



**COUNCIL OF
THE EUROPEAN UNION**

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LIMITE

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NOTE

from: Presidency
to: COREPER/Council

Subject: *European Council (18 and 19 June 2009)*
– *Draft conclusions*

The attached draft conclusions are presented by the Presidency with a view to their adoption by the European Council on 18 and 19 June 2009.

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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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I. Institutional issues

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II. Economic, financial and social situation

1. The European Union, like the rest of the world, continues to face the effects of the deepest and most widespread recession in the post-war era. It is therefore imperative for the EU to continue to develop and implement the measures required to respond to the crisis, building on the important achievements of the past months. As evidenced by the Council's report assessing the national recovery measures (XXXX/09), the significant measures taken by governments and central banks have contributed to limiting the negative effects of the downturn and have played a role in protecting jobs. They also pave the way towards a sustainable economic recovery.
2. At the global level, the EU is leading the way in implementing its G20 commitments under the Washington and London Summit declarations and in developing new ideas for global financial governance. It calls on all parties to accelerate their efforts to support the recovery ahead of September G20 Summit.

Building a new order in financial markets

3. The Council's report on the effectiveness of financial support schemes (XXXX/09) underlines the extent to which state guarantees and recapitalisation operations have been crucial in preventing a meltdown of the financial sector and have played a positive role in protecting the interests of depositors. By supporting the flow of credit to the real economy they also contribute to protecting jobs.
4. Although this coordinated strategy at the EU level has been effective in stabilising financial markets, the banking sector remains under stress and credit flows continue to be constrained. Governments must therefore stay alert to possible further measures which may be needed. Any further actions must be consistent with single market principles and take into account a credible exit strategy. The Commission is invited to provide further guidance on the valuation of impaired banking assets as well as on the return of the banking sector to viability.
5. The financial crisis has clearly demonstrated the need to improve the regulation and supervision of financial institutions, both in Europe and globally. Addressing the failures exposed by the present crisis will contribute to preventing future crises. It will also help restore confidence in the financial system, in particular by enhancing the protection of savers and consumers, and thus facilitate the recovery of the European economy.
6. Important progress has already been achieved on improving the EU's regulatory framework, in particular with the agreement reached on the Capital Requirements Directive, the Credit Rating Agencies Regulation and the Solvency II Directive. The European Council calls for rapid progress to be made in the field of regulation of financial market, notably on the regulation on alternative investment funds and on improved capital requirements for banks. It also invites the Member States to rapidly take action on executives' remunerations taking account of the recommendations made by the Commission.

7. The communication presented by the Commission on 27 May 2009 sets out the way forward to establish a new framework for macro- and micro-prudential supervision. The European Council agrees with the creation of a European Systemic Risk Board which will monitor and assess potential threats to financial stability and, where necessary, issue recommendations for action. It also recommends that a European System of Financial Supervisors be established, aimed at safeguarding financial soundness at the level of individual financial firms and protecting consumers of financial services.
8. The European Council welcomes the Commission's intention to bring forward, as soon as possible, the legislative proposals to put in place the new framework for EU supervision, taking full account of the Council conclusions of 9 June 2009. These proposals need to be swiftly adopted in order for the new framework to be fully in place in the course of 2010. The European Council will take stock of progress at its meeting in December 2009 and if necessary provide further impetus.
9. It is equally important to rapidly advance work on building a comprehensive cross-border framework for the prevention and management of financial crises. The European Council therefore invites the Commission to rapidly come forward with appropriate initiatives in this regard.
10. By implementing ambitious responses to the crisis, including the development of a strong regulatory and supervisory framework, the European Union will continue to be able to take the lead at the global level. The European Council invites the Presidency and the Commission to ensure a thorough preparation by the EU of the 24/25 September 2009 G20 Summit. It also calls on the Presidency and the Commission to take up the issue of global regulation and supervision systematically in contacts with international partners, including at the highest level.

Strengthening efforts to support employment

11. The fight against unemployment remains a major priority. Whilst action in this field lies first and foremost with the Member States, the European Union has an important role to play in providing and improving the common framework required to ensure that measures taken are coordinated, self-supporting and in line with single market rules.
12. The European Council stresses the need not only to tackle the current recession, but also to improve the entrepreneurial environment in Europe and transform Europe into a competitive, knowledge-based, inclusive, innovative and eco-efficient economy. The European Union and its Member States must assert their will to put people at the centre of their recovery plans.
13. The informal Prague Employment Summit discussed concrete actions to help alleviate the employment and social consequences of the crisis. In the context of this discussion three priority areas which should receive particular attention were identified, both within the recovery packages of the Member States and within the initiatives launched at European level: (i) maintaining employment, creating new jobs and promoting mobility; (ii) upgrading skills and matching labour market needs; (iii) increasing access to employment. Furthermore, the Commission in its communication of 3 June 2009 developed those priorities into concrete actions which can be supported through the European Social Fund. These measures show that an accelerated mobilisation of existing resources and their better use can help the Member States to find new ways of coping with unemployment and equipping people with the skills and training needed for the jobs of the future.

III. Climate change and sustainable development

14. The international community must respond in a coherent manner to the challenges posed by both the economic and financial crisis and climate change. Doing so will open up new opportunities and make it possible to move to a low-carbon economy capable of generating sustainable growth and creating new jobs. The time has therefore come to take on the commitments needed to limit global warming to under 2°C.
15. The European Union once again calls on all parties to cooperate in reaching an ambitious and comprehensive agreement at the Copenhagen Conference and to speed up the pace of negotiations to this end. It underlines the important role of high level international meetings in advancing discussions and looks forward to a positive contribution by the G8 meeting in July to the UN process. To build up this global process the EU has addressed the issue of climate change at recent summits with Canada, China, Japan, the Republic of Korea, Russia and the USA.
16. The European Union stands ready to play a leading role in this process. It has itself entered into an ambitious and legally binding commitment to reduce its CO₂ emissions by 20% by 2020 compared to 1990 levels. Provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities, the Union is ready to increase its commitment to 30%. The efforts the Union expects of the developed countries and the developing countries, especially the most advanced among them, by 2020 are set out in the conclusions of the Council of March 2009.

17. All countries, except the least developed, should contribute to the financing of the fight against climate change in developing countries. The main principles of contribution should be the ability to pay and the responsibility for emissions.¹ The European Union will contribute its fair share of international public support for actions for mitigation and adaptation, in particular in the least developed countries. Financing mechanisms should as far as possible build on existing - and if necessary, reformed - instruments and institutions. The Union's position on the international financing of climate change is set out in more detail in the conclusions of the Council of 9 June 2009.

18. The European Council calls on the Council and the Commission to develop a work program to ensure that there is sufficient time for internal EU coordination and decision making prior to important international meetings which will prepare the December Copenhagen Conference. It invites the Commission to table proposals in this regard as soon as possible in the light of developments in negotiations underway. The European Council will continue reviewing this question.

19. Sustainable development is a fundamental objective of the European Union, to which climate change policy constitutes a significant contribution. Sustainable development should also be pursued through an integrated approach to the specific challenges facing particular regions. The European Council accordingly calls for work to be taken forward rapidly on the Commission's communication on the Baltic Sea region with a view to adopting a Strategy on the Baltic Sea Region at its meeting in October 2009. It also invites the Commission to present an EU strategy for the Danube region before the end of 2010.

¹ This is without prejudice to the internal EU burden sharing which will be determined in good time before the Copenhagen Conference.

IV. Illegal immigration

20. Recent events underline the urgency of strengthening efforts to prevent and combat illegal immigration in an efficient manner at the EU Southern maritime borders and thus prevent future human tragedies. A genuine European response guided by both firmness and solidarity in line with the European Pact on Immigration and Asylum and the Global Approach to Migration is essential. Their implementation must be stepped up. All activities in the Western Mediterranean region and at the Eastern and South-Eastern borders need to continue.

21. The European Council calls for significant strengthening of concrete cooperation with the main countries of origin and transit in managing migration, border control, return and readmission, the reception of asylum seekers and protection of those in need of international protection, including cooperation with relevant international organizations active in those countries. The European Council urges the Council to take this fully into account when preparing the new multi-annual framework programme in the area of Freedom, Justice and Security.

V. External relations

[Pakistan and Afghanistan]

[Future of the European Security]