EU budget 2012 talks headed for conciliation

Today, the Council confirmed that it was not able to accept all European Parliament's amendments concerning the 2012 EU budget. This means that on 1 November a three-week conciliation period will start, aimed at bridging the gap between the divergent European Parliament and Council positions.

In line with its position adopted on 25 July the Council wishes to limit the increase in payments to 2.02% compared to 2011, which it believes would make it possible to meet the dual challenge: on the one hand, supporting targeted growth investments to prevent Europe from slipping further into a crisis and, on the other, taking account of the current budgetary constraints in the member states. The payments rise advocated by the Council corresponds almost exactly to the latest available Commission inflation forecast of 2% for the EU in 2012, which means that in real terms the Council's position would lead to an EU budget freeze.

The Council's position amounts to EUR 129,088 billion. The European Parliament asked for a 5.23% increase in payments to bring the total amount to EUR 133,139 billion. The Commission proposed an increase of 4.9% to EUR 132,739 billion.

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1 The decision was taken, without debate, at the Justice and Home Affairs Council in Luxembourg.
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The Conciliation Committee will also address draft amending letters no 2 and 3 for 2012 which cover the budgetary needs of EUR 13.1 million for the preparation of Croatia's accession (14327/11) and adapt the draft budget for 2012 to a new Commission estimate notably of the agricultural expenditure (- EUR 83.4 million) for next year. Furthermore, conciliation will include draft amending budget no 6 for 2011 (15683/11), the net effect of which would be to reduce the member states' EU contributions by EUR 726.6 million. The financing of additional needs of the International Thermonuclear Experimental Reactor (ITER) project in 2012 and 2013 (EUR 1.3 billion in commitments) will also be discussed during the coming weeks without being linked to the former issues.

The Conciliation Committee is composed of the 27 members of the Council and an equal number of members of the European Parliament. It will meet on 8 November and on 18 November, the same day as the ECOFIN-Budget Council. These meetings will be prepared by trilogues (i.e. meetings between representatives of the Polish presidency, the European Parliament and the Commission) on 3 November, 10 November and 14 November.

If the conciliation succeeds, the Council and the European Parliament have 14 days to formally adopt the agreement, following the finalisation of the text (see flow-chart on the last page). The budget is adopted unless the Council or the European Parliament rejects it.¹

If the conciliation fails, the Commission must submit a new draft budget. Should the budget not be adopted at the beginning of 2012, a sum equivalent to not more than one twelfth of the budget appropriations for 2011 or of the draft budget proposed by the Commission, whichever is smaller, may be spent each month for each chapter of the budget, in line with Article 315 of the Treaty on the Functioning of the EU.

The budgetary procedure under the Lisbon Treaty puts the Council on an equal footing with the European Parliament for the adoption of the whole of the Union's budget. Under the Nice Treaty, the European Parliament had the last word on the so-called non-compulsory expenditure which accounted in the EU budget 2009 for around two thirds, whereas the Council had the final say on so-called compulsory expenditure (essentially agricultural expenditure).

¹ The only exception is the (rather theoretical) case where the Council rejects the text. In this case, the European Parliament may adopt the budget by confirming its amendments by a majority of its members and three-fifths of the votes cast.
Budget procedure under the Lisbon Treaty (Art. 314)

Commission presents Council (CNS) and European Parliament (EP) draft budget by 1 September of year n-1

CNS adopts its position on the draft budget by qualified majority (q.m.) and forwards it to the EP by 1 October n-1

EP adopts amendments by a majority of its members

EP approves the position of the CNS within 42 days or does not take a decision

Presidents of the CNS and of the EP convene a Conciliation Committee (CC), composed of 27 members of the CNS and 27 of the EP

CNS approves by q. m. all the amendments of the EP within 10 days

- CC tries to reach agreement on a joint text within 21 days, by q. m. of the CNS and a majority of the representatives of the EP
- If the CC agrees on a joint text, the CNS and the EP have each a period of 14 days to approve it
- If the CC does not reach agreement on a joint text, the Commission must submit a new draft budget

EP and CNS approve the joint text or fail to take a decision, or one institution approves the text while the other does not take a decision

EP (by a majority of its members) and CNS reject the text, or one institution rejects it while the other does not take a decision

EP (by a majority of its members) rejects the text, while the CNS approves it

EP approves the text, while the CNS rejects it

Commission shall submit a new draft budget

Budget finally adopted

CC = Conciliation Committee
CNS = Council
EP = European Parliament
Q.M. = qualified majority