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European Union

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DRAFT MINUTES

COUNCIL OF THE EUROPEAN UNION
(Economic and Financial Affairs)

15 March 2022

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1. Adoption of the agenda

The Council adopted the agenda set out in 6928/22.

2. Approval of 'A' items Non-legislative list

6930/22

The Council adopted the "A" items listed in 6930/22 including COR and REV documents presented for adoption. Statements to these items are set out in the Addendum.

For the following items, the documents should read as follows:

Economic and Financial Affairs

- | | | |
|-----|---|---|
| 1. | Council recommendations on the discharge to be given to the bodies set up under the TFEU and the Euratom Treaty in respect of the implementation of the budget for the financial year 2020
<i>Adoption</i>
approved by Coreper, Part 2, on 23 February 2022 | 6003/22
+ COR 1 (mt)
+ ADD 1
+ ADD 1 COR 1
REV 1
FIN |
| 4. | Council Implementing Regulation as regards the update of the VAT and/or excise duty exemption certificate
<i>Adoption</i>
approved by Coreper, Part 2, on 2 March 2022 | <div style="border: 1px solid black; padding: 2px; display: inline-block;">C</div> 6454/22 + COR 1
+ ADD 1 REV 1
6066/22
+ REV 1 (fi)
FISC |
| 10. | Decision appointing the members of the Supervisory Committee of OLAF
<i>Adoption</i>
approved by Coreper, Part 2, on 9 March 2022 | 6502/22
+ COR 1 (pl)
6503/22
GAF |

Non-legislative activities

- | | | |
|----|--|---------|
| 3. | Communication on fiscal policy guidance for 2023, including the state of play on the economic governance review
<i>Presentation by the Commission</i>
<i>Exchange of views</i> | 6778/22 |
| 4. | Follow-up to the informal meeting of Heads of State or Government on 10 and 11 March 2022
<i>Information from the Presidency</i> | |

Legislative deliberations

(Public deliberation in accordance with Article 16(8) of the Treaty on European Union)

5. **Directive on ensuring a global minimum level of taxation for multinational groups in the Union** S C 6976/22
6975/22
General approach

The Council discussed the compromise text (doc. 6975/22). Agreement on a general approach could not be reached. **PL, EE, MT and SE maintained their reservations.** It was agreed to include this dossier in the agenda of the forthcoming meeting of the Council (Economic and Financial Affairs) that will take place on 5 April 2022.

6. **Regulation establishing a carbon border adjustment mechanism** O C 6978/22
7044/22
General approach

The Council reached agreement on the general approach. The compromise text following the discussions in the Council is set out in doc. 7226/22. The Council also took note of the Annex to doc. 6978/22 and confirmed that work on the elements set out in point 1 of that Annex needs to have progressed sufficiently before negotiations with the European Parliament can begin.

The statements by MT and CY, by PL and by PT are set out in the Annex.

Non-legislative activities

7. EU budget: Recommendation on the discharge to be given to the Commission in respect of the implementation of the budget for 2020 6001/1/22 REV 1
+ 6001/22 ADD 1
Adoption
8. EU budget: Conclusions on the budget guidelines for 2023 6000/22 + ADD 1
Approval

-
- O** First reading
S Special legislative procedure
C Item based on a Commission proposal
-

Statements to the legislative "B" items set out in doc. 6928/22**Ad "B" item 6:** **Regulation establishing a carbon border adjustment mechanism**
*General approach***STATEMENT BY MALTA AND CYPRUS**

“Malta and Cyprus believe that this Proposal for a Regulation establishing a carbon border adjustment mechanism is an invaluable step forward in the EU’s fulfilment of its goal of having a climate neutral economy by 2050. The Proposal demonstrates the EU’s serious commitment effecting a paradigm shift in the way in which Member States, and the Union as a whole, situate the goods and consumption economy within the Climate Change calculus.

Malta and Cyprus understand the Proposal and indeed, the entire Fit for 55 package, stands to affect the economies and industries of EU Member States differently. Therefore, Malta and Cyprus call on the co-legislators, together with the Commission, to ensure that the burdens are borne proportionately, bearing in mind that peripherality and lack of economies of scale will exacerbate the impact for island Member States such as Malta and Cyprus.

Malta and Cyprus understand that Recital 52 of the Proposal will ensure that the Commission’s reporting obligations in Article 30(4), as well as any other future reviews of changes to the carbon border adjustment mechanism will pay special attention to the effects of the mechanism on individual Member States, and to the integrity and competitiveness within the internal market.”

STATEMENT BY POLAND

“The Carbon Border Adjustment Mechanism, CBAM, is one of the key elements of the Fit For 55 Package. From the very beginning, Poland has seen and still see CBAM as a very important instrument for raising reduction ambitions outside the EU, and we see the need to introduce this mechanism.

However, it should be stressed that CBAM may impact the competitiveness of the European industry, if our trading partners do not implement as ambitious policies as the EU.

In this context, one of the most sensitive issues is the very idea to replace free allocation under the EU ETS by CBAM and this issue needs to be resolved as part of the ongoing discussion concerning the revision of the EU ETS Directive.

Poland appreciates the efforts made by the French Presidency of the Council to advance the work on the CBAM draft proposal. However, until the issue of free emission allowances for the sectors covered by CBAM is resolved, we cannot agree to adopt a general approach to the draft CBAM regulation.

We would like to emphasise that CBAM is a part of the Fit for 55 Package and the progress of work on its individual components should be comparable. We cannot look at this solution only from the perspective of one tool, but from the perspective of the entire EU ETS reform and Fit for 55 Package. The final shape of CBAM will depend on the results of the ongoing discussions. Therefore, further work on the project should be undertaken after adoption of EU Council's position on the ETS revision.

We hope that further work on the whole package and on CBAM itself will be carried out in such a way that will allow us to support the final outcome, because in principle we believe that the CBAM is very important for European industry and will ensure the effectiveness of our emission reduction policy outside the EU.”

STATEMENT BY PORTUGAL

“Portugal supports the EU’s climate goals in line with the Climate Law and its 2050 climate neutrality objective. The Carbon Border Adjustment Mechanism, as a WTO-compatible instrument to address the risk of carbon leakage caused by asymmetrical climate policies of non-EU countries, is a key element in the Fit for 55 Package.

Portugal highlights the points noted in the annex of Note 6978/22 of 12 March 2022.

Portugal understands that the language in Recital 52 of the Proposal on “taking into account the special characteristics and constraints of outermost regions” is a direct quotation of article 349 of the Treaty on the Functioning of the European Union (TFEU). In the context of the Proposal for a Regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism, this will apply to the outermost regions which are part of the customs territory of the Union.

Article 349 of the TFEU states that “The measures referred to in the first paragraph concern in particular areas such as customs and trade policies, fiscal policy, free zones, agriculture and fisheries policies, conditions for supply of raw materials and essential consumer goods, State aids and conditions of access to structural funds and to horizontal Union programmes. The Council shall adopt the measures referred to in the first paragraph taking into account the special characteristics and constraints of the outermost regions without undermining the integrity and the coherence of the Union legal order, including the internal market and common policies.”

Therefore, Portugal also understands that the Commission will ensure reporting obligations as envisaged by the whole article 30 of the said Proposal for a Regulation.

In conclusion, Portugal calls on the co-legislators, with the support of the Commission, to introduce an explicit reference to article 349 of the TFEU in this Regulation, as it is common practice in other relevant Regulations. This is without prejudice to the necessary recognition, within the Regulation, of other situations where the economic burden might be disproportional and of all necessary impact assessments as stated in the version of the Proposal as presented to the ECOFIN Council”.