

Reply of the European Commission
to the Contribution adopted by the plenary meeting of the LXII Conference of
Parliamentary Committees for Union Affairs (COSAC)
Helsinki, from 1 to 3 December 2019

1. Appointment and Work Programme of the von der Leyen Commission

The Commission appreciates COSAC's support for the political guidelines of President von der Leyen and looks forward to a continued fruitful cooperation with national Parliaments throughout the mandate of the von der Leyen Commission. National Parliaments will remain an important partner for the Commission for linking with the EU citizens and ensuring that Union action meets their needs. The Commission will continue to give high priority to the political dialogue with national Parliaments, in terms of direct contacts between them and the Members of the Commission, and timely replies of high quality to the national Parliaments' opinions.

2. Conference on the Future of Europe

The Commission supports COSAC in its call for bringing citizens closer to the decision-making process. As laid out by President von der Leyen in her political guidelines, the European Commission will give a new push for European democracy, notably with a Conference on the Future of Europe to start in 2020 and to run for two years. The Conference will consist of a multitude of events; the focus is on reaching out to the citizens. As a major pan-European democratic exercise, this Conference will be a new public forum for an open, inclusive, transparent and structured debate with citizens around a number of key priorities and challenges. It will be open to the participation of civil society, the European institutions and other European bodies, as well as national and regional Parliaments. As one of the closest representatives of citizens, national Parliaments will have an important role to play in the process. Defining the concept, structure, scope and timing of the Conference must be a joint effort by the Commission, the Council and the European Parliament to which national Parliaments are welcome to contribute – notably by responding to the Commission's contribution on the Conference on the Future of Europe, which was adopted on 22 January 2020¹.

3. Multiannual Financial Framework

The Commission supports the call of COSAC for a timely agreement of the multiannual financial framework 2021-2027. The Commission confirms that the risk of delays to the start of the next generation of programmes is becoming greater, with all the negative consequences for beneficiaries on the ground and the inability for the EU to deliver on its renewed objectives.

The Commission shares the analysis of COSAC that the challenges the European Union faces, such as climate change and migration, call for collective and coordinated action

¹ COM(2020) 27 final

and this conviction drove the preparation of the Commission's proposal for the future budget. The added value of acting together makes the contributions to the EU budget valuable investments that deliver high value for money. This is why the narrow focus on 'net balances' of some Member States is seriously flawed. The 2021-2027 financial framework must provide the resources necessary to translate into action the priorities identified in the Strategic Agenda of the European Council and the political ambitions of the new Commission. The overall level of the future framework must match the European Union's ambitions, while also fairly reflecting the budgetary consequences of the withdrawal of the United Kingdom from the European Union. Reforming the system of financing the EU budget and introducing new own resources is an essential element of the package, looking for a fairer and more transparent system, avoiding unsustainable increases in Member States' contributions.

Recognising the importance of agricultural and cohesion spending, the Commission undertook the modernisation of these policies, which will continue to play a vital role in shaping Europe's future, with stronger climate and environmental ambition and adapting to the changing economic and social realities.

Finally, the Commission confirms that its proposal for the protection of the EU budget in case of generalised deficiencies in the rule of law is not meant to duplicate existing instruments. This is a protective mechanism covering all expenditure areas to ensure that the EU budget is efficiently spent, and not a sanction directed against particular Member States.

4. Fundamental Rights and the Rule of Law

The Commission welcomes the statement of COSAC as regards fundamental rights and the rule of law. The Commission welcomes and shares COSAC's views on the work of the European Union Agency for Fundamental Rights.

The rule of law is one of the fundamental values on which the EU is based, as set out in Article 2 of the Treaty on European Union. The Commission is determined to play its full role as guardian of the Treaty and to respond in a timely and proportionate manner to any serious challenges to the rule of law within the EU. This is why the Commission presented a number of concrete actions in its Communication of 17 July 2019 on Strengthening the rule of law within the Union – a blueprint for action², including a new yearly review cycle covering all Member States and with annual reporting. The commitment for an EU-wide mechanism has also been reinforced in the Political Guidelines for the 2019-2024 European Commission³. The proposed mechanism is a preventive tool, aimed at an early detection of significant rule of law problems, and at creating a space for dialogue. It is an additional tool, which will exist alongside existing instruments such as the procedures under Article 7 TEU and Article 258 TFEU.

² COM(2019)343

³ https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf

5. A Winning Climate Strategy for Europe

The EU Emissions Trading System is a cornerstone of the EU's policy to address climate change and its key tool for reducing greenhouse gas emissions cost-effectively. It regulates approximately 40% of EU's emissions from nearly 11,000 installations in the power sector and manufacturing industry. Under the so far agreed 2030 climate and energy framework, the EU is committed to reducing its total emissions by 2030 by at least 40% from 1990 levels, with the EU Emissions Trading System expected to cut emissions by around 43% from 2005 levels.

A revision of the EU Emissions Trading System was completed in 2018 in order to align it with this target. As of Phase 4 (2021-2030), the EU Emissions Trading System cap will be reduced at an increased annual rate of 2.2%. The revision has also reinforced the Market Stability Reserve, which addresses the imbalance in the supply and demand of allowances in the EU Emissions Trading System, fostering system's effectiveness and resilience to potential future shocks. Although the Market Stability Reserve has only started operating in 2019, it has had a strengthening effect already on the carbon price already since 2018. At present, the carbon price approximates €25. At this level, it already incentivises fuel switching from coal to gas as well as introducing energy and process efficiency improvements. In 2021, the Market Stability Reserve will be subject to a review to ensure that it continues to operate effectively. The revised EU Emissions Trading System Directive identifies initial areas of focus for this revision process.

The revision included the creation of two funding vehicles, the Innovation and the Modernisation Fund, that support stakeholders in the low-carbon investment challenge. Through the Innovation Fund, the auctioning of 450 million allowances will mobilise resources for low-carbon projects in the power sector and manufacturing industry. In parallel, on the back of a higher carbon price, auction revenues distributed to Member States have increased considerably. Member States are encouraged to allocate these resources to climate and energy purposes to reduce emissions further.

The inclusion of the aviation sector in the EU Emissions Trading System is bringing an estimated 200 million tonnes CO₂ economy-wide reduction throughout the Phase 3 (2013-2020). Starting in 2021, the cap on the aviation allowances will also be subject to a yearly 2.2% linear reduction factor, thus further increasing the scarcity of allowances. As mandated by the revised Emissions Trading System Directive, the Commission is undertaking an assessment of the aviation sector's potential to pass through to customers the Emissions Trading System-incurred costs, notably with a view to reducing the share of free allowances in the future.

Addressing climate change is a key priority of the Commission, and the European Green Deal sets out a pathway for reinforcing the EU climate action in the coming years. In the context of the climate neutrality goal in the 2050 horizon, the Commission will present a plan to revise the 2030 emissions reduction target to at least 50% and towards 55% compared with 1990 levels in a responsible way. It is also considering extending the scope of the EU Emissions Trading System to buildings, maritime and road transport, further reducing the free allowances to aviation as well as introducing a carbon border

adjustment as a safeguard against carbon leakage. This analysis covers a wide range of technical aspects and design modalities, including the interaction of the EU Emissions Trading System with other sectoral policies and the impact on the EU Emissions Trading System framework.

The European Green Deal calls on all sectors of the economy to contribute to addressing climate change. A robust and firmed up EU Emissions Trading System will continue to play a significant role in delivering emissions' reductions and driving sectoral transformation.

In 2018, emissions from installations covered by the EU Emissions Trading System decreased by 4.1%, (approximately 73 million tonnes CO₂ equivalent) from the 2017 level. In the context of the overall reinforcement of the EU climate action, further revision of the EU Emissions Trading System framework and alignment with the overall climate ambition may be called for. This, however, will now be subject to a thorough analysis and impact assessment.

The Commission welcomes COSAC's suggestions to explore using the European Semester mechanism as a tool to encourage effective implementation of climate targets, as well as the sustainable development objectives of the United Nations' Agenda 2030. The Commission has already started refocusing the European Semester through the broader economic narrative put forward in the 2020 Annual Sustainable Growth Strategy (COM(2019) 650 final). It will continue with the 2020 country reports, the Commission's analysis of the Member States' social and economic situation. The Semester can provide specific guidance to Member States on where structural reforms and investment towards a more sustainable and competitive economic model are most needed. In this context, national energy and climate plans will be used to inform the Commission's analysis of economic and social aspects related to delivering the 2030 climate and energy targets. The European Semester monitors, since its inception, progress towards the Europe 2020 targets. Since spring 2019, progress to the 2030 climate targets is also monitored.

6. The European union's Future Relationship with the United Kingdom

The European Commission shares the COSAC's regret at the United Kingdom's withdrawal from the European Union but has always respected this decision. Now that the United Kingdom has become a third country on 1 February 2020, the European Commission, as the European Union's Chief Negotiator, focuses its efforts as concerns relations with the United Kingdom on building a future partnership, which we hope will be a broad, deep and ambitious one. Grateful for the assurance of COSAC's continued support, the Commission reiterates the importance of, and its continued commitment to, a close dialogue with national Parliaments on the European Union's future relations with the United Kingdom.
