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COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

concerning the revision of the multiannual financial framework (2007-2013)

**Financing projects in the field of energy in the context of the European Economic
Recovery Plan (second revision)**

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and
sound financial management as regards the multiannual financial framework**

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Introduction

On the basis of the Commission proposal of 10 December 2008 concerning the revision of the financial framework for financing trans-European energy interconnections and broadband infrastructure projects in the context of the European Economic Recovery Plan¹, the European Parliament, the Council and the Commission have agreed, at the budgetary trilogue meeting of 2 April 2009, to finance the package as follows:

- (1) The package, which aims at providing additional stimulus to the economy and improving energy security, amounts to EUR 5 000 million in current prices:
 - (a) EUR 3 980 million will be made available for the financing of energy projects under Heading 1A of the financial framework: EUR 2 000 million in 2009 and EUR 1 980 million in 2010.
 - (b) In addition, EUR 1 020 million will be made available within Heading 2 for developing broadband internet in rural areas and strengthening operations related to the 'new challenges' defined in the context of the Common Agricultural Policies' Health Check.
- (2) The financing of the total amount of EUR 5 000 million will be secured as soon as possible:
 - (a) The 2009 ceiling of Heading 1 A will be increased by an amount of EUR 2 000 million, which will be offset by a decrease of the 2009 ceiling of Heading 2 by the same amount in accordance with points 21 to 23 of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management (IIA)². In addition, EUR 600 million will be added to rural development in the 2009 budget for financing broadband internet and strengthening operations related to the "new challenges". The multiannual framework will be revised and at the same time the 2009 budget amended accordingly on the basis of the present amended Commission proposal and a Preliminary Draft Amending Budget to the 2009 budget.
 - (b) The financing of the remaining amount (EUR 2 400 million) will be secured through a compensation mechanism at the conciliation of the 2010 budgetary procedure by using all budgetary means foreseen in its legal framework, to be

¹ COM(2008) 859 final/2.

² OJ C 139, 14.6.2006, p. 1.

completed, if needed, at the latest at the conciliation of the 2011 budgetary procedure:

- The European Parliament, the Council and the Commission will examine all available sources that could provide for the compensation of funds.
- Before the use of the available amount within Heading 2 is considered, EUR 420 million will be committed for developing broadband internet in rural areas and strengthening operations related to the "new challenges" defined in the context of the assessment of the 2003 reform of the Common Agricultural Policy ("Health Check") in 2010.
- In order to compensate for the amount of EUR 1 980 million, the remaining margins under the 2009 ceilings and the 2010 available margins (with due respect to point 13 of the IIA) and, if necessary, all other financial availabilities will be used, including the 2011 available margins. The compensation mechanism will be without prejudice to the financial envelopes of the co-decided programmes and the annual budgetary procedure.

(3) The overall ceiling of the 2007-2013 financial framework will not be exceeded.

By Decision of the European Parliament and of the Council of 6 May 2009 the financial framework was revised on 6 May 2009 so as to increase the 2009 ceiling of Heading 1A by an amount of EUR 2 000 million³.

The present communication includes a proposal for a new Decision of the European Parliament and of the Council to revise the financial framework, so as to increase the 2010 ceiling for commitment appropriations under Heading 1A by an amount of EUR 1 587 million. This would leave a provisional gap of EUR 393 million to be filled for covering the full amount foreseen for projects in the field of energy. In accordance with the above agreement, this gap shall be filled at the latest at the conciliation of the 2011 budgetary procedure.

The final size of the gap will be assessed as soon as the final execution data for EAGF measures under Heading 2 become available in early November 2009. Any new market developments which may influence the 2010 budget will also be assessed at this time. The Commission undertakes to examine all financial availabilities with a view to filling the remaining gap at the November 2009 budget conciliation.

Use of margins and redeployment within Heading 1A

Point 13 of the IIA provides that the institutions are required to ensure that sufficient margins are left available beneath the ceilings. No margin is left under the 2009 ceiling for commitment appropriations under heading 1A. The margins available under the ceilings of Heading 1A amount to EUR 43 million for 2010, including Amending Letter No 2 to fund the decommissioning of the Kozloduy nuclear power plant over the period 2011 to 2013, and to

³ OJ L 132, 29.5.2009, p. 8.

EUR 37 million for 2011, taking into the recent Commission proposals for the Global Monitoring for Environment and Security (GMES), Kozloduy, and the new authorities for financial supervision. The Commission, therefore, considers that these margins cannot be used to contribute to the financing of the concerned activities foreseen in the European Economic Recovery Plan.

Under the Declaration adopted on 2 April 2009 the three institutions have agreed that "the compensation mechanism will be without prejudice to the financial envelopes of the co-decided programmes and the annual budgetary procedure". The Commission sees no further availabilities in terms of redeployments within Heading 1A.

Commitment appropriations: Transfers from Heading 2

The current margin left under the 2009 expenditure ceiling for commitment appropriations under Heading 2 amounts to EUR 901 million. This includes EUR 34 million resulting from under-execution of fisheries programmes which have been inserted in Amending Budget No 10/2009.

In addition, appropriations amounting to EUR 250 million for rural development and EUR 20 million for climate change were entered into the 2009 budget, but cannot be used because there is no appropriate legal basis.

Given that the agricultural year is now closed, it is proposed to make the remaining 2009 margin and the unused appropriations under Heading 2 available to the energy projects of the European Economic Recovery Plan to be financed under Heading 1A.

Because of the critical situation in the dairy markets, the actual availability of the unallocated margin under the 2010 expenditure ceiling for commitment appropriations under Heading 2 is lower than originally expected and amounts to EUR 844 million.

The Commission proposes to use this margin for providing,

- under Heading 2, the EUR 420 million required under the European Economic Recovery Plan for developing broadband internet in rural areas and strengthening operations related to the "new challenges" defined in the context of Health Check;
- a further EUR 124 million, which can be made available for energy projects under Heading 1A.

This leaves a margin of EUR 300 million available for agriculture under the expenditure ceiling in 2010, which corresponds to the margin necessary to avoid application of the financial discipline mechanism. In any case, the Commission has undertaken to take all appropriate measures to ensure that decisions taken on CAP expenditure and its financing, including the agreement on the Health Check, are respected.

Commitment appropriations: Transfers from Heading 5

The margins under the expenditure ceilings of Heading 5 (Administration) amount to EUR 131 million in 2009 (including an increase of the margin of EUR 55 million resulting from under-execution and made available by Amending Budget No 10/2009) and EUR 230 million in 2010. Part of the latter margin may be necessary to cover additional needs related to the

entry into force of the Lisbon Treaty. Taking that into account, a maximum of EUR 281 million (EUR 131 million from the 2009 margin and EUR 150 million from the 2010 margin) can be made available.

Commitment appropriations: Transfers from Heading 1b

Finally, a margin of EUR 11 million is left under the 2010 ceiling for commitment appropriations under Heading 1B because of lower technical assistance requirements, which can also be used.

Payment appropriations

In terms of payments appropriations, point 23, fourth paragraph, of the IIA requires that any revision must maintain an appropriate relationship between commitments and payments. Hence, the annual ceilings for payment appropriations need to be modified on the basis of the payment profiles foreseen for the additional commitments under Heading 1A and the reduction of payments corresponding to the reduction of commitment appropriations for Headings 1b, 2 and 5 in 2009 and 2010.

Summary table and conclusion

The below table summarises the proposed changes to the ceilings for commitment and payment appropriations in the financial framework. Amounts are expressed in current prices:

Commitment appropriations (EUR million)	2007	2008	2009	2010	2011	2012	2013	2007-2013
1a. Competitiveness for Growth and Employment				1.587				1.587
1b. Competitiveness for Growth and Employment				-11				-11
2. Preservation and Management of Natural Resources			-1.171	-124				-1.295
5. Administration			-131	-150				-281
Total change in commitment appropriations	0	0	-1.302	1.302	0	0	0	0
Total change in payment appropriations		0	-1.302	93	340	450	419	0

Overall, the revision shall be neutral in terms of the global ceilings for commitment and payment appropriations expressed in current prices.

The above changes result in the below financial framework table in current prices.

The formal decision on the revision of the financial framework must refer to the basic table agreed in the IIA, which is expressed in constant 2004 prices. The amounts in current values are thus to be converted into 2004 prices by means of a fixed deflator of 2% a year, in accordance with Point 16 of the IIA.

FINANCIAL FRAMEWORK 2007-2013: SECOND REVISION FOR EUROPEAN ECONOMIC RECOVERY PLAN

(EUR million - current prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	53.979	57.653	61.700	63.358	63.638	66.628	69.621	436.577
1a Competitiveness for Growth and Employment	8.918	10.386	13.272	13.975	12.987	14.203	15.433	89.174
1b Cohesion for Growth and Employment	45.061	47.267	48.428	49.383	50.651	52.425	54.188	347.403
2. Preservation and Management of Natural Resources	55.143	59.193	56.468	59.989	60.338	60.810	61.289	413.230
of which: market related expenditure and direct payments	45.759	46.217	46.679	47.146	47.617	48.093	48.574	330.085
3. Citizenship, freedom, security and justice	1.273	1.362	1.523	1.693	1.889	2.105	2.376	12.221
3a Freedom, Security and Justice	637	747	872	1.025	1.206	1.406	1.661	7.554
3b Citizenship	636	615	651	668	683	699	715	4.667
4. EU as a global player	6.578	7.002	7.440	7.893	8.430	8.997	9.595	55.935
5. Administration ⁽¹⁾	7.039	7.380	7.568	7.858	8.334	8.670	9.095	55.944
6. Compensations	445	207	210					862
TOTAL COMMITMENT APPROPRIATIONS	124.457	132.797	134.909	140.791	142.629	147.210	151.976	974.769
as a percentage of GNI	1,02%	1,08%	1,13%	1,16%	1,13%	1,12%	1,11%	1,11%

TOTAL PAYMENT APPROPRIATIONS	122.190	129.681	122.556	133.598	133.792	140.650	142.827	925.294
as a percentage of GNI	1,00%	1,05%	1,03%	1,10%	1,06%	1,07%	1,05%	1,05%
Margin available	0,24%	0,19%	0,21%	0,14%	0,18%	0,17%	0,19%	0,19%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of €500 million at 2004 prices for the period 2007-2013.

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management as regards the multiannual financial framework

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 17 May 2006 on budgetary discipline and sound financial management⁴, and in particular to Points 21, 22, first and second subparagraphs, and 23 thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) At the budgetary conciliation meeting of 19 November 2009 the European Parliament, the Council and the Commission have agreed on the modalities for providing additional financing, in the framework of the European Economic Recovery Plan, to projects in the field of energy and broadband internet as well as investments for strengthening operations related to the "new challenges" defined in the context of the assessment of the 2003 mid-term reform of the Common Agricultural Policy ("Health Check")⁵. The financing requires a revision of the multiannual financial framework 2007-2013 in accordance with Points 21, 22, and 23 of the Interinstitutional Agreement, so as to raise the ceiling for the year 2010 for commitment appropriations under sub-Heading 1A by an amount of EUR 1 587 million in current prices.
- (2) The increase of the ceiling for sub-Heading 1 A will be fully offset by decreasing the ceilings for commitment appropriations under Headings 1b, 2 and 5 for the years 2009 and 2010 by a total amount of EUR 1 587 million.
- (3) In order to keep an appropriate relationship between commitments and payments, the annual ceilings for payment appropriations will be adjusted. The adjustment will be neutral.
- (4) Annex I of the Interinstitutional Agreement on budgetary discipline and sound financial management should therefore be amended accordingly⁶,

⁴ OJ C 139, 14.6.2006, p. 1.

⁵ COM(2008) 800, COM(2008) 859, COM(2009) 171, and OJ L 132, 29.5.2009, p. 8.

⁶ For that purpose, the figures resulting from the above agreement are converted into 2004 prices.

HAVE DECIDED AS FOLLOWS:

Sole Article

Annex I to the Interinstitutional Agreement on budgetary discipline and sound financial management is replaced by the Annex to this Decision.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

FINANCIAL FRAMEWORK 2007-2013

(EUR million - constant 2004 prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	50.865	53.262	55.883	56.259	55.400	56.866	58.256	386.791
1a Competitiveness for Growth and Employment	8.404	9.595	12.021	12.409	11.306	12.122	12.914	78.771
1b Cohesion for Growth and Employment	42.461	43.667	43.862	43.850	44.094	44.744	45.342	308.020
2. Preservation and Management of Natural Resources	51.962	54.685	51.145	53.269	52.528	51.901	51.284	366.774
of which: market related expenditure and direct payments	43.120	42.697	42.279	41.864	41.453	41.047	40.645	293.105
3. Citizenship, freedom, security and justice	1.199	1.258	1.380	1.503	1.645	1.797	1.988	10.770
3a Freedom, Security and Justice	600	690	790	910	1.050	1.200	1.390	6.630
3b Citizenship	599	568	590	593	595	597	598	4.140
4. EU as a global player	6.199	6.469	6.739	7.009	7.339	7.679	8.029	49.463
5. Administration ⁽¹⁾	6.633	6.818	6.855	6.978	7.255	7.400	7.610	49.549
6. Compensations	419	191	190					800
TOTAL COMMITMENT APPROPRIATIONS	117.277	122.683	122.192	125.018	124.167	125.643	127.167	864.147
as a percentage of GNI	1,08%	1,09%	1,06%	1,06%	1,03%	1,02%	1,01%	1,048%
TOTAL PAYMENT APPROPRIATIONS	115.142	119.805	111.003	118.631	116.474	120.043	119.511	820.609
as a percentage of GNI	1,06%	1,06%	0,96%	1,00%	0,97%	0,97%	0,95%	1,00%
Margin available	0,18%	0,18%	0,28%	0,24%	0,27%	0,27%	0,29%	0,24%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of € 500 million at 2004 prices for the period 2007-2013.