

Financial framework 2007-2013: financing energy projects under the European Economic Recovery Plan (amend. Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management)

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PURPOSE: to review the multiannual financial framework 2007-2013 in order to finance **projects in the field of energy** in the context of the **European Economic Recovery Plan**.

PROPOSED ACT: Decision of the European Parliament and of the Council (Interinstitutional Agreement).

BACKGROUND: at the trilogue meeting of 2 April 2009, the European Parliament, the Council and the Commission agreed on the financing, in the framework of the [European Economic Recovery Plan](#) (EERP), of projects in the field of energy and broadband internet in rural areas as well as activities related to 'new challenges' identified in the Common Agricultural Policy's Health Check.

Based on that agreement and the amended Commission proposal of 8 April 2009, the European Parliament and the Council adopted a Decision on 6 May 2009 by which the 2007- 2013 financial framework was revised (see [ACI/2008/2332](#)). The 2009 ceiling for commitment appropriations under heading 1A was increased by EUR 2 000 million to finance energy projects to aid economic recovery. This increase was fully offset by lowering the ceiling for 2009 for commitment appropriations under Heading 2 by the same amount. The ceilings for payment appropriations for the years 2009-2013 was modified accordingly. In parallel to that Decision, EUR 600 million were made available within the 2009 budget for broadband internet in rural areas as well as activities related to 'new challenges'.

According to the agreement of 2 April 2009, the **financing of the remaining amount** (EUR 1 980 million for energy and EUR 420 million for developing broadband internet in rural areas and strengthening operations related to the "new challenges" defined in the context of the CAP Health Check) is to "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 completed, if needed, at the latest at the conciliation of the 2011 budgetary procedure".

On 27 October 2009, the Commission presented a [proposal](#) to 'compensate' the remaining amount based on the above agreement.

The present amended proposal for a Decision of the European Parliament and of the Council **takes into account the final execution data for EAGF measures under Heading 2**, which were not available when the Commission made its initial proposal, as well as the results of the **budgetary conciliation meeting of 18 November 2009**.

CONTENT: consequently, the Commission proposes to revise the financial framework so as to **increase the 2010 ceiling for commitment appropriations under Heading 1A by an amount of EUR 1 779 million**.

In addition, EUR 120 million will be made available by mobilising the Flexibility Instrument under Point 27 of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management (IIA), and EUR 81 million by using the unallocated margin left under the 2010 ceiling for commitment appropriations under Heading 1A. **This allows for the provision of the full remaining amount of EUR 1 980 million for energy projects under the EERP** as agreed between the three institutions. In parallel, **EUR 420 million will be made available within the 2010 budget for broadband internet in rural areas** as well as activities related to 'new challenges'.

Scope for reallocating expenditure under the ceiling of Heading 1A: the increase of the ceiling for sub-Heading 1 A for the year 2010 will be fully offset by decreasing the ceilings for commitment appropriations under Headings 1A, 1B, 2, 3A and 5 for the year 2009 as well as the ceilings for commitment appropriations under Heading 1B, 2 and 5 for 2010.

The institutions agreed at the budgetary conciliation meeting of 19 November 2009 to 'compensate' the raising of the ceiling for commitment appropriations under Heading 1A in the following way:

- **Transfers from Heading 1B:** a margin of EUR 1 million is left under the 2009 ceiling and of EUR 6 million under the 2010 ceiling for commitment appropriations under Heading 1B due to unused technical assistance. It was agreed to use these amounts for financing energy projects under the Recovery Plan.
- **Transfers from Heading 2:** the final amount left under the 2009 expenditure ceiling for commitment appropriations under Heading 2 is EUR 1 036 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 was agreed 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. The initial margin under the 2010 expenditure ceiling for commitment appropriations under Heading 2 amounts to EUR 1 083 million after Council second reading of the 2010 budget. It was agreed to use this margin for providing, (i) 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; (ii) a further EUR 158 million, which can be made available for energy projects under Heading 1A.

This leaves a margin of EUR 505 million available for agriculture under the expenditure ceiling in 2010. 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.

A margin of EUR 5 million is left under the ceiling for commitment appropriations under Heading 3A in 2009 which will also contribute to the financing of the energy projects under the EERP.

- **Transfers from Heading 5:** the margin under the expenditure ceilings of Heading 5 (Administration) amounts to EUR 174 million in 2009 (including an increase of the margin by EUR 98 million which results from under-execution in the budgets of the Commission, the Council, the Economic and Social Committee and the Committee of Regions and was made available by Amending Budget No 10/2009). For 2010, it was agreed to keep a margin of EUR 72 million after taking into consideration the amendments of the European Parliament's first reading and the proposed Amending Letter 3/2010. Part of this margin may be necessary to cover additional needs

related to the entry into force of the Lisbon Treaty. Taking that into account, it is proposed to make EUR 300 million (EUR 174 million from the 2009 margin and EUR 126 million from the 2010 margin) available for the financing of the energy projects under the EERP.

Payment appropriations: Point 23, fourth paragraph, of the IIA provides 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.