



**COUNCIL OF
THE EUROPEAN UNION**

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COVER NOTE

from : Presidency

to : delegations

Subject : **BRUSSELS EUROPEAN COUNCIL
15 AND 16 OCTOBER 2008**

PRESIDENCY CONCLUSIONS

Delegations will find attached the conclusions of the Presidency of the Brussels European Council (15 and 16 October 2008).

The European Council met on 15 and 16 October 2008, against a backdrop of international economic and financial crisis. The European Council expressed its resolve to act in a concerted and comprehensive manner to protect the European financial system and depositors. The European Council reaffirmed the objective of an overall agreement on the "energy/climate change" issue before the end of the year. It agreed to speed up work on energy security. It adopted the European Pact on Immigration and Asylum. In the external sphere, it took stock of Russia's implementation of the agreement of 8 September, the situation in Georgia and the EU's relations with its eastern neighbours. The European Council heard the Irish Prime Minister's analysis of the Irish referendum on the Lisbon Treaty; it will return to the issue in December. The European Council endorsed the composition of the Reflection Group on the Future of the Union.

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The meeting of the European Council was preceded by an exposé by the President of the European Parliament, Mr Hans-Gert Pöttering, followed by an exchange of views.

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ECONOMIC AND FINANCIAL SITUATION

1. Faced with the financial crisis, the European Council affirms that it is determined to take coordinated and thorough action to restore the smooth running of the financial system, thus ensuring the normal and effective financing of the economy and returning to the path towards growth and employment.
2. The European Council welcomes the measures taken by the European Central Bank and by the relevant national central banks since the beginning of the financial crisis, and the fact that they have coordinated their efforts well with the central banks of partner countries. The liquidity of the financial system will be ensured by all the authorities so as to maintain confidence and stability.

3. The European Council welcomes the concerted action plan of the euro area countries of 12 October, of which it endorses the principles¹. It also welcomes the measures adopted by the Member States, whether or not they belong to the euro area, in conformity with the principles of that plan and in compliance with the Treaty. The national measures already approved by the Commission continue to be applicable. The European Council calls on the Member States to ensure that their future national measures also respect those principles, and to take account of the possible effect of their decisions on the other Member States.

4. The European Council reaffirms its commitment that in all circumstances the necessary measures will be taken to preserve the stability of the financial system, to support the major financial institutions, to avoid bankruptcies and to protect savers' deposits. Inter alia, such measures aim, in conjunction with the central banks and supervisory authorities, to ensure sufficient liquidity for financial institutions, to facilitate their funding, and to provide them with capital resources so that they can continue to finance the economy properly. The European Council considers that measures to support financial institutions in difficulty should go hand in hand with measures to protect taxpayers, to secure accountability on the part of executives and shareholders and to protect the legitimate interests of other market players.

5. In the current exceptional circumstances, European rules must continue to be implemented in a way that meets the need for speedy and flexible action. The European Council supports the Commission's implementation, in this spirit, of the rules on competition policy, particularly State aids, while continuing to apply the principles of the single market and the system of State aids.

¹ 14239/08.

6. To enable speedy and effective action to be taken in a crisis situation, an informal warning, information-exchange and evaluation mechanism (the financial crisis cell) will be established. This mechanism will bring together representatives of the Presidency-in-office, the President of the Commission, the President of the ECB (in conjunction with the other European central banks), the President of the Eurogroup and the governments of the Member States. It will be based on existing administrative structures, may be activated at any time by a Member State faced with a crisis and will ensure that information is provided immediately and in confidence to the institutions and all the Member States. It will also help to ensure smooth coordination of actions taken or to be taken.

The European Council requests the Council to finalise as soon as possible the procedures for the setting up and operation of the financial crisis cell.

7. Maintaining confidence in the financial and banking system and protecting the interests of depositors and investors also requires rigorous implementation by financial institutions of recommendations on the transparency of their commitments and risks.
8. The European Council stresses the need to strengthen the supervision of the European financial sector, particularly cross-border groups, and to implement urgently the Ecofin Council's roadmap, with a view to improving the coordination of supervision at European level. In this context the European Council welcomes the setting up of a high-level group by the Commission. To begin with, the European Council invites national supervisors to meet at least once a month, to exchange information.

The European Council supports the speeding up of work to strengthen the rules on stability, including work on the Capital Requirements Directive.

In addition, the European Council calls for a speedy examination of the Commission's forthcoming legislative proposal to strengthen the rules on rating agencies and their supervision at European level. It calls for speedy decisions on the development of European rules on the security of deposits to ensure that savers are protected. The European Council welcomes the decision taken concerning the accounting standards applicable to financial institutions and their interpretation.

Furthermore, the European Council calls for more general consideration, in consultation with the international partners, of the effects that fair value and mark-to-market accounting would have on financial institutions and on the market, including their procyclical effects.

9. In order to learn from the crisis and restore public confidence, the European Council makes a firm call for accountability on the part of all those involved in the financial system, particularly the banking sector. It emphasises that the real performance of company executives should be reflected in their remuneration, including their severance pay ("golden parachutes"), which should be in line with their actual contribution to the success of the company. Likewise, care should be taken to ensure that earnings from stock options or the system of remuneration, especially in the financial sector, do not lead to excessive risk-taking or extreme concentration on short-term objectives. The European Council calls on the Member States to work to put these principles into practice and calls on the Council to report back on the decisions taken by the end of the year.

10. Beyond the financial sector, the European Council underlines its determination to take the necessary steps to support growth and employment. It invites the Commission to make appropriate proposals by the end of the year, in particular to preserve the international competitiveness of European industry. The European Council emphasises that continued structural reform is more important than ever, to help restore growth and improve employment in Europe. Support for economic activity involves an adequate level of finance. The European Council welcomes the European Investment Bank's decision to mobilise EUR 30 billion to support European SMEs and its commitment to step up its ability to intervene in infrastructure projects. It calls on the EIB to assume a greater share of risk in the financing of SMEs.
11. Budget policies must continue to be in line with the revised Stability and Growth Pact, which should also be applied in a manner which reflects the current exceptional circumstances, as provided for in its rules.
12. The European Union must work with its international partners on a genuine, all-encompassing reform of the international financial system based on the principles of transparency, sound banking, responsibility, integrity and world governance. The aim is to take early decisions on transparency, global standards of regulation, cross-border supervision and crisis management, to avoid conflicts of interest and to create an early warning system, so as to engender confidence among savers and investors in every country. The Union will quickly take appropriate initiatives in consultation with its main partners and the relevant international financial institutions. These initiatives will be carefully prepared within the EU.
13. The European Council expresses its solidarity with the efforts made by Iceland, a country which is closely integrated into the EU Single Market through the EEA Agreement and which requires the support of the international community; it expects Iceland to honour its international commitments.

14. The European Council took note of a report drawn up by the Presidency, in cooperation with the Commission, on oil price volatility. It calls on the Council to press ahead with its discussions on this issue and, in the immediate future, requests the Commission to take the necessary action to promote the transparency of commercial oil stocks, as well as energy efficiency in conjunction with the European Investment Bank in particular.

TREATY OF LISBON

15. The European Council, recalling its conclusions of June 2008, took note of the analysis of the results of the referendum on the Treaty of Lisbon presented by the Irish Taoiseach, Mr Brian Cowen. The Irish government will continue its consultations with a view to contributing to finding a way to resolve the situation. On that basis, the European Council agreed to return to this matter at its meeting in December 2008 with a view to defining the elements of a solution and a common path to be followed.

ENERGY AND CLIMATE CHANGE

16. The European Council confirms its determination to honour the ambitious commitments on climate and energy policy which it approved in March 2007 and March 2008. In this connection, it requests the Presidency and the Commission to organise intensive work over the next few weeks in order to enable the European Council in December 2008 to decide on appropriate responses to the challenge of applying that package in a rigorously established cost-effective manner to all sectors of the European economy and all Member States, having regard to each Member State's specific situation.

ENERGY SECURITY

17. Security of energy supply is a priority for the European Union. It involves the responsibility and solidarity of all the Member States. To this end, taking account of the report submitted by the Presidency¹, the European Council has decided to step up the work in progress, by adopting the following guidelines and requesting the Commission to submit relevant proposals or initiatives, where necessary, to:

- (a) finalise the legislative package on the internal market in electricity and gas before the end of the legislative period;
- (b) expedite the implementation of the European Energy Efficiency Action Plan and the Strategic Energy Technology Plan;
- (c) pursue with determination the diversification of energy sources, to which the measures in the energy/climate package contribute directly;
- (d) promote improvement in the working of the market, in particular through greater transparency on flows and stockpiles and through sharing information on long-term requirements and resources;
- (e) develop crisis mechanisms to deal with temporary disruptions to supplies;
- (f) strengthen and add to critical infrastructure, particularly trans-European energy transport networks and liquefied natural gas terminals. Particular attention will be paid to interconnections and to the connection of the most isolated European countries, to the interface of European networks with supply infrastructure and to the need to diversify both sources and routes. The European Council supports the Commission initiative of establishing a plan of action to speed up interconnections in the Baltic region. A schedule of work will be drawn up for this purpose before the end of the year;

¹ 14090/08.

(g) develop the Union's energy relations with producer and transit countries with a view to securing stability of supply and diversifying its energy sources and supply routes. In this connection, the European Council welcomes the energy security initiatives taken by several Member States and, in particular, the meeting with the Caspian Sea countries and transit countries which will be organised by the Czech Presidency in the spring of 2009.

18. The European Council will return to this issue at its meeting in March 2009 to take stock of progress, in the light, also, of the Commission's forthcoming strategic energy review, and to adopt the necessary decisions.

EUROPEAN PACT ON IMMIGRATION AND ASYLUM

19. The European Council adopted the European Pact on Immigration and Asylum¹, which expresses the commitment of the European Union and its Member States to conduct a fair, effective and consistent policy for dealing with the challenges and opportunities which migration represents. The Pact will henceforth form the basis, for the Union and its Member States, of a common immigration and asylum policy, guided by a spirit of solidarity between Member States and cooperation with third countries. This common policy must be founded on proper management of migratory flows, in the interests not only of the host countries but also of the countries of origin and of the migrants themselves.

20. The fundamental principles set out in the Pact are reflected in a series of measures which will have to be implemented immediately at both EU and national level. Moreover, these principles will also inform the future work programme of the European Union, which will be proposed by the Commission in May 2009 with a view to finalisation under the Swedish Presidency. Implementation of the Pact will be the subject of an annual debate starting with the European Council in June 2010.

¹ 13440/08.

FOLLOW-UP TO THE EUROPEAN COUNCIL OF 1 SEPTEMBER 2008

21. The European Council notes with satisfaction that Russian troops have withdrawn from the zones adjacent to South Ossetia and Abkhazia as an essential additional step in the implementation of the agreements of 12 August and 8 September, as well as the launching in Geneva of the international discussions provided for by those agreements. The European Council is asking the Commission and the Council to continue a full in-depth evaluation of EU-Russia relations with a view to the forthcoming summit, scheduled to take place in Nice on 14 November. It will be taken into account in the further negotiations for a new Partnership Agreement with Russia.

22. The European Union is resolved, in particular through its neighbourhood policy, to continue supporting its eastern neighbours in their efforts to achieve economic modernisation and democratisation. The European Council stresses in this respect the importance of the outcome of the EU-Ukraine Summit in Paris and calls for relations between the Union and the Republic of Moldova and Georgia to be strengthened in accordance with the Council conclusions of 13 October. It is instructing the Council to conduct an initial examination of the proposals for a future "Eastern Partnership" of the European Union which the Commission intends to submit in November.

REFLECTION GROUP

23. The European Council approved the proposal by the Chairman of the Reflection Group and its two Deputy Chairmen concerning the composition of the Group, as annexed to these conclusions. The Group will start work as soon as possible and will conduct its discussions in accordance with the mandate adopted by the European Council in December 2007. The General Secretariat of the Council will provide the Group with material and logistical support.

Composition of the Reflection Group

Chairman

Felipe González Márquez

Vice-Chairmen

Vaira Vīķe-Freiberga

Jorma Ollila

Members

Lykke Friis

Rem Koolhaas

Richard Lambert

Mario Monti

Rainer Münz

Kalypso Nicolaïdis

Nicole Notat

Wolfgang Schuster

Lech Walesa

List of the reference documents submitted to the European Council

- European Pact on Immigration and Asylum (13440/08, approved by the JHA Council on 25 September and adopted by the European Council)

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- Declaration on a concerted action plan of the euro area countries (14239/08)
- Presidency guidelines for further work on the energy/climate package (14240/08 + REV 1 (cs) + REV 2 (en, de, da, sv, lt, mt, pl, sk, sl))
- Presidency report on energy security (14090/08)
- Presidency report on the volatility of oil prices (13266/2/08 REV 2)
