



**COUNCIL OF
THE EUROPEAN UNION**



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Economic and Financial Affairs

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President

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Main results of the Council

*The Council adopted regulations creating a **single supervisory mechanism** for the oversight of banks and other credit institutions, thus establishing the first "pillar" of Europe's banking union.*

The single supervisory mechanism will be composed of the European Central Bank and the supervisory authorities of the member states. The ECB will assume its supervisory tasks 12 months after entry into force of the legislation, subject to operational arrangements.

*The Council adopted conclusions in preparation of the **UN climate change** conference in Warsaw on 11-22 November.*

*It also prepared European Council discussions on strengthened **economic policy coordination**, as part of the further development of economic and monetary union, and **access to finance for SMEs**.*

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (<http://www.consilium.europa.eu>).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

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President of the European Investment Bank

Mr Thomas WIESER

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Mr Hans VIJLBRIEF

President of the Economic Policy Committee

ITEMS DEBATED

Further development of EMU - Economic Policy Coordination

The Council took note of possible areas for strengthened coordination of the economic policies of the member states, in preparation for the European Council meeting on 24 and 25 October.

The European Council will discuss the further development of the EU's economic and monetary union (EMU), assessing on-going work in all fields. It will look at economic policy coordination and the social dimension of EMU. It is expected to take decisions in December.

A letter summarising the Council's discussion will be send to the president of the European Council.

Access to finance for SMEs

The Council discussed an initiative led by the Commission and the European Investment Bank aimed at facilitating access to finance for small and medium-sized enterprises (SMEs).

In preparation of the European Council meeting on 24 and 25 October, it considered parameters for the design of risk-sharing instruments to be co-financed by the Commission, essentially under the EU structural funds, and by the EIB Group¹. A letter summarising the discussion will be sent to the president of the European Council.

The initiative stems from the fact that the financial crisis and weak macroeconomic situation in Europe have created a climate of uncertainty and risk aversion in the financial sector, with particular consequences for member states under financial pressure and for SMEs.

A EUR 10 billion increase in the EIB's capital was agreed in January, enabling it to provide up to EUR 60 billion in additional lending over a three-year period to projects supporting growth and employment. In June, the Commission and the EIB submitted a joint report to the European Council on implementation of the capital increase, examining in particular the development of joint initiatives to support SMEs (11031/13).

The European Council called on the Council to specify the parameters for the design of financial instruments, to be co-financed by the structural funds, with the aim of achieving leverage for private sector and capital market investments in SMEs. Preparations are being made to allow the new instruments to start operating in January 2014, at the start of the 2014-20 programming period for the structural funds.

The Council discussed three broad options set out by the Commission and the EIB for the design of the new instruments: Option 1: a joint guarantee instrument (potentially combined with a joint securitisation instrument) for portfolios of new SME loans; Option 2: a joint securitisation instrument allowing for the securitisation of portfolios of both new and existing SME loans; Option 3: a joint securitisation instrument allowing for the securitisation of portfolios of both new and existing SME loans with the pooling of resources and risks.

All three options require changes to a draft regulation on common provisions applicable for the EU's structural and investment funds for the 2014-20 period, for which negotiations with the European Parliament are near conclusion. The timetable for the programming of national allocations from the funds is therefore tight.

¹ European Investment Bank/European Investment Fund.

European Semester - lessons learned

The Council took stock of lessons learned from the 2013 *European Semester* monitoring exercise and possible improvements for next year's exercise.

The 2013 exercise concluded on 9 July with the adoption of country-specific recommendations to the member states. It covered a broad range of policy areas involving several Council configurations and preparatory committees.

Identifying areas for potential further improvement, a note from the Economic and Financial Committee suggests that greater attention be given to monitoring implementation throughout the year, and highlights pension reforms as a particular challenge ([14465/13](#)). Furthermore, the tight timeframe applied to the whole exercise continues to be a constraint, with little time for the preparatory committees to discuss and coordinate.

The next *European Semester* will begin next month with the publication by the Commission of its annual growth survey.

The Employment, Social Policy, Health and Consumer Affairs Council also discussed lessons learned from the 2013 *European Semester* at its meeting on 15 October. A report summarising these contributions will be presented to the General Affairs Council on 22 October.

International finance meetings

The Council discussed the outcome of the following international meetings held in Washington on 10-13 October:

- G20 finance ministers' and central bank governors' meeting;
- annual meetings of the IMF and World Bank Group.

The G20 meeting covered the global economy, international financial institutions, financing for investment and the strengthening of the G20 process.

United Nations Framework Convention on Climate Change

The Council adopted the following conclusions:

- "1. NOTES the agreed goal of limiting the global average temperature increase to below 2°C increase above pre-industrial levels. EMPHASISES that climate finance is an important element toward reaching this goal.
2. HIGHLIGHTS that the EU and its Member States exceeded their Fast Start finance commitment to provide EUR 7.2 bn between 2010 and 2012. RECALLS that the EU and a number of Member States announced in Doha total voluntary climate finance contributions adding up to EUR 5.5 bn from their respective financial provisions.
3. AFFIRMS that the EU and its Members States have committed to scaling up the mobilisation of climate finance in the context of meaningful mitigation actions and transparency of implementation, in order to contribute their share of the developed countries' goal to jointly mobilise USD 100 bn per year by 2020 from a wide variety of sources public and private, bilateral and multilateral, including alternative sources of finance. STRESSES the need for fair burden sharing amongst developed countries and REITERATES the call for emerging economies to contribute to financing adaptation and mitigation of climate change in line with their respective responsibilities and capabilities.
4. RECOGNISES that scaling up climate finance by 2020 will be an iterative process, which will go hand-in-hand with solid preparatory work for scaled-up, effective action and improved enabling environments. Ambitious domestic climate strategies and policies in developing countries, both on mitigation and adaptation, as well as conducive regulatory frameworks will stimulate climate change actions and the financing of viable projects.
5. CONFIRMS the EU and its Member States' efforts to mobilise climate finance as part of a comprehensive and integrated approach to financing for different global policy goals and expresses its support for ensuring coherence and coordination of different international financing discussions. NOTES that mainstreaming climate objectives into public and private investment and development planning is crucial to the process for increasing climate-resilient and low-GHG emission investments while emphasising the need to phase down high carbon investments. Also NOTES that development and climate actions are intrinsically linked for mitigation, adaptation and capacity building. Climate finance should support the shift towards a low-emission climate resilient development path.

6. NOTES that the impacts of climate change tend to compound or amplify the challenges of developing countries in addressing poverty and promoting economic growth. Therefore, ENCOURAGES International Financial Institutions (IFIs) to ensure that climate change is mainstreamed in their strategies and objectives in a manner that is relevant and complementary to their core objectives; The EU and its Member States ENCOURAGE IFIs to systematically reflect the cost of carbon, expected climate impacts and risks in project design and appraisal. CALLS FOR a strengthening of the coordination between donors, and donors and recipient Governments, on the ground for the effective mobilisation and deployment of funds for climate actions in developing countries.
7. WELCOMES the in session high-level Ministerial dialogue on climate finance at COP 19 in Warsaw, on efforts being undertaken by developed country Parties to scale up the mobilisation of climate finance after 2012. REITERATES that the EU and its Member States have outlined a range of strategies and approaches to unlock the potential of different sources of climate finance and that these provide some of the components of pathways to scaled up climate finance.
8. ACKNOWLEDGES that public climate finance has played and will continue to play an important role in climate finance. RECALLS that despite the difficult economic situation and tight budgetary constraints, the EU and its Member States continue to provide public climate finance.
9. STRESSES that the EU and its Member States see private finance as key to scaling up levels of climate finance and important to achieving the transformation in investment required to meet the 2°C goal, but not as a substitute for public finance where public finance is needed. Private finance and investment will be pivotal to achieve long-term transformation of developing countries into low-carbon and climate-resilient economies. The EU and its Member States have in place and will continue to develop a broad set of policy instruments to mobilise private sector finance for climate actions. There is a need to continue sharing experiences and best practices on the efforts to mobilise private finance.
10. STRESSES that a robust and harmonised Monitoring Reporting and Verification (MRV) framework and the development of a common understanding are essential to ensure the necessary transparency and trust; VIEWS tracking and transparency of climate finance flows as key to increasing the effectiveness of the resources provided. UNDERLINES the need to accelerate work towards common internationally agreed standards for MRV of climate finance flows. This work should build on existing reporting systems, while taking into consideration cost-effectiveness and feasibility. EMPHASISES the intention of the EU and its Member States to play a leading role in this respect. SUPPORTS on-going research, amongst others, by the Research collaborative group coordinated by the OECD on tracking private climate finance. NOTES that the Busan aid effectiveness principles should apply to climate finance, where appropriate to promote coherence, transparency and predictability, allowing for strengthened information exchange and coordination between EU and its Member States and other developed country parties on the provision of climate finance.

11. RECOGNISES that the concept of mobilising private climate finance requires greater clarity. ENCOURAGES further dialogue, including at COP 19, to clarify the concept of publicly mobilised private financing and its contribution to the USD 100 bn goal.
12. REITERATES that carbon pricing is an effective and cost-efficient tool which could be used to reach the overarching objective of reducing greenhouse gas emissions to limit global warming as it can provide the incentives to (re)direct investment in support of that ambition, and an important part of an enabling environment for fostering private sector mitigation activity. The EU and its Member States welcome and support the implementation of carbon pricing at the global level. Additionally, NOTES that carbon pricing in some cases may also represent a source of finance that could contribute to the overall climate finance goal and could provide incentives to communities in developing countries to adopt innovative mitigation and adaptation technologies. In this context, SUPPORTS the progress within ICAO and IMO towards global and effective carbon pricing schemes. WELCOMES the agreement at the 38th session of the ICAO Assembly to develop a global market-based scheme by 2016 for implementation by 2020. NOTES that finance available, including from auctions of aviation allowances in the EU ETS, could help support climate action in developing countries while STRESSING that it will be up to each Member State to determine the use of public revenues in accordance with national budgetary rules and in consistency with a sound and sustainable public finances policy framework within Member States of the EU, without prejudging the on-going discussions at the IMO and ICAO.
13. STRESSES the need for expediting the operationalisation of the Green Climate Fund, in particular its business model framework, to open the door to mobilising resources for the Fund as an important channel for supporting transformational change to low carbon and climate resilient economies. UNDERLINES that several EU Member States stand ready to contribute to the Green Climate Fund as soon as the relevant and necessary decisions have been taken and the Fund is ready to work.
14. NOTES that adaptation planning to improve climate resilience through development strategies is essential. COMMITS to support adaptation actions through various multilateral and bilateral instruments, by public and - where appropriate – private finance; and CONFIRMS that EU and its Member States in providing finance for adaptation will continue to take into account the needs of the particularly vulnerable developing countries, including Small Islands Developing States, the Least Developed Countries and Africa.
15. STRESSES the importance of showing EU and its Member States' support for policy implementation, in particular in the context of Low Emission Development Strategies (LEDS) and Nationally Appropriate Mitigation Actions (NAMAs).

16. RECOGNISES the role of REDD+ as a potential model for international results-based climate support, and the need to mobilise financing, between 2015 and 2020 through a variety of delivery mechanisms and to scale up actions and finance, including performance based payments for verified REDD+ results. UNDERLINES that increased efforts are needed to slow, halt and reverse forest cover and carbon loss consistent with the 2°C target to deliver multiple social and environmental co-benefits, and to raise overall climate ambition post 2020 on REDD+.

17. REITERATES the EU and its Member States' commitment to continue to work together with other countries and relevant stakeholders on mobilising long term finance. LOOKS FORWARD TO receiving the report of the co-Chairs of the UNFCCC work programme on long-term finance and TAKES NOTE of the welcoming of the report of the G20 Climate Finance Study Group by the G20 leaders in September. WELCOMES the opportunity to use the UNFCCC biennial reporting process to demonstrate our commitment to provide climate finance in a transparent manner."

Meetings in the margins of the Council

The following meetings were held in the margins of the Council:

- ***Eurogroup***

Ministers of the euro area member states attended a meeting of the Eurogroup on 14 October.

- ***Meeting with EFTA finance ministers***

Ministers met their counterparts from the countries of the European Free Trade Association: Iceland, Liechtenstein, Norway and Switzerland. The discussion covered cooperation in the field of financial services and economic dynamics in Europe.

- ***Ministerial breakfast meeting***

Ministers held a breakfast meeting to review the economic situation. They discussed backstop arrangements for banks in the context of forthcoming asset quality review and stress test exercises and the proposed single resolution mechanism. They also discussed how to accommodate public investment in the preventive arm of the EU's Stability and Growth Pact.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Bank supervision

The Council adopted regulations creating a single supervisory mechanism for the oversight of banks and other credit institutions ([9044/13](#) + [22/13](#)).

The single supervisory mechanism (SSM) will be composed of the European Central Bank and the supervisory authorities of the member states. It will cover the euro area as well as non-eurozone countries that choose to participate. The ECB will have direct oversight of eurozone banks, although in a differentiated manner and in close cooperation with national supervisory authorities. It will be responsible for the overall functioning of the SSM.

The ECB will assume its supervisory tasks 12 months after entry into force of the legislation, subject to operational arrangements.

Adoption of the two regulations follows an agreement reached with the European Parliament at first reading on 19 March, and subsequent approval by the Permanent Representatives Committee, on behalf of the Council, on 18 April.

For details, see press release [14044/13](#).

FOREIGN AFFAIRS

Common Foreign and Security Policy

The Council approved the High Representative's annual report to the European Parliament on the main aspects and basic choices of the Common Foreign and Security Policy (CFSP). The document includes the financial implications for the general budget of the EU and an evaluation of the measures launched in the year.

ENERGY

Ministerial Council of the Energy Community

The Council adopted a decision establishing the European Union position within the Ministerial Council of the Energy Community that will take place in Belgrade (Serbia) on 24 October. It also endorsed an annotated agenda for the meeting.

For more information see the Energy Community [website](#).
