services works well.

The EU and EFTA supervisory authorities meet regularly and cooperate closely within the European System for Financial Supervision.

Our understanding of rules, regulations and supervisory practice is mutual.

This close cooperation benefits all of us.

The participation of the EEA EFTA States in the European System of Financial Supervision is important for a well-functioning internal market.

The EEA EFTA States participate fully, but without the right to vote in the Board of Supervisors in the three ESAs.

Today, our participation in the European Systemic Risk Board (ESRB) is more limited.

Norway welcomes the Commission's proposal the regulation on the European Systemic Risk Board (ESRB), which facilitates improved participation by the EEA EFTA States in the Board.

The European Supervisory Authorities (ESAs) are competent to perform actions of a non-binding nature vis-a-vis the EEA EFTA competent authorities and market operators.

The EFTA Surveillance Authority takes decisions addressed to the EEA EFTA competent authorities or market operators in the EEA EFTA States.

This is in line with the two-pillar structure.

In our view, the cooperation and participation works well.

When deciding on the other current proposals, the EEA dimension should be taken into account.

It is important to avoid amendments to the EU system that may potentially lead to complicated constitutional and political issues for the EEA EFTA states.

A revision of the European Supervisory Authorities that is consistent with the structure and objectives of the EEA Agreement and accommodates the current balanced two-pillar solution, will contribute to a more efficient incorporation in the EEA Agreement.

In this context, I would still like to highlight two issues:

The first concerns the proposed amendment to the governing structure of the European Supervisory Authorities.

We believe that a new governing structure with a five-person «Executive Board» will pose challenges to the EFTA pillar of the EEA.

It is difficult to see how to maintain a balanced solution if the EFTA States are not allowed sufficient participation in such an Executive Board.

Secondly, we question the proposal for more centralised planning at the EU level of the supervision to be conducted nationally.

Removing the competence to prioritise supervision and supervisory resources from the national supervisory authorities, could raise some difficult questions regarding the accountability of the national supervisor.

I understand that these issues are also being discussed in the European Parliament and between the Member States in the Council.

Intervention of Minister Aurelia FRICK on behalf of the Liechtenstein

Mr. Chairman, dear colleagues,

I would like to thank Director-General Guersent for his interesting presentation on the review of the European Supervisory Authorities (ESAs). As a starting point, let me recall that Liechtenstein has always supported the EU's tailored response to the financial crisis. We also appreciate the EU's on-going efforts to protect consumers and ensure a sound and stable financial sector for the long term. The importance of this project for our economies, our societies and thus the future of Europe cannot be overstated.

Liechtenstein welcomes the important role of the ESAs in supporting supervisory convergence and coordinating issues between National Competent Authorities. As regards the Commission's proposal, Liechtenstein particularly appreciates the suggestion to better integrate FinTech-related aspects into the supervisory work. This will help us better harness the potential of this fast-growing segment of our economy.

The proposal has led to lively discussions among States and stakeholders, including in Liechtenstein. Some of these concerns will sound familiar to you – but in the context of the dimension of Liechtenstein’s financial centre, they are actually more pronounced. For example, the suggested further centralisation of supervisory powers at the European level has been criticised as neglecting subsidiarity and proportionality. If this is a valid concern for countries with hundreds or thousands of banks, then obviously this is a valid concern for Liechtenstein – with fifteen banks. The importance of close knowledge at the national level and the need for flexibility for national supervisory authorities to respond to local development should not be underestimated. In most cases, national approaches can be aligned sufficiently by issuing guidelines and opinions at a European level, while safeguarding the positive effects of proximity of NCAs to the local market.

My colleagues have already mentioned the need to ensure that the review will not endanger the balanced solution found for the incorporation of the ESAs Regulations into the EEA Agreement. I will not repeat the arguments made in this regard, but highlight just one particularly important aspect. Liechtenstein indeed favours greater supervisory cooperation and transparency, especially at the policy level. Yet the proposed Executive Board, consisting of only a few members, risks taking us a step backward in that regard. Its proposed design could reduce the political weight of the Board of Supervisors and restrict the flow of information therein. This would be regrettable, since the Board currently serves as a crucial platform for information exchange for all EEA countries. This has been especially important for Liechtenstein, with its small, yet fully international financial centre. We truly hope that our participation in the Board of Supervisors will remain as meaningful as it is today. In addition, the Executive Boards of the ESAs should be open to EEA/EFTA participation to ensure supervisory consistency in the whole EEA.

To conclude, I would like to thank the EU side, and especially the Commission, for allowing us to have this discussion today. I believe it has shown that we have come a very long way in our EEA cooperation, especially in the area of financial services. The process may have been challenging, especially with respect to the two-pillar structure of the EEA Agreement, yet we are now on a good track. Liechtenstein looks forward to continuing this close partnership, including through a balanced ESAs review.

I thank you.

Intervention of Minister Emil KARANIKOLOV on behalf of the European Union

Thank you, all of you, for your interesting contributions!

I think that brings us to the end of our orientation debate.

8. ASSESSMENT OF THE OVERALL FUNCTIONING OF THE EEA AGREEMENT

Intervention of Minister Emil KARANIKOLOV on behalf of the European Union

Let us move on to item 6 on the agenda, concerning the assessment of the overall functioning of the European Economic Area Agreement.

First of all, I would like to stress 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.

The EEA Agreement was and remains the pillar of our relations. Since its entry into force more than 20 years ago, it has proved to be amazingly flexible. Over the years, it has taken up a remarkable high number of amendments. Its living character, together with the stability and quality of its institutions, is without doubt a key element for its durability.

With the EEA Agreement as a strong and solid foundation, relations between the EU and the EEA EFTA States have further developed and comprise today an important number of additional agreements in a variety of areas. In this context, I would like to welcome the recent signing of the Agreement between Norway and the EU on administrative cooperation, recovery assistance and combating fraud in the field of VAT in Sofia on 6 February this year. With this, Norway is becoming the first country with which the EU has an agreement in this field.

I would like to turn now to a few specific issues relating to the functioning of the EEA Agreement.

Since our last meeting in November last year, the EEA Agreement has continued to function in a satisfactory manner, maintaining its key role in advancing economic relations and Single Market integration between the European Union and the EEA EFTA States.

The entry into force in September last year, of the agreements between the EU and the EEA EFTA States and the EU and Norway on new financial mechanisms, was an important milestone. In this context, we would like to welcome the signing of the Memoranda of Understanding with 12 EU beneficiary States. We hope that Memoranda of Understanding with the remaining EU beneficiaries will be concluded shortly. Swift progress on the approval of the concept notes developed within the framework of the respective Memoranda of Understanding is of key importance as well.

I would also like to take this opportunity to recall that the Bulgarian Presidency coincides with the 10th anniversary of Bulgaria as a beneficiary state of the EEA and Norway financial mechanisms, which will take place next week on 28 May. This has been an extremely important period in which the efforts of Bulgaria, as well as we believe all other beneficiary States, have been focused on the two main objectives of the mechanisms: reducing economic and social disparities across Europe and strengthening bilateral relations with the EEA EFTA States.

The General Data Protection Regulation is the most comprehensive reorganisation of data protection in Europe. Becoming effective as of 25 May, new rules will apply from that date in the EU to strengthen the protection of personal data. In this context, we would like to welcome the progress achieved with the EEA EFTA States in the discussions regarding the General Data Protection Regulation and we wish to highlight the importance of swiftly incorporating that Regulation into the EEA Agreement as well, in order to guarantee our citizens with the same level of protection throughout the EEA. The Council will adopt its decision on the position to be adopted, on behalf of the EU, within the EEA Joint Committee concerning the incorporation of the General Data Protection Regulation into the EEA Agreement on 6 June.

On trade in agriculture, we would like to welcome the entry into force of the Agreements between the European Union and Iceland on additional trade preferences in agricultural products and on processed agricultural products, and on the protection of geographical indications for agricultural products and foodstuffs on 1 May.

As regards Norway, we would like to inform you that the Council adopted last week, on 14 May, its Decision on the conclusion, on behalf of the European Union, of the Agreement between Norway and the European Union on further liberalisation of agricultural trade within the framework of Article 19 of the EEA Agreement. We look forward to the swift entry into force of this Agreement as well. An agreement with Norway on the protection of geographical indications remains of strong importance for the EU.

On the backlog, we would like to welcome the progress achieved during the course of last year and note the decrease of 20 percent in acts awaiting incorporation. Nonetheless, efforts to reduce the backlog must be pursued. The number of legal acts whose incorporation into the EEA Agreement has been delayed remains too high. More needs to be done in this respect and we hope that the outstanding legislation, in particular in the field of financial services, will be incorporated and applied as quickly as possible, in order to ensure a level playing field throughout the EEA.

Last but not least, we would like to mention our common challenges relating to the management of the stocks of mackerel, Atlanto-Scandian herring and blue whiting in the northeast Atlantic.

In line with previous years, we would like to take this opportunity to reiterate the EU's firm commitment to sustainable fishing. Maintaining the important economic benefits these stocks provide, and avoiding overexploitation and subsequent stock declines, continue to require the conclusion of comprehensive and fair management regimes.

I will now give the floor to the EEAS representative, speaking on behalf of the Commission, who will add some comments on the overall functioning of the EEA Agreement.

Intervention of Director Angelina EICHHORST on behalf of the EEAS

Mr. Chairman, Presidency, Honourable Members of Delegations,

I am pleased to be back to share with you our assessment on the functioning of the EEA Agreement. As in the past, it is a great pleasure for me to do so.

The EEA Agreement has been a solid basis for our relations for more than 25 years and during this time it had linked our societies and economies to a very high level. The more than 5.500 EU legal acts, which are now an integral part of the legislative environment in the EEA EFTA States, are the best evidence of this.

There are two ways how politicians, lawyers and academics look at our Agreement. The critical wing stresses the obligation on the side of the EEA EFTA States to take over the EU *acquis* without having any influence on it. The other lawyers and scholars however see the EEA Agreement more as a unique alternative to EU Membership and they call it 'EU Membership without voting rights'.

Having looked deeper into this matter I would opt for the second approach. It is true that the EEA EFTA States cannot vote with EU Member States, but apart from this there are not many differences.

Your countries are participating in all comitology meetings and other platforms where EU *acquis* is shaped, your voice is very well heard and the input of EEA EFTA experts is very highly evaluated on the EU side.

Let me also mention that a high number of EEA EFTA seconded national experts are working directly in Commission services, to great satisfaction of both sides.

The increasing amount of EEA EFTA Comments to Commission legislative proposals also very well illustrates the very high level of involvement of the EEA EFTA States in building the legislative architecture.

The EEA EFTA States participate fully in a number of EU programmes including Horizon 2020, Galileo, Erasmus + and many others. This opens excellent opportunities to our researchers, students, teachers as well as to any citizens who wish to enjoy free movement across the 31 countries of the EEA.

The EEA EFTA States enjoy also advantages, which are not intended for Member States and this is the possibility to request adaptations to EU legislation to match specific needs of your countries.

I feel that it is important to remind us that the Agreement does not focus only on creating a level playing field for operators in our common Internal Market, as it may be often perceived, but it goes much beyond that. And our task it to make sure that it will stay and help us to further deepen our relations.

The EU Internal Market or better to say the EEA Internal Market is our common good for the benefit of our citizens, our economic operators who share the same rights and obligations.

Ladies and gentlemen, colleagues, let me in this context take stock of the latest challenges and achievements.

Achievements

One of the key goals of the EEA Agreement is to ensure homogeneity of the EU Internal Market through timely incorporation of the EEA relevant EU acquis into its Annexes and Protocols. I am pleased to say that in 2017 we have adopted 247 Joint Committee Decisions incorporating 514 legal acts, which is the second best result in the history of the EEA Agreement.

It is true that the backlog of outstanding legal acts remains still high, but the very good results we have achieved last year underlines our strong commitment to achieve the main goal of the EEA Agreement.

As the EU Co-chair of the EEA Joint Committee the EEAS in close and very good cooperation with the EFTA Secretariat has facilitated negotiations on incorporation of several key EU legal acts. Let me mention in this respect, the General Data Protection Regulation. As you well know this Regulation represent the most significant reform in the data protection area in the last 20 years.

The proposal was already presented to the Council for approval. Our aim is to finalise the process as soon as possible to ensure smooth exchange of data between the EU and the EEA EFTA States.

In our last two meeting we underlined the need to achieve more progress in incorporation of the EU acquis in the area of financial services. I am pleased to say that the process in well on track.

Although more than a half of the EU legal acts pending incorporation is still in the area of financial services, we have significantly strengthened our efforts and several key acts were incorporated in the recent months. Let me in this respect mention notably the Solvency 2 package, the directive on undertakings for collective investment in transferable securities (UCITS), the bank recovery and resolution directive (BRRD), the Audit Reform Package and so called Omnibus I, which is actually one of the corner stones for the reform of the European system of financial supervision.

Next week on 31 May we shall adopt a Joint Committee Decision incorporating further legal acts in the area of financial services including the European Market Infrastructure Regulation (EMIR).

On another note,

You may recall that on 1 September 2017, the Agreement on the EEA Financial Mechanism and on the Norwegian Financial Mechanism for the 2014-21 period was ratified by all contracting parties, and entered into force.

Let me stress with this respect that further progress was achieved in signing further Memoranda of Understanding with the beneficiary countries. The MoUs were signed already with 12 out of 15 beneficiary states.

The last signature took place on 24 April in Lithuania where in presence of the Norwegian crown prince and princess, the EFTA side pledged 117 million Euro for projects aimed at strengthening cohesion.

We also hope that the MoUs with the remaining beneficiary states (Croatia, Hungary and Cyprus) will be signed soon.

The Agreement between the European Union and Norway concerning additional trade preferences in basic agricultural products reached on the basis of Article 19 of the EEA Agreement was signed on 4 December 2017. This shall allow operators from both sides to reap further benefits of increased trade in agricultural products.

Let me also mention that the following Agreements between the European Union and Iceland concerning:

1. additional trade preferences in basic agricultural products,
2. the protection of geographical indications, and
3. agreement on further liberalisation of trade in processed agricultural products (PAPs),

have entered into force on 1 May 2018. These agreements will open further possibilities for Icelandic and EU trade operators.

Challenges

In our daily work we also encounter areas, which require more efforts and perhaps also political guidance.

Here I have to mention (as in earlier occasions) the so-called 'backlog' (EU acts which are EEA relevant, but which are still not incorporated into the agreement). Despite all our efforts, we are still facing a high amount of legal acts pending incorporation into the EEA Agreement.

We are also disappointed by the suspension of the negotiations between the EU and Norway on the protection of geographical indications. We hope that these negotiations can be soon resumed as they are important for the EU's trade in agricultural products worldwide.

We would also like to commence, as soon as possible, the negotiations with Norway on liberalisation of trade in processed agricultural products.

Mr Chairman, Presidency, Honourable Delegations, dear Colleagues,

Finally, on a more general level, let us not forget that in the last two decades, despite important political and legislative changes in Europe, it was the EEA Agreement which ensured that the EEA EFTA States became the closest partners of the EU. This remains valid not only in the area of the Internal Market, but much more beyond that.

The EEA EFTA States are like-minded countries, and they cooperate closely with the EU in many more areas than those which relate to the internal market. This goes for political and foreign policy co-operation, on climate change, or for instance in relation to migration. We are closely aligned in relation to sanctions (for example concerning the Crimea crisis), and work together on many issues around the world, including the Arctic.

All these examples show that our relationship with the EEA EFTA countries is very strong and broad and we have been able to adapt and find solutions all along the way, in a world in constant change. The EU and the EEA countries have confirmed their support for the EEA agreement at many occasions so there can be no doubt that the EEA agreement will not change and is here to stay.

However, I think that we might have not done enough in communicating the EEA to our citizens, private sector and other interest groups. A lot of Europeans take the present reality for granted: the possibility to travel easily and at low prices, to study abroad and have one's diploma recognised, for a company to sell a product all across the 31 EEA countries with no technical barriers.

We are happy to see that both Norway and Iceland have decided in the recent past to focus more on public outreach. We (in the EEAS) have also been looking at how to increase communication activities. If all these joint efforts would lead us to public support levels on the EEA like the ones in Liechtenstein (which are above 80% according to latest polls!) – I think that would be able to consider our mission as accomplished.

Thank you for your attention

Intervention of Minister Guðlaugur Þór ÞÓRDARSON on behalf of the EEA EFTA side

Dear Colleagues,

General remarks

The EEA Agreement has been the cornerstone of the close relationship between the European Union and the EEA EFTA States over the last 25 years. As we all know, it goes far beyond any free trade agreement either of us have ever concluded. In addition to ensuring the free movement of goods, services, capital and people, the Agreement provides for extensive cooperation beyond these four freedoms, including our participation in EU programmes and agencies. Also, the EEA EFTA States make significant financial contributions to reduce social and economic inequalities in Europe.

The EEA Agreement functions well and provides predictability and a level playing field for our citizens and businesses. However, we are currently witnessing worrying developments in international trade, and we emphasise that this should not affect our good cooperation in the EEA. The EEA EFTA States have a clear expectation that there will be no safeguard measures against intra-EEA trade in steel and aluminium products. It is important to avoid putting at risk the integrity of the Internal Market and the robustness and predictability of the EEA Agreement.

Multiannual Financial Framework – new EU programmes 2021-27

A key issue in the times ahead is the EU's next long-term budget – the Multiannual Financial Framework – for the 2021-27 period, which was proposed by the Commission earlier this month. This is important for us because it will define the size and scope of the programmes in which the EEA EFTA States are entitled to participate through the EEA Agreement. We intend to continue this long-standing and mutually beneficial cooperation, and look forward to contributing to the development of the new programmes.

Progress on incorporation of legal acts

In recent months, we have devoted a great deal of time and effort to resolving outstanding issues in our EEA cooperation. In close collaboration with our counterparts on the EU side, we have been able to progress on a wide range of issues and ensure that our Internal Market continues to function well. Since our last meeting in November, more than 300 legal acts have been incorporated into the EEA Agreement.

Financial services

A key priority for us has been to reduce the number of outstanding acts, with a particular focus on financial services. In our last meeting, the backlog in financial services was highlighted as an area in which little progress had been made in 2017.

In light of the importance of this matter, our finance ministers and Commissioner Dombrovskis have been in regular contact and this has provided for some much-needed momentum. We have now started to see results. Several important acts in this field – such as the Directives on bank recovery and resolution (BRRD) and investments in transferable securities (UCITS), and legislation on insurance regulation (Solvency II) and have been incorporated in the last few months. The incorporation of numerous other acts is being discussed at regular expert meetings with preliminary draft Joint Committee Decisions for the incorporation of around 120 acts having already been shared with the EU.

We are very pleased with this progress, which serves as a testimony to the fact that – through dialogue and joint efforts – we are able to reach mutually acceptable solutions on difficult issues. However, financial services still represent over half of current pending acts. We should therefore continue our constructive dialogue, in order to ensure a level playing field also in this area.

Progress on backlog

We have also made significant progress with regard to pending acts in areas other than financial services. We are pleased to note that the number of outstanding acts in other areas has decreased by almost 30% since last summer. Overall, we believe that the recent positive trends serve as an encouragement to our work in further reducing the number, and thus ensure that the same rules apply throughout the EEA. This is key to our goal of a dynamic and homogeneous Internal Market.

GDPR

Another issue that is crucial for us – as it is for citizens and businesses across Europe – is the General Data Protection Regulation (GDPR). As you know, the GDPR will become applicable in the EU on Friday. A lot of work has been undertaken in recent months to ensure its timely incorporation into the EEA Agreement. We highly appreciate all the work undertaken on the EU side to process this as quickly as possible. Our aim is now that this will be incorporated into the EEA Agreement in early July. Until then, the 1995 Data Protection Directive remains applicable in the EEA Agreement, thus ensuring that data can continue to flow freely throughout the EEA.

Regulatory agencies

The EU has changed substantially since the EEA Agreement was signed 26 years ago. And with the EU constantly evolving, it has sometimes been a difficult task to accommodate these changes in a way that takes into account the unique nature of the EEA Agreement. In recent years, this has been the case for our participation in EU agencies and supervisory authorities. It can be challenging to find solutions within the EEA Agreement when EU agencies are granted decision-making powers.

So far, we have been able to find practical – but essential – solutions. Most recently, solutions were found for our participation in agencies within financial services, energy and data protection. On some aspects, these issues have tested the limit to which our constitutions and the EEA Agreement allow us to delegate powers and participate in the European integration process. Looking ahead, it is clear that upcoming institutional reforms within the EU will present similar challenges. We are confident that we will be able to address them, based on the two-pillar system.

In this context, we very much appreciated the orientation debate we had earlier in this meeting on the review of the European Supervisory Authorities. It is essential that we have a dialogue on these issues at an early stage. At the end of the day, we will have to ensure that the solutions we agree upon are efficient, durable and in conformity with the EEA Agreement.

Brexit

In the political dialogue earlier this afternoon, we had a good discussion on the UK's withdrawal from the EU and its consequences for the EEA. We appreciate the mutual commitment to safeguarding the EEA Agreement and preserving the integrity of the Internal Market. We appreciate the close consultation we have had on this, both at political level like today, and in the regular dialogue between our experts and officials, with TF50 and the Bulgarian presidency. These consultations have clarified some important issues and informed our approach on the way forward.

Financial mechanisms

The EEA EFTA States attach great importance to contributing to the reduction of social and economic disparities in Europe. The EEA Financial Mechanisms for 2014-2021 represent the most ambitious effort in that regard. We are pleased that progress has been achieved with Memoranda of Understanding signed with 12 of the 15 Beneficiary States so far, and that the first calls for proposals have been opened. We aim at concluding MoUs with the three remaining countries in the near future.

Closing remarks

On this positive note, let me conclude by reiterating the importance of our close cooperation. We have over time developed a special and tight-knit relationship. A lot of time and effort have been devoted recently to ensure that our common Internal Market continues to function well. We are determined to continue our joint efforts towards this goal in the times ahead.

Finally, I would like to thank the outgoing EU Chair, the Bulgarian Presidency, for the good and constructive cooperation, and forthcoming and close dialogue during this term. We especially appreciate the way in which you have facilitated our participation in informal EU Council meetings and in political dialogues, which are important gatherings for fostering closer ties with all of our European colleagues. We look forward to working with Austria during its Presidency of the EU Council.

Intervention of Minister Eriksen SØREIDE on behalf of Norway

Dear chairs,

dear colleagues,

I am pleased to have this opportunity to attend my first EEA Council meeting, now that my portfolio has been expanded to include EEA matters.

The EEA Agreement is Norway's most important agreement with its European partners. Earlier today, I met Norwegian stakeholders here in Brussels to present the Government's strategy for cooperation with the EU for the period 2018–2021. The strategy was launched the 9th of May.

The strategy sets the course for our cooperation with the EU and presents our vision for Europe for the next four years. It will act as a guide for our cooperation, and will be an important tool for the Government.

Firstly, we want to see a secure Europe that can combat transnational crime effectively, defend itself against internal and external threats and break down divisions that can lead to conflict and instability.

Secondly, we want to see a free Europe that fosters and safeguards liberal values, fundamental rights and democratic principles.

Thirdly, we want to see an economically strong Europe that promotes open, rules-based trade, common standards and equal competition, and a well-regulated labour market.

And finally, we want to see a responsible Europe that cooperates to find common solutions to shared challenges, for instance as regards climate change, resource management and migration.

The strategy is supplemented by annual work programmes that specify priorities and timelines.

The strategy is forward leaning. We cooperate because we want to, not because we have to. Europe is our continent – how do we want it to develop? What role are we going to play? What is our responsibility?

Outstanding legal acts

My Icelandic colleague mentioned our joint efforts to reduce the number of outstanding acts. I am pleased to note that we have found solutions for some of the packages we have worked on in recent years.

Following the incorporation of the third energy package into the EEA Agreement in May last year, the Norwegian parliament adopted the package in March this year after a broad public debate. Another important act is the General Data Protection Regulation (GDPR).

The EFTA side aim to incorporate this act into the EEA Agreement in early July. The corresponding national legislation was debated by the Norwegian Parliament yesterday, and passed the first reading.

I would like to take this opportunity to thank the European External Action Service for its efforts to facilitate the incorporation of legal acts. Dialogue with the Commission services needs to be strengthened at an early stage in order to find solutions that are acceptable for both sides.

The EEA Agreement has ensured that the EEA EFTA states can participate as equal partners in EU programmes and agencies.

We look forward to the Commission's proposal for new framework programmes. In this context, we would like to emphasise the importance of full and equal participation rights and obligations for the EEA EFTA states.

Follow-up of the Gothenburg initiative / EEA and Norway Grants

Norway supports and appreciates the high priority given to strengthening the social dimension of the European Union.

Prime Minister Erna Solberg attended the Social Summit in Gothenburg in November last year, which highlighted the importance of combatting undeclared work and illegal activities in the labour market.

In a report to the European Commission in connection with the Social Summit, Norway proposes to strengthen European cooperation on combating work-related crime, identifying ways of enhancing coordination of actions in this area.

I believe the proposed European Labour Authority could play a role in coordinating such cooperation at the European level.

It is my view that it would be appropriate for the Authority to take an operational role in promoting, facilitating and increasing cross-border cooperation between national authorities.

However, it should respect national competence and the social partners' autonomy. The Authority should not make binding decisions nor instruct inspections.

Closer bilateral and regional cooperation between authorities is also required.

Through the EEA and Norway Grants, Norway has already several bilateral agreements with labour inspectorates in other European states, such as Poland and Lithuania.

Norway has a strong tradition of tripartite consultation, bringing together representatives of workers, employers and the authorities in formulating and negotiating labour standards and policies.

Successful cooperation between these parties is crucial for a well-functioning labour market. We give priority to sharing our experience of this field in our cooperation under the EEA and Norway Grants.

The Global Fund for Decent Work will continue in the next financing period of the grants scheme 2014–2021. The amount will be increased from EUR 8.1 million to EUR 12.5 million.

The programme is in the start-up phase. Our aim is to launch the Fund this summer, and we are planning for a conference in the autumn on Decent Work in Brussels in cooperation with the countries concerned.

The EEA and Norway Grants

I would like to take this opportunity to say a bit more about the EEA and Norway Grants.

You will remember that the agreement on the next funding period (2014-2021), with an overall framework of 2.8 billion euros, was signed on 3 May 2016 in Brussels.

We have now signed or finalised MoUs with 14 of the 15 beneficiary countries – further negotiation is needed with Hungary.

Reaching agreement on the management of the fund to support civil society in Hungary is particularly challenging.

Our requirement is that the fund should be managed independently of the authorities.

So far, we have not been able to reach agreement on this point, but we will stand firm on our position, as we believe that an independent civil society is vital for a healthy democracy.

With regard to the other countries, we are now working on detailed agreements for the more than 100 programmes. We are progressing well with the beneficiary countries on the concept notes.

These are at various stages of finalisation, since the MoUs have been signed on different dates since October 2016.

The first open calls have been launched already and that more will follow later this year.

The EEA and Norway Grants Fund for Youth Employment was launched in April 2017.

We have recently announced that we will provide funding for 27 projects amounting to about 50 million euros.

The call for proposals for the first 15 million euros of the EEA and Norway Grants Fund for Regional Cooperation was launched in January, and the deadline for the submission of short concepts is 1 July.

We have registered considerable interest in this fund, and expect to have many good projects to evaluate later this year.

International trade

Before I conclude, I would like to reiterate the message given by the EFTA Chair on international trade.

Like the European Union, Norway is deeply concerned about the restrictions announced by President Trump on imports of steel and aluminium justified by reference to national security concerns.

Let me emphasise the dangers of using national security as an excuse to pursue protectionist policies.

I have taken note of Mr. Juncker and Ms. Malmströms strong messages along the same lines.

For Norway, Europe is the key destination for supply of products and investments when it comes to steel and aluminium – as is the case for most of our trade. Companies in Norway, as in other EEA states, have organized their production on the basis that they are part of an undivided homogenous Internal Market, as established by the EEA Agreement.

In our view, EEA partners may not apply WTO safeguards against trade between them, but only those safeguard measures that the EEA Agreement itself allows.

Any future EU safeguard action in response to the US actions on steel must respect the rights, obligations and agreed procedures of the EEA agreement and exclude imports from Norway and all other intra-EEA trade.

Conclusion

I would like to conclude by saying that it is our joint responsibility to ensure that the EEA cooperation runs as smoothly as possible, and to show the pragmatism and flexibility needed to find solutions to difficult issues.

Well-functioning cooperation benefits economic operators, citizens and other stakeholders in the 31 states that are parties to the EEA Agreement.

Norway remains committed to the EEA cooperation, and I am confident that we will continue to find solutions that will benefit both the EU and the EFTA states.

Thank you.

Intervention of Minister Aurelia FRICK on behalf of Liechtenstein

Mister Chairman, dear colleagues,

Allow me to add a few words on the functioning of the EEA Agreement from a national perspective.

First, the obvious: overall, the EEA Agreement continues to serve us all very well. It has established an unprecedented system of international cooperation. Its many achievements have fostered integration and economic growth in our countries. Its main features – especially the four freedoms – have become engrained in our societies and economies over the years. And as a consequence, they are often taken for granted.

But you, the people present in this room, as well as your colleagues, you know how much detailed work is required to keep this system afloat. I especially would like to thank all those involved in the difficult task of incorporating EU acquis in the area of financial services. I truly appreciate the progress made. Over the last few years, Liechtenstein's financial service providers have watched the growing backlog with equally growing concern.

Domestically, we have tried to address these concerns in part through the early adoption of EU standards, even ahead of EEA incorporation. Yet only the formal incorporation of these legal acts gives our businesses the much-needed legal certainty and helps establish a level playing field. I am glad to note that we have now reason for cautious optimism in this regard.

In a similar vein, we can be optimistic that the General Data Protection Regulation will be incorporated into the EEA in a few weeks. This legislation has been extremely challenging for all involved – and not just from the EEA perspective. I am glad that the Liechtenstein Parliament has already given its pre-consent to the incorporation of this important piece of legislation.

On Brexit, we are all working hard now to ensure legal certainty for our businesses and citizens. We appreciate the progress made on the transitional period, during which nothing should change in our relation to the United Kingdom. In this respect, we look forward to clarifying the legal means by which we will achieve this goal in the context of the EEA Agreement. As regards the UK's withdrawal from the EEA Agreement, our guiding principle remains homogeneity. This means in particular that citizens' rights acquired during the UK's EEA membership should be regulated and enforced post-Brexit in a uniform manner across the entire EEA, whether they were acquired on the EU side or the EEA EFTA side.

In order to achieve this goal we need a certain degree of coordination among the EU, the EEA EFTA States and the UK. Given our close and special partnership for more than 20 years, I am confident that together we will find suitable ways to deal properly with the EEA dimension of Brexit. I look forward to continuing our very good cooperation.

I thank you.

Intervention of Minister Emil KARANIKOLOV on behalf of the European Union

Dear colleagues, thank you very much for this useful exchange of views.

With this, we close our discussion on the overall functioning of the EEA Agreement.

9. OTHER BUSINESS

Intervention of Minister Emil KARANIKOLOV on behalf of the European Union

Finally, that brings us to Item 9 on our agenda: 'Other business'. Would anyone wish to raise an issue under this item?

Intervention of Minister Guðlaugur Þór ÞÓRÐARSON on behalf of the EEA EFTA side

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

Closing remarks of Minister Emil KARANIKOLOV on behalf of the European Union

Thank you. We have come to the end of this session of the EEA Council.

I would like to thank you all for the interesting discussions and close this part of the meeting.

I would also like to thank everyone from the EEA EFTA States, as well as the EFTA Secretariat, the EFTA Surveillance Authority, the EU Member States and the EU institutions for contributing to and participating in this constructive and useful meeting.

Closing remarks of Minister Guðlaugur Þór ÞÓRDARSON on behalf of the EEA EFTA side

Thank you, Chairman. We would like to express our appreciation of the frank and constructive dialogue we have had in this meeting, as on previous occasions. Our thanks go in particular to the Bulgarian Presidency, the Council Secretariat, the European External Action Service and the Commission for their positive and constructive cooperation over the last months. We look forward to working with the Austrian Presidency in the second half of this year.

Closing remarks of Minister Emil KARANIKOLOV on behalf of the European Union

The meeting is closed.

**49th meeting of the
EEA COUNCIL****(Brussels, 23 May 2018)****INDICATIVE LIST OF PARTICIPANTS AT THE PLENARY SESSION****Icelandic Delegation (EEA EFTA Chair)**

H.E. Mr Guðlaugur Þór ÞÓRÐARSON	Minister of Foreign Affairs, Ministry of Foreign Affairs
H.E. Ms Bergdís ELLERTSDÓTTIR	Ambassador, Mission of Iceland to the EU
Mr Bergthor MAGNÚSSON	Director, Directorate for External Trade and Economic Affairs, Ministry for Foreign Affairs
Mr Ragnar G. KRISTJÁNSSON	Minister, Deputy Head of Mission, Mission of Iceland to the EU
Mr Borgar Þór EINARSSON	Political Adviser, Ministry of Foreign Affairs
Ms Katrín SVERRISDÓTTIR	Coordinator for European Economic Area (EEA) Cooperation, Mission of Iceland to the EU
Mr Kristján Freyr HELGASON	Counsellor, Mission of Iceland to the EU
Mr Thórdur SIGTRYGGSON	Counsellor, Mission of Iceland to the EU
Ms Anna Pála SVERRISDÓTTIR	First Secretary, Mission of Iceland to the EU

Norwegian Delegation

H.E. Ms Ine ERIKSEN SØREIDE	Minister of Foreign Affairs, Ministry of Foreign Affairs
H.E. Ms Oda Helen SLETNES	Ambassador, Mission of Norway to the EU
Mr Niels ENGELSCHIØN	Director General, Ministry of Foreign Affairs
Mr Dag NAGODA	Deputy Director General, Ministry of Foreign Affairs
Mr Knut HERMANSEN	Minister Counsellor, Mission of Norway to the EU
Mr Bjarne STAKKESTAD	Counsellor for Finance, Mission of Norway to the EU

Ms Grete BORGE	Senior Advisor, Ministry of Foreign Affairs
Ms Ane HAAVARSDATTER LUNDE	Senior Advisor, Ministry of Foreign Affairs
Ms Turi BAKKE	First Secretary, Mission of Norway to the EU
Mr Kristian Nicolai STAKSET-GUNDERSEN	Communications Officer, Mission of Norway to the EU
Mr Tord LAUVLAND BJØRNEVIK	Trainee, Mission of Norway to the EU

Liechtenstein Delegation

H.E. Ms Aurelia FRICK	Minister of Foreign Affairs, Justice and Culture
H.E. Mr Martin FRICK	Ambassador and Director of the Office for Foreign Affairs
H.E. Ms Sabine MONAUNI	Ambassador, Mission of Liechtenstein to the EU
Ms Andrea ENTNER-KOCH	Director of EEA Coordination Unit
Mr Stefan BARRIGA	Minister, Deputy Head of Mission, Mission of Liechtenstein to the EU
Mr Lukas WILLBURGER	Temporary Officer, Mission of Liechtenstein to the EU

Bulgarian Delegation (EU Council Presidency)

H.E. Mr Emil KARANIKOLOV	Minister of Economy
Mr Boyan NATAN	Chair of the EFTA Working Party
Mr Krassimir YASHEV	Co-Chair of the EFTA Working Party
Mr Nikolay RAYCHEV	Director PR, Ministry of Economy

EU Council Secretariat

Mr Zoltan MARTINUSZ	Director, Enlargement, Security, Civil Protection and Foreign Affairs Council Support
Ms Andrea VISCONTI IORDACHITA	Desk Officer for Non-EU Western Europe
Ms Stephania BALZAN	Political Assistant, Enlargement Unit

European External Action Service

Ms Angelina EICHHORST	Deputy Managing Director for Europe and Central Asia, European External Action Service
Mr Claude MAERTEN	Head of Division, Western Europe
Mr Martin SKYLV	Deputy Head of Division, Western Europe
Mr Vaclav NAVRATIL	Desk officer European Economic Area (EEA)

European Commission

Mr Olivier GUERSENT	Director-general, Directorate-General for Financial Stability, Financial Services and Capital Markets Union (FISMA)
Mr Tom DIDERICH	International Relations Officer, DG GROW

EFTA Secretariat

Mr Kristinn F. ÁRNASON	Secretary-General
Mr Dag W. HOLTER	Deputy Secretary-General
Mr Georges BAUR	Assistant Secretary-General
Mr Tómas BRYNJÓLFSSON	Director, Services, Capital, Persons and Programmes Division
Ms Brit HELLE	Director, Goods Division
Mr Kyrre ISAKSEN	Head of Legal Coordination, EEA Coordination Division
Mr Marius VAHL	Head of EEA policy coordination, EEA Coordination Division
Mr Valdimar HJARTARSON	Officer, Services, Capital, Persons and Programmes Division
Mr Thorfinnur OMARSSON	Senior Officer, Secretary-General's Office
Mr Johan BJERKEM	Trainee, EEA Coordination Division
Ms Hana TEMSAMANI	Trainee, Secretary-General's Office

EFTA Surveillance Authority

Ms Bente ANGELL-HANSEN

President

Mr HÖGNI KRISTJÁNSSON

College Member

Mr Frank BÜCHEL

College Member

REPORT

Subject: Progress report by the EEA Joint Committee to the 49th meeting of the EEA Council

Decision making

1. The EEA Joint Committee has adopted 142 Joint Committee Decisions (JCDs) incorporating 301 legal acts since the EEA Council of 17 November 2017. In the period from 1 January to 27 April 2018, the EEA Joint Committee has adopted 102 JCDs incorporating 201 legal acts. In the same period of 2017, 103 JCDs incorporating 221 legal acts were adopted.
2. As of 10 May 2018, there were 554 outstanding legal acts where the compliance date in the EU had passed, compared to 540 acts on 31 October 2017. Since November 2017 therefore the overall number of outstanding legal acts has increased by 2.6 %.
3. The number of JCDs awaiting the fulfilment of constitutional requirements, where the six-month period had expired, increased from 9 on 31 October 2017 to 12 on 10 May 2018.
4. Important decisions incorporated since the 48th meeting of the EEA Council include:
 - Decision No 20/2018 concerning undertakings for collective investment in transferable securities (UCITS),

- Decision No 21/2018 incorporating the bank recovery and resolution directive (BRRD),
- Decision No 22/2018 on electronic identification and trust services for electronic transactions,
- Decision No 23/2018 on the deployment of alternative fuels infrastructure,
- Decision No 62/2018 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II),
- Decision No 64/2018 on European venture capital funds (EuVECA) and on European social entrepreneurship funds (EuSEF),
- Decision No 92/2018 concerning financial services (Omnibus I),
- Decision No 102/2018 containing the Audit Reform Package on statutory audits of annual accounts and consolidated accounts.

Decision shaping

5. The EEA EFTA States are participating in 16 EU programmes and 21 agencies, of which 16 are regulatory agencies and five executive agencies.
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 Vehicle General Safety Regulation and the Pedestrian Safety Regulation,
 - EEA EFTA Comment on the public consultation on reporting formalities for ships (European Maritime Single Window environment),
 - EEA EFTA Comment on the Union Civil Protection Mechanism (UCPM),
 - EEA EFTA Comment on the European Supervisory Authorities and ESRB.

Briefings in the Joint Committee

7. Briefings were provided in the EEA Joint Committee on the following topics:

- Capital controls in Iceland
- Capital controls in the EU
- The European Commission Work Programme for 2018

Status of outstanding issues

8. The discussions on the following issues have not yet been concluded:

- the Directive on the Deposit Guarantee Scheme,
- the Directive and Regulation on Capital Requirements (CRD IV and CRR),
- Ship Inspection and Survey Organizations,
- the remaining part of the 2009 TELECOM package, including the Regulation establishing the Body of European Regulators for Electronic Communications (BEREC),
- the Third Postal Directive,

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 imply total contributions of 1548.1 and 1253.7 million euro, respectively. As of 10 May 2018, Memoranda of Understanding have been signed with Romania, Slovakia, Slovenia, Bulgaria, Malta, Estonia, Portugal, Latvia, the Czech Republic, Greece, Poland and Lithuania.

11. For the period 2009-2014, 993.5 million euro has been set aside under the EEA Financial Mechanism and an additional 804.6 million euro under the Norwegian Financial Mechanism. The implementation period for programmes and projects under both Mechanisms ended in December 2017.
-

CONCLUSIONS

Subject: Conclusions of the 49th meeting of the EEA Council
(Brussels, 23 May 2018)

The forty-ninth meeting of the EEA Council took place in Brussels on 23 May 2018 under the Presidency of Mr Emil Karanikolov, Minister of Economy of Bulgaria, representing the Presidency of the Council of the European Union. The meeting was attended by Mr Guðlaugur Þór Þórðarson, Minister for Foreign Affairs of Iceland, Ms Ine Eriksen Søreide, Minister of Foreign Affairs of Norway, and Ms Aurelia Frick, Minister of Foreign Affairs of Liechtenstein, as well as by Members of the Council of the European Union and representatives of the European Commission and the European External Action Service. The EEA Council discussed the overall functioning of the Agreement on the European Economic Area (EEA Agreement) and held an orientation debate on the Review of the European Supervisory Authorities.

Political Dialogue

1. The EEA Council recognised that the close partnership between the EU and the EEA EFTA States was the best guarantee of long-term shared prosperity and stability. In this context, the EEA Council noted that, within the framework of the Political Dialogue, the Ministers would discuss *the implications for the EEA Agreement of the UK's withdrawal from the EU, and the EU's engagement with the Western Balkans*. The EEA Council underlined the importance of continuing the practice of inviting officials from the EEA EFTA States to political dialogues held at the level of the relevant EU Council working parties.

2. With regard to the UK's withdrawal from the EU, the EEA Council underlined the importance of safeguarding the EEA Agreement, ensuring the continuation of a well-functioning, homogenous EEA and preserving the integrity of the Internal Market. The EEA Council welcomed the close dialogue and continuous exchange of information that has been established between the EU and the EEA EFTA States on the negotiations between the EU and the UK under Article 50 of the Treaty on European Union regarding the withdrawal of the UK from the EU.
3. The EEA Council, aware of the EEA dimension of the UK's withdrawal from the EU, called for a continuation of the dialogue between the EU and the EEA EFTA States to ensure continued homogeneity in the EEA.

Cooperation in the EEA

4. The EEA Council acknowledged the key role played by the EEA Agreement in advancing economic integration between the EU and the EEA EFTA States. The EEA Council recognised the positive contributions made by the EEA EFTA States to the decision-shaping process of EEA-relevant EU legislation and programmes through their participation in the relevant committees, expert groups, studies and agencies, as well as through the submission of EEA EFTA Comments. The EEA Council underlined the importance of inviting EEA EFTA Ministers to informal EU Ministerial meetings and Ministerial conferences relevant to EEA EFTA participation in the Internal Market, and expressed its appreciation to the current Bulgarian and incoming Austrian Presidencies for the continuation of this practice.

5. Welcoming the recent recovery of the European economy, the EEA Council emphasised the importance of a well-functioning Internal Market as a driver in boosting economic growth and creating new jobs throughout Europe. The EEA Council acknowledged the importance of predictable trade conditions for economic operators within the EEA. It underlined the indivisibility and importance of the four freedoms for the well-functioning of the Internal Market, which is in the common interest of all Contracting Parties. The EEA Council welcomed the steps already taken to implement the proposals contained in the strategies for a Digital Single Market and for upgrading the Internal Market, with a view to exploiting in full its untapped growth and productivity potential. The EEA Council agreed that a holistic approach was required to tackle some of the main challenges facing the Internal Market, and stressed the importance of the close involvement of the EEA EFTA States in the further design and development of Internal Market policies and initiatives. Emphasising the fact that greater knowledge of the EEA Agreement throughout the EEA was in the interest of all Contracting Parties, the EEA Council urged the EU and the EEA EFTA States to ensure that information on the EEA Agreement was made readily and easily available.

6. Recognising the important role of parliamentary cooperation and cooperation between economic and social partners in the EEA, the EEA Council noted the Resolution of the EEA Joint Parliamentary Committee adopted at its meeting in Stavanger on 7-8 May 2018 on the *Annual Report of the EEA Joint Committee on the Functioning of the EEA Agreement in 2017*, and the Resolutions of the EEA Consultative Committee adopted at its meeting in Reykjavik on 3-4 May 2018 on *Work-Life Balance in the EEA* and *A socially fair road transport sector in the EEA with effectively enforced common rules*.

Energy and climate change

7. The EEA Council placed great importance on continued close cooperation between the EU and the EEA EFTA States in environmental, energy and climate change policies, particularly in light of the 2030 Framework for Climate and Energy and the Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy. The EU and the EEA EFTA States expressed their commitment to the transition to low greenhouse gas emission, sustainable and climate-resilient economies and societies. They also expressed their commitment to reaching a successful outcome under the Paris Agreement work programme at the 24th Conference of the Parties of the United Nations Framework Convention on Climate Change in Poland this December and to actively participate in the Talanoa Dialogue, enabling the effective implementation of the Paris Agreement.

8. While respecting the Contracting Parties' right to determine the conditions for exploiting their energy resources, their choice between different energy sources and the general structure of their energy supply, the EEA Council noted that the EEA EFTA States remain a key partner of the EU as a reliable supplier of energy and underlined that the close cooperation should continue in the areas of the Internal Energy Market, in addition to cooperation in the fields of energy security, emissions trading, the promotion of competitive, climate-resilient, safe and sustainable low carbon energy, energy efficiency, renewable energy resources, and carbon capture, utilisation and storage (CCUS), circular economy, as well as other environmental issues, such as chemicals, water resource management, biodiversity and pollution.

Financial Mechanism

9. The EEA Council emphasised the importance of solidarity among the countries of Europe to overcome social and economic challenges within the EEA, which is in the common interest of all Contracting Parties. In this sense, it expressed concern regarding the continued high level of youth unemployment in some EEA Member States. The EEA Council commended the positive contribution made by the EEA and Norway Financial Mechanisms in reducing economic and social disparities throughout the EEA. With regard to the agreements on an EEA and a Norwegian Financial Mechanism for the 2014-2021 period, the EEA Council welcomed the progress made in the negotiations on Memoranda of Understanding between the EEA EFTA States and the Beneficiary States in the EU, noted the opening of the first calls for proposals and looked forward to projects commencing under the new mechanisms.

Capital controls

10. The EEA Council noted that the free movement of capital is a fundamental Internal Market freedom and an integral part of the EEA *acquis* and acknowledged that restrictions can be implemented only temporarily, on the basis of the provisions of Article 43 of the EEA Agreement. The EEA Council welcomed the progress of the comprehensive plan of the Icelandic Government for removal of capital controls without threatening economic and financial stability of the country, particularly the steps to lift capital controls on individuals, companies and pensions funds. The EEA Council further welcomed the progress made towards the removal of capital controls in Greece.

EU programmes

11. Acknowledging the contribution made by EU programmes to building a more competitive, innovative and social Europe, the EEA Council welcomed the participation of the EEA EFTA States in EEA-relevant programmes to which they contributed financially. The EEA Council recognised in particular the active participation and full integration of the EEA EFTA States in the European Research Area and the successful association of Norway and Iceland in Horizon 2020, the EU's flagship programme for Research and Innovation, as well as in Erasmus+ in the field of education, youth and sport, and Creative Europe for the cultural and audiovisual sectors. The EEA Council would continue to place high importance on the integration and policy alignment of EEA EFTA States with the EU in the area of research and innovation and in education and culture.
12. The EEA Council took note of the preparations for the next Multiannual Financial Framework for 2021-2027. It duly noted the contributions from the EEA EFTA States and encouraged them to take an active part in EU programmes foreseen under the new financial framework. This participation is a means towards developing, strengthening and broadening cooperation on matters falling outside of the four freedoms, as provided for in the EEA Agreement.

Incorporation of EEA-relevant EU acts

13. Noting the Progress Report of the EEA Joint Committee, the EEA Council expressed its appreciation for the work of the Joint Committee in ensuring the continued successful operation and good functioning of the EEA Agreement.
14. The EEA Council welcomed the ongoing efforts to reduce the number of EU acts awaiting incorporation into the EEA Agreement and to accelerate the incorporation process. While commending all the steps undertaken in the course of the last years, the EEA Council noted that the number of acts awaiting incorporation was still too high.

15. The EEA Council called for continued work in order to significantly and durably reduce the number of acts awaiting incorporation and thereby continue to ensure legal certainty and homogeneity in the EEA. This common goal can be achieved through political will and enhanced dialogue among the relevant experts and organs. The EEA Council urged all parties to engage constructively to find solution to pending difficult issues.
16. While welcoming the recent progress made at expert level, the EEA Council highlighted the importance of promptly incorporating outstanding legislation in the field of financial services – representing more than half of the backlog – in order to ensure a level playing field throughout the EEA in this important sector. The EEA Council recalled its continuous commitment to the conclusions approved by EU and EEA EFTA Ministers of Finance and Economy on 14 October 2014, in particular to the two-pillar solution set out therein.
17. Considering that data protection is an integral part of the EEA Agreement, the EEA Council underlined the importance of the free flow of data in the European digital economy. It welcomed the progress made regarding the General Data Protection Regulation, and called for its swift incorporation into the EEA Agreement. The EEA Council looked forward to reaching a conclusion as soon as possible on the incorporation of the Third Postal Directive and Genetically Modified Organisms.
18. The EEA Council further noted that there were a number of Joint Committee Decisions where the six-month deadline provided for in the EEA Agreement with regard to constitutional clearance had been exceeded. It encouraged the EEA EFTA States to strengthen their efforts to resolve the pending cases as soon as possible and to avoid such delays in the future.

Agricultural trade

19. The EEA Council welcomed the entry into force of the Agreement in the form of an Exchange of Letters between the European Union and Iceland concerning additional trade preferences in agricultural products and the Agreement between Iceland and the European Union on the protection of geographical indications on 1 May 2018.
 20. The EEA Council welcomed the signing of the Agreement between the European Union and Norway on 4 December 2017 concerning additional trade preferences in agricultural products reached on the basis of Article 19 of the EEA Agreement and looked forward to reap the benefits of increased trade in agricultural products. The EEA Council noted the suspension of the negotiations between the EU and Norway on the protection of geographical indications.
 21. The EEA Council acknowledged that the Contracting Parties had reaffirmed their commitment, in accordance with Article 19 of the EEA Agreement, to continue their efforts with a view to achieving the progressive liberalisation of agricultural trade. The EEA Council encouraged them to continue the dialogue on the review of the trade regime for processed agricultural products within the framework of Article 2(2) and Article 6 of Protocol 3 to the EEA Agreement, in order to further promote trade in this area. In this regard, the EEA Council took note of the entry into force on 1 May 2018 of the relevant EEA Joint Committee Decision that further liberalized trade in processed agricultural products between the EU and Iceland, on a reciprocal basis.
-