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THE EUROPEAN UNION**

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NOTE

from: General Secretariat of the Council
to: Council

Subject: *European Council (10 and 11 December 2009)*
– *Draft conclusions*

Delegations will find attached the draft conclusions for adoption by the European Council on 10 and 11 December 2009.

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The meeting of the European Council was preceded by an exposé by the President of the European Parliament, Mr Jerzy Buzek, followed by an exchange of views.

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I. Institutional issues

1. The European Council welcomes the entry into force of the Treaty of Lisbon on 1 December. The Treaty provides the Union with a stable and lasting institutional framework and will allow the Union to fully concentrate on addressing the challenges ahead.
2. The intensive preparatory work carried out during the Swedish Presidency, as set out in the Presidency's report (17033/1/09), has allowed for a smooth entry into force of the Treaty. On 1 December Herman Van Rompuy took office as President of the European Council and Catherine Ashton as High Representative of the Union for Foreign Affairs and Security Policy.
3. The European Council, further to the Presidency report it endorsed in October 2009, invites the High Representative to rapidly present the proposal on the organisation and functioning of the European External Action Service with a view to its adoption, together with the related legal and budgetary acts, by the end of April 2010. Preparatory work should continue within the current format.
4. The European Council welcomes the launch by the Commission of a public consultation on the citizens' initiative. It invites the Commission to present a legislative proposal as soon as possible, with a view to its adoption within the first half of 2010.

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II. The economic, financial and employment situation

5. The economic and financial crisis has posed severe challenges to the world economy and resulted in the most difficult economic downturn since the 1930s. To tackle the crisis, the EU and its Member States have implemented a wide range of extraordinary measures including the European Economic Recovery Plan from December 2008. The support measures have been crucial in restoring confidence in financial markets and ensuring their proper functioning as well as dampening the impact of the crisis on growth and employment.
6. The economic situation has stabilised and confidence is increasing. Forecasts suggest a weak recovery in 2010, followed by a return to stronger growth in 2011. But uncertainties and fragilities remain, while the employment and social situation is expected to deteriorate further in 2010. Policies in support of the economy should therefore remain in place and only be withdrawn when recovery is fully secured. In order to anchor expectations and reinforce confidence, the European Council reconfirms the importance of developing and communicating credible and coordinated strategies for exiting from the broad-based stimulus policies.

Exit strategies

7. The European Council emphasises that the fiscal exit strategy will be implemented within the framework of the Stability and Growth Pact, which remains the cornerstone of the EU's budgetary framework. Recommendations to the countries in Excessive Deficit Procedure, in particular as adopted by the Council 2 December, are an important tool for restoring sound public finances. In this context, the European Council reiterates its conclusions from 20 October on fiscal exit strategy and recalls that the strategy will include a consolidation of well beyond the benchmark of 0.5% of GDP per year combined with structural reforms underpinning long-term fiscal sustainability. Fiscal consolidation should start in 2011 at the latest, earlier in some Member States where economic circumstances make this appropriate, provided that the Commission forecasts continue to indicate that the recovery is strengthening and becoming self-sustaining.

8. There is a need for more broad-based exit strategies, also taking into account the need to wind down financial support schemes. The principles for withdrawal of support to the financial sector, as set out by the Council on 2 December 2009, must guide further work. It is crucial to develop a coordinated approach, which takes account of financial stability and individual Member States' circumstances and introduces progressive incentives for financial institutions to cease to depend on public financial support.
9. The European Council underlined that the phasing out of public support measures should be duly coordinated among Member States to avoid negative spill-over effects, that the timing of exit should take into account a broad range of elements and that, depending on individual Member States' circumstances, the phasing out of support should start with government guarantees.
10. The European Council encourages the Council to continue its work on exit strategies and to report back by March 2010, both in the fiscal area and in the financial sector.

Financial markets

11. The financial crisis has clearly demonstrated the weaknesses of the current regulatory framework and supervisory arrangements for financial institutions. The European Council welcomes the rapid and determined action taken by the Council which has agreed a fundamentally new structure for financial supervision in Europe. This new structure is set up to re-establish confidence of consumers and investors in financial markets, to provide greater protection against future bubbles and crises in the economy and to enhance stability and bring oversight into line with the reality of market integration.

12. The European Council welcomes the general approach reached by the Council on a complete package for a new supervisory framework in the European Union. A new European Systemic Risk Board will provide the European Union with a system for monitoring macro-prudential risks and issuing risk warnings and recommendations for remedial action when such risks are significant. The three new supervisory authorities for banks, insurance and securities markets will develop common technical standards, will have a strong co-ordinating role in supervisory colleges, be able to act efficiently in case of financial emergencies and ensure the consistent application of EU law inter alia through binding mediation. The European Council looks forward to a swift adoption by the European Parliament so that the new system can become operational during the course of 2010.

13. The adoption by the Council of a general approach regarding amendments to the Capital Requirements Directive is a further step towards strengthening financial regulation in light of the financial crisis. It enhances the capital requirements for certain banking activities and introduces clear and binding rules on remuneration consistent with those endorsed by G 20 leaders. Remuneration policies within the financial sector must promote sound and effective risk management and should contribute to preventing future crises in the economy. The European Council is now looking to the European Parliament to swiftly reach a final agreement. The European Council invites the financial sector to immediately implement sound compensation practices and welcomes the Commission's intention to closely monitor the implementation of sound remuneration principles. The European Council also calls for further progress on countering pro-cyclicality in the banking sector and invites the Commission to present further proposals in 2010 taking account of the work underway in the Basel Committee.

14. The European Council also stresses the need to accelerate work on the draft Directive on alternative investment fund managers, which should also address the issue of appropriate remuneration policies. It welcomes the Commission's intention to present legislative proposals in 2010 to improve the stability and transparency of derivative markets.

15. The EU faces important structural challenges. This is why the Lisbon strategy was launched ten years ago. This strategy has been useful in setting a framework for strengthening European competitiveness and encouraging structural reform. The time has now come to evaluate the impact of the Lisbon strategy and, above all, to look ahead. In view of the economic and social impact of the crisis, in view also of the challenges posed by ageing and climate change, a new approach is needed more than ever. In order to further improve competitiveness and increase the EU's growth potential, policies must be refocused towards long-term reforms in an ambitious and revamped new strategy.
16. The time leading to the Spring European Council should be used to define the elements of such a strategy for EU 2020 and to examine how to ensure sustainable public finances whilst preserving investment and social welfare, how to establish inclusive and efficient labour markets, how to further strengthen the Internal market and how to fully exploit external trade and openness. Other important issues to be examined relate to the benefits offered by a greener economy, the improvement of the business climate and the enhancement of the knowledge base in our economies, including research and innovation. In this context, every effort should be made to ensure social cohesion and gender equality.
17. At the same time the European Council calls for a new reflection on the methodology to be used; a more efficient and transparent governance structure is needed, geared towards reaching tangible results. In this context, monitoring and evaluation of policy measures are crucial. Further reflection is also necessary on the best way of using country recommendations, of strengthening the link between national and EU measures, and of enhancing national ownership through more active involvement of social partners as well as of regional and local authorities.
18. The European Council takes note of the consultation launched by the Commission on the future strategy and looks forward to an ambitious proposal as early as possible in 2010 with a view to a full discussion at the 2010 Spring European Council.

19. Sustainable development remains a fundamental objective of the European Union under the Lisbon Treaty. As emphasised in the Presidency's report on the 2009 review of the Union's Sustainable Development Strategy (16818/09), the strategy will continue to provide a long term vision and constitute the overarching policy framework for all Union policies and strategies.

20. A number of unsustainable trends require urgent action. Significant additional efforts are needed to curb and adapt to climate change, to decrease high energy consumption in the transport sector and to reverse the current loss of biodiversity. The shift to a safe and sustainable low-carbon and low-input economy will require a stronger focus in the future. Priority actions should be more clearly specified in future reviews. Governance, including implementation, monitoring and follow up mechanisms should be reinforced for example through clearer links to the future EU 2020 strategy and other cross-cutting strategies.

21. The European Council welcomes the Commission's intention to establish the Forum for "Outermost Europe" open to all Member States and outermost regions, as set out in its communication presented on 17 October 2008. The inaugural forum will be held in Brussels on 27 and 28 May 2010 and from then on, every two years.

22. The European Council recalls the objective to carry out a comprehensive budget review covering all aspects of EU spending and resources. The European Council invites the Commission to come forward with a report in order for the Council to provide orientations on priorities during 2010.

III. The Stockholm Programme - An open and secure Europe serving and protecting the citizens

23. Five years after the Hague Programme, it is time for the Union to review its policy to effectively meet the new challenges. To this end the European Council adopted a new multi-annual programme for the years 2010-2014, the Stockholm Programme.
24. The European Council considers that the priority for the coming years shall be to focus on the interests and needs of the citizens and other persons for whom the EU has a responsibility. The challenge will be to ensure respect for fundamental rights and freedoms and integrity while guaranteeing security in Europe. It is of paramount importance that law enforcement measures and measures to safeguard individual rights, the rule of law and international protection rules are coherent and mutually reinforcing. The Stockholm programme focuses on the priorities set out below.
25. ***Promoting citizenship and fundamental rights:*** European citizenship must become a tangible reality. The area of freedom, security and justice must above all be a single area in which fundamental rights are protected. The enlargement of the Schengen area must continue. Respect for the human person and human dignity and for the other rights set out in the Charter of Fundamental Rights and the European Convention on Human Rights are core values. For example, the exercise of these freedoms and citizens' privacy must be preserved beyond national borders, especially by protecting personal data. Allowance must be made for the special needs of vulnerable people and European citizens and others must be able to exercise their specific rights to the full within the European Union, even, where relevant, outside the Union.

26. ***A Europe of law and justice:*** The achievement of a European area of justice must be consolidated so as to move beyond the current fragmentation. Priority should be given to mechanisms that facilitate access to justice, so that people can enforce their rights throughout the Union. Cooperation between public professionals and their training should also be improved, and resources should be mobilised to eliminate barriers to the recognition of legal acts in other Member States.
27. ***A Europe that protects:*** An internal security strategy should be developed in order to further improve security in the Union and thus protect the lives and safety of European citizens and tackle organised crime, terrorism and other threats. The strategy should be aimed at strengthening cooperation in law enforcement, border management, civil protection, disaster management as well as criminal judicial cooperation in order to make Europe more secure. Moreover, the European Union needs to base its work on solidarity between Member States and make full use of Article 222 TFEU.
28. ***Access to Europe in a globalised world:*** Access to Europe for businessmen, tourists, students, scientists, workers, persons in need of international protection and others having a legitimate interest to access EU territory has to be made more effective and efficient. At the same time, the Union and its Member States have to guarantee security for its citizens. Integrated border management and visa policies should be construed to serve these goals.

29. ***A Europe of responsibility, solidarity and partnership in migration and asylum matters:***
The development of a forward-looking and comprehensive European migration policy, based on solidarity and responsibility, remains a key policy objective for the European Union. Effective implementation of all relevant legal instruments needs to be undertaken and full use should be made of relevant Agencies and Offices operating in this field. Well-managed migration can be beneficial to all stakeholders. The European Pact on Immigration and Asylum provides a clear basis for further development in this field. Europe will need a flexible policy which is responsive to the priorities and needs of Member States and enables migrants to take full advantage of their potential. People in need of protection must be ensured access to legally safe and efficient asylum procedures. Moreover, in order to maintain credible and sustainable immigration and asylum systems in the EU, it is necessary to prevent, control and combat illegal migration as the EU faces an increasing pressure from illegal migration flows and particularly the Member States at its external borders, including at its Southern borders in line with the conclusions of the European Council in October 2009.
30. ***The role of Europe in a Globalised world – the external dimension:*** The importance of the external dimension of the EU's policy in the area of freedom, security and justice underlines the need for increased integration of these policies into the general policies of the European Union. The external dimension is essential to address the key challenges we face and providing greater opportunities for EU citizens to work and do business with countries across the world. The external dimension of JLS is crucial to the successful implementation of the objectives of this programme and should in particular be taken into account in, and be fully coherent with, all other aspects of EU foreign policy.
31. The European Council invites the Commission to present an Action Plan for implementing the Stockholm Programme, to be adopted at the latest in June 2010, and to submit a midterm review before June 2012.

IV. The Copenhagen conference on climate change

32. The Copenhagen Conference constitutes a historic opportunity for the international community to act together to respond to the challenge of climate change. The European Council recalls the negotiating position that it adopted on 30 October 2009. All Parties must devote themselves fully to reaching a global, comprehensive and ambitious Copenhagen Agreement that will cover all building blocks of the Bali Action plan. A prerequisite for a Copenhagen Agreement is that it uses commonly agreed, transparent, international standards for measurement, reporting and verification of greenhouse gases, thus ensuring transparency of commitments, actions and support. The agreement should lead to finalising a legally binding instrument, preferably within six months after the Copenhagen Conference, for the period starting on 1 January 2013.
33. The European Council welcomes in this context the recent pledges for emission reductions from a number of countries. Our common objective must be to stay below the science-based two degree limit for global warming. Some Parties have not yet presented offers corresponding to this objective. The European Council urges them to do so without further delay.
34. The European Union is at the forefront of efforts to fight climate change. As part of a global and comprehensive agreement for the period beyond 2012, the EU reiterates its conditional offer to move to a 30% reduction by 2020 compared to 1990 levels, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities.

35. The Copenhagen agreement should include provisions on immediate action, starting in 2010. The European Council acknowledges that this requires scaled up financial support. Fast-start international public support should imply specific and separate support for adaptation, mitigation and capacity building, with a special emphasis on least developed countries. The EU calls on developed countries to announce their contributions to such support. The EU member states are ready to contribute with fast-start funding of at least [X] billion Euros for the years 2010 to 2012.

V. Enlargement

[to be completed after discussion in the General Affairs Council]

VI. External relations

Eastern Partnership and the Union for the Mediterranean

36. The European Council welcomes the start of the implementation of the Eastern Partnership since its launch at the Summit held in Prague on 7 May 2009 and notes with satisfaction the recent steps taken to strengthen and deepen the relations between the EU and the Partners. The European Council underlines the European Union's commitment to further the implementation of the Eastern Partnership and to promote the partner countries' European integration.

37. The European Council underlines the importance of the enhanced partnership between the EU and the Mediterranean partner countries and welcomes the process of reinforcing relations as well as efforts to further strengthen cooperation and dialogue and establishing the structures of the Union for the Mediterranean.

Iran

38. The European Council welcomes the attached declaration on Iran

[to be discussed in the Foreign Affairs Council]

