BACKGROUND[1]
Brussels, 13 November 2014

ECONOMIC and FINANCIAL AFFAIRS (BUDGET) COUNCIL
Friday 14 November in Brussels

Starting at 10.00 the Council will prepare the meeting of the Conciliation Committee taking place the same day from 12.30 onwards.

The preparation work of the Council covers all elements which are due to be discussed by the Conciliation Committee and might also include the Commission proposal to revise the ***own resources regulation****.*

The task of the Conciliation Committee is to agree on

- *the* ***EU budget for 2015***
- ***draft amending budget no 2 for 2014*** *on which the Council and the European Parliament have adopted different positions; this draft amending budget is aimed at incorporating a surplus of € 1.01 billion into this year's budget*

The Conciliation Committee is also expected to address the following draft amending budgets for 2014 on which the Council has not yet adopted a position:

- ***draft amending budget no 3****, which is aimed at increasing the payments in the 2014 EU budget by 4.7 billion € in order to cover outstanding bills; the Commission proposed to finance this amount via the contingency margin and the margin under this year's payment ceiling of the multiannual financial framework 2014-2020; the draft amending budget also aims at incorporating additional revenue amounting to € 1.6 billion from fines and interest*
- ***draft amending budget no 4*** *as amended by a letter of amendment, seeking in particular to incorporate additional revenue amounting to € 2.4 billion mainly from fines*
- ***draft amending budget no 5****, aimed at mobilising 47.0 million € in commitments and payments out of the EU solidarity fund in order to remediate damages caused by floods in Italy (16.3 million €), an earthquake in Greece (3.7 million €), as well as ice storms in Slovenia (18.4 million €) and Croatia (8.6 million €)*
- ***draft amending budget no 7****, designed to mobilise 79.7 million € in commitments and payments out of the EU solidarity fund to remediate damages caused by floods in Serbia (60.2 million €), Bulgaria (10.5 million €) and Croatia (9.0 million €)*

[1] This note has been drawn up under the responsibility of the press office.

The Conciliation Committee might also address the issue how to proceed with ***draft amending budget no 6****. This draft amending budget seeks in particular to enter into the EU budget an amount of 9.5 billion € resulting from a revised forecast of the EU revenue and to diminish the national GNI contributions accordingly. It also incorporates an increase in the forecast of traditional own resources, leading to a net decrease of member states' contributions to the EU budget by 420.0 million € in total.*

After the meeting of the Conciliation Committee the Council will resume its session in order to take note of the results and endorse the compromise to be reached or to decide on the next steps if the negotiations with the European Parliament were not successful.

Unlike the work of the Conciliation Committee the Council meeting will be held in public session.

If the Conciliation Committee reaches agreement on a joint text, the Council and the European Parliament have to formally approve it within 14 days.

The Presidency will hold a press conference at the end of the Council meeting (probably late in the evening).

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Press conferences and public events by video streaming: http://video.consilium.europa.eu

Video coverage in broadcast quality (MPEG4) and *photo gallery on*: www.eucouncil.tv

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BEFORE THE CONCILIATION COMMITTEE MEETING

The Council will prepare the meeting of the Conciliation Committee taking place the same day and provide guidance to the Italian presidency.

The preparation work of the Council covers all elements which are due to be discussed by the Conciliation Committee and might also include the Commission proposal to revise the own resources regulation (*15444/14*). The Commission made the proposal to address the exceptional impact on the national treasuries of some member states generated by the revision of the EU revenue.

The Conciliation Committee is composed of the 28 members of the Council and an equal number of members of the European Parliament; the European Commission also takes part in the Conciliation Committee's meeting.

DURING THE CONCILIATION COMMITTEE MEETING

The task of the Conciliation Committee is to find an agreement on the 2015 budget and on draft amending budget no 2 and to reconcile the different positions which the Council and the Parliament have adopted on the two elements.

In addition, the Conciliation Committee is expected to address other outstanding elements on which the Council has not yet adopted a formal position (i.e. draft amending budgets no 3 to 5 and 7 for 2014). *On the content of the discussions and the different positions, see the separate chapter below.*

The Conciliation Committee might also address the issue how to proceed with draft amending budget no 6. This draft amending budget seeks in particular to enter into the EU budget an amount of 9.5 billion € resulting from a revised forecast of the VAT and GNI balances and to reduce member states' GNI contributions by the same amount in accordance with their share in the GNI of the European Union. It also incorporates an increase in the forecast of traditional own resources, leading to a net decrease of member states' contributions to the EU budget by 420.0 million € in total.

The Ecofin Council of 7 November invited the Commission to propose a revision of the regulation on own resources allowing member states to defer the required payments over a period ending on 1 September 2015. The Commission presented its proposal on 12 November. The revision of this regulation is, however, not a subject to be discussed at the Conciliation Committee meeting.

AFTER THE CONCILIATION COMMITTEE MEETING

The Council will resume its session in order to take note of the results and endorse the compromise to be reached or to decide on the next steps if the negotiations with the European Parliament were not successful.

If the Conciliation Committee reaches agreement on a joint text, the Council and the European Parliament have to formally approve it within 14 days (*see flow-chart in the annex*).

If conciliation does not succeed by 17 November, the Commission must submit a new draft budget for 2015.

Should the budget not be adopted at the beginning of 2015, a sum equivalent to not more than one twelfth of the budget appropriations for 2014 or of the draft budget proposed by the Commission, whichever is smaller, may be spent each month for each chapter of the budget.

ON THE CONTENT OF THE DISCUSSIONS AND THE DIFFERENT POSITIONS

- DRAFT BUDGET 2015

The Council adopted its position on 2 September by an overwhelming majority of member states. It asked to limit the **total level of payments** to **140.00 billion €** (**+3.3%** compared to the 2014 budget as adopted) and of **commitments** to **145.08 billion € (+1.7%)**. It notably proposed to increase **payments for activities such as research, innovation and education by 24.5 %** or 2.8 billion € compared to the 2014 EU budget. The 2014 EU budget as adopted last year includes 135.50 billion € in payments and 142.64 billion € in commitments.

The Council considers that this would ensure adequate budgetary means to foster growth and jobs, while respecting member states' financing capacities. It would also leave sufficient margins under the ceilings of the multiannual financial framework in order to allow the EU to react rapidly to unforeseen events.

The Parliament asked to increase total **payments** to **146.42 billion €** (**+8.1%** compared to 2014) and total **commitments** to **146.38 billion €** (**+2.6%**).

The Commission proposed **142.14 billion €** in **payments** (**+ 4.9%** compared to 2014) and **145.15 billion €** in **commitments** (**+ 1.8%**), taking into account letter of amendment no 1 for 2015.

- AMENDING LETTER NO 1 FOR 2015

The Commission updated its draft budget for 2015 by amending letter no 1 (*14401/14*) notably with regard to agricultural expenditure. It reduces the overall commitments by 448.5 million € and redeploys payments of 397.0 million € from heading 2 (Sustainable growth: natural resources) to meet needs under other headings. The reduction of appropriations in heading 2 is compensated by additional assigned revenue, notably from the milk superlevy. Furthermore, 344.3 million € out of the 433.0 million € in the agricultural crisis reserve are used to finance emergency market measures in response to the Russian food import ban.

Neither the Council nor the Parliament have yet taken a formal position on the amending letter.

- DRAFT AMENDING BUDGETS FOR 2014

The Commission proposed a number of draft amending budget to update this year's budget:

– **draft amending budget no 2 for 2014** (*9017/14*) seeks to incorporate the budget surplus of 2013 of 1.0 billion € into the 2014 budget; the Council approved this draft amending budget on 14 July 2014; the Parliament adopted an amendment, asking to put last year's budget surplus into a new reserve aimed at covering additional payment needs in 2014.

– **draft amending budget no 3 for 2014** (*10340/14*) is aimed at increasing the payments in the 2014 EU budget by 4.7 billion € in order to cover outstanding bills; the Commission proposed to finance this additional amount by using the margin below the 2014 MFF payment ceiling and mobilising the contingency margin for an amount of 4.0 billion €; the use of the contingency margin in 2014 would be offset by reducing the amounts available under the MFF payment ceilings by around 1.3 billion € in each of the years 2018, 2019 and 2020; moreover, it reduces the commitments by 0.4 million € resulting from changes to the establishment plans of some institutions; draft amending budget 3/2014 also increases the forecast of other revenue, stemming mainly from fines, by 1.6 billion €; the Council has not yet taken a formal position on this draft amending budget since notably the mobilisation of the contingency margin poses particular difficulties for some member states; the Parliament could accept this draft amending budget as proposed by the Commission

- **draft amending budget no 4 for 2014** *(11775/14)* as amended by a letter of amendment *(14403/14)* seeks in particular to incorporate additional revenue amounting to 2.4 billion € mainly from fines; the Council doesn't have any particular difficulties with the content of this draft amending budget, but has not yet taken a formal position on it; the Parliament could accept this draft amending budget as proposed by the Commission
- **draft amending budget no 5 for 2014** *(12954/14)* is aimed at mobilising 47.0 million € in commitments and payments out of the EU solidarity fund in order to remediate damages caused by floods in Italy (16.3 million €), an earthquake in Greece (3.7 million €), as well as ice storms in Slovenia (18.4 million €) and Croatia (8.6 million €); the Council doesn't have any problems with the mobilisation of the EU solidarity fund, but would prefer to finance it through redeployments; the Council has not yet taken a formal position on this draft amending budget while the Parliament could accept it as proposed by the Commission
- **draft amending budget no 7 for 2014** *(14444/14)* is designed to mobilise 79.7 million € in commitments and payments out of the EU solidarity fund to remediate damages caused by floods in Serbia (60.2 million €), Bulgaria (10.5 million €) and Croatia (9.0 million €); the Council doesn't have any problems with the mobilisation of the EU solidarity fund, but would prefer to finance it through redeployments; the Council has not yet taken a formal position on this draft amending budget while the Parliament could accept it as proposed by the Commission

Breakdown by heading for "total expenditure" in the MFF

	Description	1		2		3		3-2	
		DB[2] 2015 as amended by amending letter no 1		Council's Position on DB 2015		European Parliament's amendments on Council's Position on DB 2015		Difference (amount)	
		c/a	p/a	c/a	p/a	c/a	p/a	c/a	p/a
1	**Smart and inclusive growth**	**66 674 151 686**	**67 424 528 140**	**66 350 598 253**	**65 629 576 114**	**66 912 765 955**	**70 853 559 860**	**+ 562 167 702**	**+5 223 983 746**
	flexibility instrument	*79 785 595*		*79 785 595*		*100 000 000*			
	ceiling	*66 813 000 000*		*66 813 000 000*		*66 813 000 000*			
	margin	*218 633 909*		*542 187 342*		*234 045*			
1. a	Competitiveness for growth and jobs	17 447 366 091	15 822 597 982	17 123 812 658	14 247 645 956	17 665 765 955	15 893 278 416	+ 541 953 297	+1 645 632 460
	ceiling	*17 666 000 000*		*17 666 000 000*		*17 666 000 000*			
	margin	*218 633 909*		*542 187 342*		*234 045*			
1. b	Economic, social and territorial cohesion	49 226 785 595	51 601 930 158	49 226 785 595	51 381 930 158	49 247 000 000	54 960 281 444	+ 20 214 405	+3 578 351 286
	flexibility instrument	*79 785 595*		*79 785 595*		*100 000 000*			
	ceiling	*49 147 000 000*		*49 147 000 000*		*49 147 000 000*			
	margin	*0*		*0*		*0*			
2	**Sustainable growth: natural resources**	**58 805 749 930**	**56 510 282 506**	**59 183 130 197**	**56 761 982 275**	**59 305 601 117**	**56 955 193 693**	**+ 122 470 920**	**+ 193 211 418**
	ceiling	*59 599 000 000*		*59 599 000 000*		*59 599 000 000*			
	margin	*793 250 070*		*415 869 803*		*293 398 883*			
	Of which: European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments	**43 455 780 762**	**43 449 011 789**	**43 855 280 197**	**43 848 502 442**	**43 944 753 189**	**43 937 984 216**	**+ 89 472 992**	**+ 89 481 774**
	sub-ceiling	*44 313 000 000*		*44 313 000 000*		*44 313 000 000*			
	net transfer between eagf and eafrd	*- 123 000 000*		*- 123 000 000*		*- 123 000 000*			
	excluded when calculating the sub-margin (1)	*- 215 000*		*- 215 000*		*- 215 000*			
	sub-margin	*734 004 238*		*334 504 803*		*245 031 811*			
3	**Security and citizenship**	**2 130 721 538**	**1 886 669 907**	**2 100 492 684**	**1 852 691 053**	**2 215 970 984**	**1 920 403 166**	**+ 115 478 300**	**+ 67 712 113**
	ceiling	*2 246 000 000*		*2 246 000 000*		*2 246 000 000*			
	margin	*115 278 462*		*145 507 316*		*30 029 016*			
4	**Global Europe**	**8 413 097 321**	**7 478 986 134**	**8 343 097 321**	**6 942 836 134**	**8 747 979 051**	**7 512 015 474**	**+ 404 881 730**	**+ 569 179 340**
	ceiling	*8 749 000 000*		*8 749 000 000*		*8 749 000 000*			
	margin	*335 902 679*		*405 902 679*		*1 020 949*			
5	**Administration**	**8 611 688 908**	**8 611 848 908**	**8 584 670 064**	**8 584 830 064**	**8 683 255 063**	**8 672 368 899**	**+ 98 584 999**	**+ 87 538 835**
	ceiling	*9 076 000 000*		*9 076 000 000*		*9 076 000 000*			
	margin	*464 311 092*		*491 329 936*		*392 744 937*			
	Of which: Administrative expenditure of the institutions	**6 893 144 508**	**6 893 304 508**	**6 865 589 664**	**6 865 749 664**	**6 963 974 663**	**6 953 088 499**	**+ 98 384 999**	**+ 87 338 835**
	sub-ceiling	*7 351 000 000*		*7 351 000 000*		*7 351 000 000*			
	sub-margin	*457 855 492*		*485 410 336*		*387 025 337*			
6	**Compensations**	**p.m.**	**p.m.**	**p.m.**	**p.m.**	**p.m.**	**p.m.**		
	ceiling	*0*		*0*		*0*			
	margin	*0*		*0*		*0*			
	MFF Headings	**144 635 409 383**	**141 912 315 595**	**144 561 988 519**	**139 771 915 640**	**145 865 572 170**	**145 913 541 092**	**+1 303 583 651**	**+6 141 625 452**
	flexibility instrument	*79 785 595*	*11 315 595*	*79 785 595*	*0*	*100 000 000*	*11 315 595*		
	ceiling	*146 483 000 000*	*141 901 000 000*	*146 483 000 000*	*141 901 000 000*	*146 483 000 000*	*141 901 000 000*		
	margin (2)	*1 927 376 212*	*0*	*2 000 797 076*	*2 129 084 360*	*717 427 830*	*- 4 001 225 497*		
	Appropriations as % of GNI	**1,04%**	**1,02%**	**1,03%**	**1,00%**	**1,04%**	**1,04%**		

(1) This amount, resulting from the rounding for the calculations of the sub-ceiling and the net transfer, is excluded when calculating the sub-margin.

(2) These amounts are calculated not taking into account appropriations for special instruments (EAR, EGF, EUSF).

Breakdown by heading for "total expenditure" outside the MFF

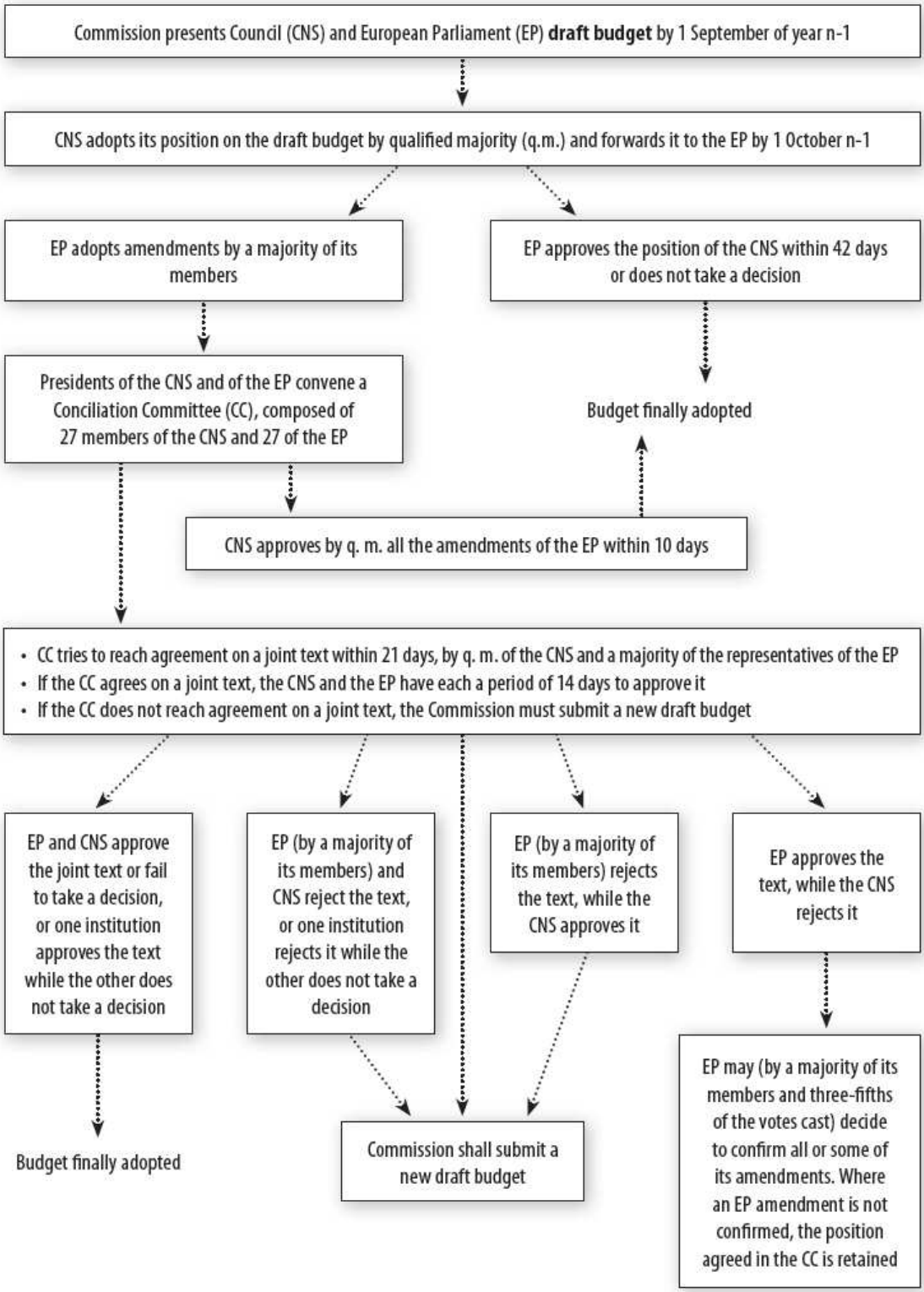
Description	1		2		3		3-2	
	DB 2015		Council's Position on DB 2015		European Parliament's Position on Council's Position 2015		Difference (amount)	
	c/a	p/a	c/a	p/a	c/a	p/a	c/a	p/a
Emergency Aid Reserve (EAR)	**303 000 000**	**150 000 000**	**303 000 000**	**150 000 000**	**303 000 000**	**303 000 000**		**+ 153 000 000**
European Globalisation Adjustment Fund (EGF)	**162 365 000**	**25 000 000**	**162 365 000**	**25 000 000**	**162 365 000**	**150 000 000**		**+ 125 000 000**
European Union Solidarity Fund (EUSF)	**50 000 000**	**50 000 000**	**50 000 000**	**50 000 000**	**50 000 000**	**50 000 000**		
Special Instruments	**515 365 000**	**225 000 000**	**515 365 000**	**225 000 000**	**515 365 000**	**503 000 000**		**+ 278 000 000**

2 DB = draft budget

"Total Expenditure" in and outside the MFF

Description	1		2		3		3-2	
	DB 2015 as amended by amending letter no 1		Council's Position on DB 2015		European Parliament's Position on Council's Position 2015		Difference (amount)	
	c/a	p/a	c/a	p/a	c/a	p/a	c/a	p/a
MFF Headings	**145 083 917 810**	**141 912 315 595**	**144 561 988 519**	**139 771 915 640**	**145 865 572 170**	**145 913 541 092**	**+1 303 583 651**	**+6 141 625 452**
Special Instruments	**515 365 000**	**225 000 000**	**515 365 000**	**225 000 000**	**515 365 000**	**503 000 000**		**+ 278 000 000**
Grand total	**145 150 774 383**	**142 137 315 595**	**145 077 353 519**	**139 996 915 640**	**146 380 937 170**	**146 416 541 092**	**+1 303 583 651**	**+6 419 625 452**
Appropriations as % of GNI	**1,04%**	**1,02%**	**1,04%**	**1,00%**	**1,05%**	**1,05%**		

Budget procedure under the Lisbon Treaty (Art. 314)



CC = *Conciliation Committee* CNS = *Council* EP = *European Parliament* q.m. = *qualified majority*