

EEE 1607/1/16
REV 1

MINUTES

Subject: Minutes of the 45th meeting of the EEA Council
(Brussels, 25 May 2016)

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of the 45th meeting of the

EEA COUNCIL

(Brussels, 25 May 2016)

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The EEA Council held its 45th meeting in Brussels on 25 May 2016.

The meeting was chaired by Mr Bert KOENDERS, Minister for Foreign Affairs of the Netherlands, who led the delegation of the European Union, composed of him and representatives of the General Secretariat of the Council, the European Commission and the European External Action Service.

The EEA EFTA side was led by Ms Aurelia FRICK, Minister of Foreign Affairs of Liechtenstein, accompanied by Ms Lilja DÖGG ALFREÐSDÓTTIR, Minister for Foreign Affairs of Iceland, and Ms Elisabeth ASPAKER, Minister for EEA and EU Affairs of Norway.

The EEA EFTA side also included Mr Kristinn F. ÁRNASON, Secretary-General of the European Free Trade Association (EFTA) and Mr Sven Erik SVEDMAN, President of the EFTA Surveillance Authority (ESA).

Opening statement of Minister Bert KOENDERS on behalf of the European Union

Dear colleagues from Liechtenstein, Iceland and Norway, as well as from the EFTA Secretariat and the EFTA Surveillance Authority,

Allow me to warmly welcome you and your delegations here in the premises of the Council of the European Union for our 45th EEA Council meeting.

I would also like to take this opportunity to convey my gratitude to you and to the EFTA Secretariat for your valuable support and excellent cooperation in the preparation of this meeting.

From my own personal side, I know how important the cooperation with your countries is. I am therefore very happy to have this meeting with you today.

I am looking forward to our discussions!

1. ADOPTION OF THE AGENDA

The EEA Council adopted the Agenda, as set out in doc. EEE 1601/16.

2. APPROVAL OF THE MINUTES

The EEA Council approved the minutes of the 44th meeting of the EEA Council, which took place in Brussels on 17 November 2015, as set out in doc. EEE 1609/15.

3. PROGRESS REPORT BY THE EEA JOINT COMMITTEE

The EEA Council took note of the Progress Report by the EEA Joint Committee, as set out in doc. EEE 1603/16.

4. RESOLUTIONS ADOPTED BY THE EEA JOINT PARLIAMENTARY COMMITTEE

The EEA Council took note of the Resolutions of the Joint Parliamentary Committee at its 46th meeting in Vaduz on 19 May 2016 on *The Single Market Strategy for Goods and Services* and on *The Collaborative Economy*, and Resolutions of the EEA Consultative Committee adopted at its 24th meeting in Vaduz on 19-20 May on *Labour Mobility in the EEA* and on *Better regulation to support business and protect workers in the EEA*.

5. ASSESSMENT OF THE OVERALL FUNCTIONING OF THE EEA AGREEMENT

Intervention of Minister Bert KOENDDERS on behalf of the European Union

Let us move on to item 5 on the agenda, concerning the assessment of the overall functioning of the European Economic Area Agreement.

Before we go into more detail, allow me to stress once again the importance of these regular meetings of the EEA Council, which provide us with the opportunity to assess the functioning and implementation of the EEA Agreement, and to hold a useful exchange of views on recent developments related to it.

The EEA Agreement remains the pillar of our relations. This unique agreement plays a key role in advancing economic relations and internal market integration between the EU and the EEA EFTA States and has proved to be quite robust throughout its existence.

It is, therefore, with great satisfaction that I take note of further positive developments in our relations since we last met here in November 2015.

Firstly, I would like to welcome the signature, a few weeks ago on 3 May, of the agreements between the EU and the EEA EFTA States and the EU and Norway on new financial mechanisms, as well as the Protocols with Iceland and Norway regarding market access for fish and fishery products for the period 2014-2021.

We very much appreciate that the EEA EFTA States have committed to continuing and increasing their financial contributions to the social and economic cohesion in the European Economic Area, confirming once more that the EEA Agreement is also an instrument of solidarity, prosperity and stability.

From our side, we are confident that they will help an important number of projects, aimed in particular at supporting innovation, research, education and competitiveness. We look forward in particular to the positive contribution of the EEA and Norway financial mechanism to reducing youth unemployment, which continues to be at extraordinarily high levels in some EEA Member States and which is therefore a major issue that we have.

The Agreements and Protocols will be provisionally applied as of a fixed date following the notification by each Contracting Party of the completion of their national procedures. In this context, allow me to appeal to all parties concerned to complete their respective procedures as soon as possible, so that we can proceed with implementing them as soon as possible.

Secondly, I would like to welcome the significant progress that has been made towards the finalisation of the EEA Joint Committee Decisions on the first package of legal acts related to the EU Regulation on European supervisory authorities in the area of financial services. Swift incorporation of this important legislative package is essential for ensuring a level playing field and an effective and homogenous application of common rules throughout the EEA. The proposal for a Council Decision on the matter should be forwarded by the Commission to the Council very soon. Its examination will be at the top of this Presidency's agenda, with a view to moving it forward as soon as possible.

A well-functioning single market is a driver in boosting economic growth and creating new jobs throughout Europe. The EU welcomes the steps already taken to implement the proposals contained in the strategies for a digital single market and for upgrading the single market, both launched in 2015. A holistic approach will continue to be required to tackle some of the main challenges facing the single market, such as modernising the regulatory framework for copyright, reforming the telecoms rules, contract law for the supply of digital content, modernising VAT systems to ease cross-border selling of goods and services and proper implementation of the Services Directive.

Furthermore, concerning the 21st Conference of the Parties (COP 21) of the UN Framework Convention on Climate Change in Paris last December, to which we were all present, I would like to applaud the adoption of an ambitious, dynamic, sustainable and legally-binding global agreement. On 22 April, the EU and its 28 Member States, as well as the EEA EFTA States, signed the Paris Climate Agreement in New York. This shows our commitment to keep up the momentum from Paris. Continued efforts are required now to ensure that the EU, its Member States, and the EEA EFTA States are able to ratify and implement the Paris Agreement as soon as possible and on time, so as to be parties from its entry into force.

As you all know, the EU attaches great importance to further liberalisation of trade in agricultural products with Norway and Iceland. We look forward to the signing of the agreements on the further liberalisation of agricultural trade and on the protection of geographical indications between the EU and Iceland in the near future.

As regards Norway, the EU welcomes the progress made in the negotiations on further liberalisation of agricultural trade within the framework of Article 19 launched in February 2015 and encourages the parties to actively continue their efforts for further progress in the negotiations. The EU also takes note of the suspension of the talks between the EU and Norway on the protection of geographical indications for the time being.

Lastly, the EU wishes to welcome the incorporation into the EEA Agreement of the public procurement legislative framework and progress made in recent months with regard to the 2009 regulatory framework for electronic communications (including the Regulation on the Body of European Regulators for Electronic Communications – BEREC), and the Regulation on medicinal products for paediatric use.

With this positive overall assessment in mind, I cannot avoid expressing our concerns on a particular issue which is still over-shadowing our relations: the management of mackerel stock, which still needs to be resolved. We will return to this issue under item 7 of our meeting in the context of adopting the EEA Council's conclusions.

With this said, I will now give the floor to the EEAS representative, speaking on behalf of the Commission, who will add some comments on the item under debate.

Intervention of Mrs Angelina EICHHORST on behalf of the EEAS and of the European Commission

Mr. Chairman, Honourable Delegations,

It is a real pleasure for me to join you today and share with you, on behalf of the External Action Service and the European Commission, our view on the functioning of the EEA Agreement.

Before addressing more specific issues, allow me to express the EU satisfaction over the signature on 3 May of the agreement on the 2014-2021 EEA/Norway Financial Mechanisms as well as of the additional protocols on trade in fish and fisheries products between Norway and the EU and Iceland and the EU.

This is a great achievement and comes after more than 2 and ½ years of intense negotiations, where we listened to each other's arguments, challenged our initial assumptions and managed to reach a compromise that reflects our exceptional political commitment to safeguard and multiply the extraordinary achievements of the Agreement.

It is in this positive spirit that I would like to flag with you briefly three main issues that have the potential to undermine or underpin the overall success in the functioning of the Agreement for the coming months:

1. addressing the issue of the backlog of legal acts pending incorporation into the Agreement ;
1. advancing our ongoing negotiations on further liberalization of the agricultural trade and the protection of GIs (geographical indications) and

2. swiftly implementing the recent agreements on EEA/Norway Financial Mechanisms so that MoUs with the Member States beneficiaries are concluded very soon and hereby allow for immediate successful impact on the ground.

First, the backlog issue. We currently have 432 legal acts awaiting incorporation in the EEA, which is almost the same number as 6 months ago.

Backlog means that EEA relevant legislation that is already binding for the EU Member States, sometimes even for years, is not also applicable in Iceland, Liechtenstein and Norway. This applies to the flagship EU directives on Postal services, Deposit Guarantee Scheme, Marine Strategy Framework, Offshore safety as well as to the Third Package for the Internal Energy Market and the Regulation establishing the Body of European Regulators for Electronic Communications (BEREC).

Backlog means that our economic operators play by different rules and hereby endangers fair competition.

And backlog means that we turn a blind eye to the clear provisions of the Agreement asking for almost simultaneous incorporation of the EEA relevant legislation and homogeneity of the Single Market.

It is almost 5 years ago when this backlog issue has been first seriously raised. The figures then went up and down and, unfortunately, the results are below expectations as the backlog stubbornly stuck to something between 400-500 legal acts.

We are well aware of the underlying causes ranging from the scope and number of requests from the EFTA side to exempt, adapt, postpone or phase in the implementation of EEA relevant legislation adopted by the EU or to question its EEA relevance.

We very much appreciate recent steps taken by the EFTA side such as streamlining of the administrative procedures at the EFTA Secretariat and the introduction of a “fast-track” procedure on the EFTA side. The current backlog figure indicates that we are still not there where we wanted to be, but we should continue to instil even more energy into this process to make sure we do better.

For this reason, the EEAS and the EFTA Secretariat are currently looking into how to further reduce the backlog and a meeting is planned on 31 May to agree on a clear plan ahead. Our intention is to report back to the upcoming EEA Council in November on the progress achieved under this approach.

We all agree that our overall response to the backlog issue needs to also include a preventive side in the sense of avoiding new backlog to emerge. This applies in particular to the entire legislative package aimed at ensuring a homogenous supervision regime in the field of financial services across the entire European Economic Area.

The intense technical work of the last months has paid off and, after our successful complex negotiations on an institutional solution to extend the European System of Financial Supervision (ESFS) to the entire EEA space, the first package of 31 legal acts out of 180 has been submitted to the EU side for formal processing as well as to the national parliaments in the EEA EFTA States for approval.

I would like to emphasize that the political support from both the EEA EFTA governments and Parliaments is quintessential to make sure that these particular legal files are successfully and swiftly addressed, but also to generally cope with the issue of the backlog. We fully trust your political commitment to this purpose.

Allow me to now turn to the second key element that we attach particular importance: further liberalization of our agricultural trade.

The EEA Agreement stems out of our deep political conviction that liberalization of our economies makes them more competitive and prosperous. This is the reason why the temptation of protectionism has to be resisted in any possible way, be it in the field of free movement of capital or trade.

EU side strongly supports and encourages the Icelandic government to make real progress in their strategy to lift the capital controls. We take note of the bill of law introduced only last week in the Icelandic Parliament on further measures for removing capital control. Free movement of capital is a fundamental internal market freedom and is integral part of the European Economic Area acquis, even if restrictions can be implemented temporarily.

The same belief in open and free economies triggered our efforts aimed at achieving progressive liberalization of agricultural trade, as provided in Art 19 of the EEA Agreement. After the start of the negotiations with Norway in February 2015, we count on your political will to make additional efforts in view of advancing towards a swift outcome. This comes at a moment when EU-Norway bilateral negotiations on the protection of Geographical Indications (GIs) have reached a low by their rather unilateral suspension. We trust that this decision will be reversed very soon and parties will reconvene soon in view of allowing negotiations to advance.

We are confident that the framework of these negotiations will serve as an appropriate venue to reverse the protectionist trade measures on cheese and meat that have been introduced by the previous Norwegian government and that have been disputed by the EU side on so many occasions.

The shared interest to advance our economic integration and competitiveness is reflected by the positive outcome of the negotiations between Iceland and the EU on the trade regime for agricultural products and processed agricultural products and Geographical Indications (GIs). We are looking forward to the signing in the very near future of the Agreements which were initialled on 17 September 2015 on the further liberalisation of agricultural trade between the EU and Iceland as well on the protection of geographical indications.

Mr Chairman, Honourable Delegations, dear Colleagues,

Let me finally turn to the third and last element of my intervention, the EEA/Norway Financial Mechanisms. The agreement we reached is a living proof of our unwavering commitment to the spirit of the EEA Agreement: to equally extend the benefits of internal market to all European citizens and share our wealth, ideas, experience and opportunities for the benefit of everyone.

This should be the key driving goal to frame all our efforts to make the EEA Agreement a success story. If it is about clearing the backlog and ensuring legal homogeneity of the four freedoms, if it is about opening up our markets to more trade and capital, or if it is about our recent agreement on the future EEA/Norway financial mechanisms, we should measure our success by what we achieve in terms of changing for better the lives of our citizens.

After the signature of the agreement on EEA/Norway Financial Mechanisms on 3 May, we should now move swiftly to ensure not only their provisional application but also their implementation. We invite all parties to move fast and finalize all the upcoming negotiations on the MoUs and hereby allow for immediate launch of projects on the ground.

The nature, scope and amount of the EEA/Norway grants are ideally complementing the outstanding political, financial and legal efforts of the EU and its member states to make sure that in a time of crisis, frustration, distrust and unpredictability, our citizens continue to believe and feel that EU and the EEA are providing them with opportunities and solutions to their problems and not the other way around.

Thank you very much for your attention!

Intervention of Minister FRICK on behalf of the EEA EFTA States

Dear colleagues,

(General remarks)

Europe is currently faced with a number of important challenges, such as the ongoing migration and refugee crisis and the fight against terrorism, that call for joint European action. We will discuss some of these issues further during our Political Dialogue today.

Unity and fresh impetus are also needed to strengthen the European economy. Our shared Single Market needs to be adapted to meet an ever-changing social, economic and technological environment. Recent initiatives to further develop the Single Market, such as the strategies for a Digital Single Market and to upgrade the Single Market for Goods and Services, are welcome steps to promote innovative growth and create new jobs in Europe. We also welcome the Better Regulation Agenda, which we will discuss during the orientation debate. The EEA EFTA States will continue to contribute to the further design and development of Single Market policies and initiatives.

(EEA Financial Mechanism)

In addition to ensuring the free movement of goods, services, capital and people throughout the European Economic Area, the EEA Agreement also aims to contribute to reducing social and economic disparities in Europe.

We are therefore very pleased that we were able, earlier this month, to sign the agreement on an EEA Financial Mechanism for the 2014 to 2021 period. We are confident that the new mechanism – more commonly known as the “EEA Grants” – will make a significant contribution towards reducing social and economic disparities in the European Economic Area, and to further strengthening bilateral relations between the donor and beneficiary states.

The financial commitments over the seven-year period represent the most ambitious effort so far by the EEA EFTA States. While the focus on environment, civil society, culture and fundamental rights is maintained, greater emphasis is put on innovation, research and competitiveness. The new EEA Grants also take into account current challenges related to migration and asylum, with justice and home affairs being designated as a specific priority sector. A new fund for regional cooperation will also be established under the new mechanism, a large proportion of which will be used to promote sustainable youth employment.

Overall, the aim is that closer alignment between EEA EFTA and EU priorities and processes will lead to greater synergies and complementarity between the new EEA Financial Mechanism and EU policy.

Consultations between the EEA EFTA States and the 15 Beneficiary States on Memoranda of Understanding will be launched at a seminar for the so called National Focal Points later today and tomorrow. We hope that this will be a swift and smooth process, to allow for the finalisation, approval and implementation of the programmes as soon as possible.

(Institutional issues – progress)

Finding mutually acceptable solutions on how to accommodate new EU regulatory agencies in the two-pillar structure of the EEA Agreement has perhaps been our biggest challenge in recent years. To ensure a well-functioning Internal Market, the EEA EFTA States must also participate in these agencies and supervisory authorities. Considerable efforts have been dedicated to this issue, both in the EU and in the EEA EFTA States.

(European financial supervisory authorities)

We are very pleased with the progress that has been made on the European Financial Supervisory Authorities since our last meeting.

Finding a way to ensure the continued participation of the EEA EFTA States in the Single Market for financial services has been a top priority in recent years.

Work on the first package of Joint Committee Decisions on the European Financial Supervisory Authorities has been challenging and has taken longer than we had anticipated. But there is now finally an end to this difficult process in sight. The first package of Decisions was finally submitted to the EU side two months ago. It has also been submitted to the national parliaments in the EEA EFTA States for approval – a process we hope will be completed before the summer break. We understand that you have a similar time schedule with regard to approval by the EU Council on your side. We sincerely hope that the EU Council will be able to give its approval to the long-awaited decisions on this legislative package in July.

As soon as these processes are completed, it is of utmost importance that these Decisions are adopted by the EEA Joint Committee as soon as possible. This will also allow us to focus on ensuring the swift incorporation of other outstanding legislation in the field of financial services, on which the preparatory work is already progressing well. Renewed efforts will be required from all sides to expedite this process.

We are also pleased with recent positive developments with regard to other institutionally challenging dossiers that have been on our agenda for a long time. We are very close to an agreement on ensuring EEA EFTA participation in BEREC – the Body of European Regulators for Electronic Communications. The decisions incorporating the relevant legal acts into the EEA Agreement should be adopted by the Joint Committee in the next few months.

We have also succeeded in overcoming most of the difficult aspects related to the incorporation of the Third Energy Package into the EEA Agreement, and are close to resolving the final outstanding issue, namely EEA EFTA participation in ACER – the Agency for the Cooperation of Energy Regulators.

(Backlog)

More generally, a key priority in recent years has been to reduce the number of EU legal acts pending incorporation into the EEA Agreement where the EU compliance date has passed, the so-called backlog. Whilst a certain backlog is an inherent feature of the EEA Agreement, it has been acknowledged that over the last years, this number has been too high.

The EEA EFTA States have dedicated considerable efforts to reducing the number of outstanding acts and to speed up our internal processes. We agree that it is essential to ensure a level playing field for businesses and consumers throughout the EEA. A number of measures have been introduced in the last few years, both at national level and collectively by the EEA EFTA States. These have had positive effects. New EU acts are now being processed and incorporated into the EEA Agreement at a faster pace than before. This is largely the result of the new EEA EFTA procedures established at the end of 2014. We also see that the number of Joint Committee Decisions adopted each year has increased significantly.

These measures have prevented a build-up of the backlog. Further efforts are needed both on the EFTA and on the EU side to find mutually acceptable solutions with a view to continue reducing the backlog.

Since our last meeting, we have made considerable progress in this respect, not least with regard to the numerous legal acts related to the European Financial Supervisory Authorities, which constitute more than one third of the entire backlog. The constructive and results-oriented approach shown in this process makes us confident that we will be able to ensure a durable reduction in the number of legal acts awaiting incorporation into the EEA Agreement in the medium and long term.

(Climate change)

Let me now turn to a topic that has become an increasingly important part of our cooperation in recent years: climate change policy. The EEA EFTA States are prepared to expand this cooperation further, both in Europe and on a global scale.

We therefore fully support, and will contribute to support, the EU's efforts to reform the Emissions Trading System. A well-functioning and reformed ETS will be the main European instrument to achieve our climate policy goals.

We also welcome our increased cooperation on global climate change policy. Our joint efforts in the preparations for COP21 contributed to the adoption of the landmark climate agreement in Paris in December last year. It is now of paramount importance that the momentum from COP21 is maintained to ensure the swift ratification of the Paris Agreement.

(TTIP)

Another topic of great interest are the negotiations between the EU and the United States on a Transatlantic Trade and Investment Partnership which are entering into a decisive phase. The EEA EFTA States take note of the progress made during recent negotiation rounds on TTIP, and of the intention to maintain the objective to conclude the talks before the end of this year. A successful outcome would lead to growth and jobs in both the EU and the US, and may also benefit the EEA. Closer regulatory cooperation between the EU and the US may also affect the rules of the EU's Internal Market, and thus also the EEA. The EEA EFTA States fully agree with the European Commission and Commissioner Malmström, who has repeatedly underlined that regulatory cooperation should under no circumstances lead to a lowering of European standards and that the right to regulate will always be protected.

The regular exchange of information on the TTIP process between the European Commission and the EEA EFTA States is vital to ensure the interests of the EEA EFTA States and, consequently, to ensure a well- functioning internal market. As the negotiations intensify, we look forward to reinforcing this dialogue, both in the EEA Joint Committee and at expert level, and call on the EU and the US to duly take into consideration the special position of the EEA EFTA States.

(Closing remarks)

To conclude, while we have been faced with particularly difficult and protracted challenges in recent years, considerable progress has been achieved since our last meeting. It is important now to maintain the momentum and continue with the constructive approach that we have seen in recent months. Indeed, we have been consistently successful in finding mutually acceptable solutions for more than 20 years, and I am confident that this will also be the case in the future.

I would like to thank the outgoing EU Chair, the Netherlands Presidency, for upholding positive and constructive cooperation throughout your term. The way in which you have facilitated our participation in informal EU Council meetings and in political dialogues, as well as in the preparation of this meeting, is particularly appreciated. We look forward to working with Slovakia during its Presidency of the EU Council in the second half of this year.

Thank you.

Intervention of Minister Alfreðsdóttir on behalf of Iceland

Thank you Mr. Chairman.

It is a pleasure to be here for the first time. I welcome the opportunity to have this discussion about the functioning of the EEA Agreement. In my intervention I will address 3 topics: The EEA; capital controls; and, the financial mechanism.

First on the position of the Icelandic Government on the EEA Agreement which is clear. We emphasise the importance of the good functioning of this successful cooperation, while also recognising the challenges relating to it, not least with regard to the backlog and the implementation deficit. I am fully aware of how important it is to further address these challenges and we are committed to continue working towards this objective. Indeed, there are good signs already, as my colleague from Liechtenstein mentioned. I have every reason to believe that we will continue on this track, supported by the measures the EEA EFTA States have taken collectively as well as what we have done on national level.

One of our main policy priorities is to get involved earlier in the legislative process so we can use the possibilities the EEA gives us to shape new EU rules. In this way we want to improve the safeguarding of our national interests as well as being better ready to take up and implement new rules for the internal market.

Mr Chairman, I want to use this opportunity to brief the EEA Council on the main obstacle to the full functioning of the EEA regarding Iceland and the core economic challenge in my country to date. I am of course referring the lifting of the capital control regime which was imposed in 2008 during the financial crisis. The issue of capital controls has indeed been regularly on the agenda of the EEA Joint Committee, where Iceland has notified the Committee, in accordance with the relevant provisions of the EEA Agreement, on measures being taken.

No country has ever dealt with a balance of payments problem on the scale facing Iceland, which led to the imposing of the controls. We were functioning under the spectre of a huge capital overhang seeking an exit – an overhang estimated by the International Monetary Fund (IMF) at 70% of GDP.

[The Minister used two slides (attached) to highlighted what Iceland has had to deal with and maintained that no other country had had to deal with such an issue of the same magnitude. The first task had been to deal with the assests of the failed banks which amounted to 30% of GDP. This was done. The second issue was to deal with the offshore ISK assets which amount to about 16% of GDP. This will be done with a single option through currency auctioning. This process had taken 8 years. It was important to soon be able to lift the capital controls for residents and companies in Iceland. For example the pension funds had not been able to invest abroad which had affected asset markets in Iceland. The hope was that during the fall steps could be taken to lift capital controls for residents and companies.]

Finally, the new Agreement on the EEA Financial Mechanism, which we signed on 3 May, marks a milestone. The financial commitments over the seven-year period represent the most ambitious effort so far made by the EEA EFTA States, as my colleague from Liechtenstein mentioned in her statement. The Agreement is the result of hard work and flexibility on both sides of the table. The conclusion is a good compromise. The next task is to conclude agreements with the EU beneficiary states in order to make the important funding available. In conjunction with the EEA Financial Mechanism Agreement Iceland and the EU concluded a new bilateral protocol on market access for fish and fish products from Iceland to the EU. This protocol is of great importance and our fish exporters are waiting for the protocol to enter into force.

Thank you, Mr. Chairman.

Intervention of Minister Aspaker on behalf of Norway

Chairman, colleagues,

(General remarks)

I am pleased to be here at the EEA Council meeting for the first time, and look forward to attending these meetings in the future.

The Norwegian Government gives high priority to Norway's relationship with the EU. The EEA Agreement and our other agreements with the EU are the basis for our European policy. They ensure predictability and a level playing field for citizens and economic operators across the EEA.

(Financial mechanisms)

In all, Norway will provide more than EUR 2.7 billion through the EEA and Norwegian Financial Mechanisms in the period 2014 to 2021.

The two financial mechanisms will have the same priority sectors and programme areas, except that the Fund for Decent Work and Tripartite Dialogue will be continued under the Norway Grants.

There will be a general emphasis on stimulating innovation and growth in a greener, more competitive and inclusive Europe. Research, education and business development, energy and climate change and support in the area of justice and home affairs will be focus areas. Part of the funding will also be used to strengthen democratic processes and respect for human rights and to improve living conditions for the Roma people.

(Outstanding legal acts – backlog)

The backlog of EU legal acts awaiting incorporation into the EEA Agreement is a recurring issue at these meetings, and for good reason. Reducing the number of outstanding acts is a key priority for Norway. This is important for ensuring common rules throughout the EEA and for ensuring that businesses enjoy the intended benefits of the internal market.

Several steps have been taken to reduce the backlog. EFTA introduced revised procedures for processing EU legal acts in 2014. This has resulted in a shorter average time between the implementation of legal acts in the EU and their incorporation into the EEA Agreement. It is also important to mention that we are now in the process of incorporating the legal acts related to the EU Regulations on the European Supervisory Authorities in the area of financial services, in total approximately 180 legal acts. Once incorporated this will represent a substantial reduction of the backlog.

(European financial supervisory authorities)

As the EFTA chair has already said, we consider it very important to finalise the process of incorporating EU legislation on financial supervision into the EEA Agreement and ensuring that it is swiftly implemented in our national legislation. Well-functioning participation by the EEA EFTA States in the single market for financial services has been a priority for my Government.

A draft resolution was presented to the Storting (Norwegian parliament) on 15 April, requesting its consent to the first package of Joint Committee Decisions in this field. I have reason to believe that the Storting will make its decision before the summer recess (17 June). I am confident that the Storting will also process the few outstanding legislative amendments as soon as possible in the autumn.

(Third Energy Package / Acer)

The Norwegian Government appreciates the constructive cooperation with the Commission on the Third Energy Market Package. We welcome the progress achieved in recent months, and hope that we can soon finalise this process.

(Telecom Package/BEREC)

There have been protracted discussions on formal participation by the EEA EFTA States in BEREC. We are therefore very pleased that we have reached agreement with the Commission and the EEAS on a joint declaration, which we hope will pave the way for EEA EFTA participation and cooperation in BEREC.

We hope that the EEA Joint Committee will be able to make a decision on BEREC and the telecom package in the near future.

(Decision-shaping)

Norway's aims to engage as actively as possible in decision-shaping in the EU within the framework that our agreements provide.

One area where we are doing this is **energy and climate change**. Norway and the EU cooperate closely in the energy field. Norway is a major supplier of energy to the EU, and is part of the internal energy market through the EEA Agreement. We have therefore followed the development of the Energy Union closely. We have presented Norwegian views on a number of occasions, for example by providing input to the Commission's consultations over the past year. Norway generally welcomes the development of the Energy Union.

Norway's view is that well-functioning and efficient energy markets, with adequate infrastructure and an effective legislative framework, are essential for security of supply and for an effective climate policy in Europe. We consider that the EU Emissions Trading System should continue to be the EU's main climate policy tool.

Last year, Norway announced its intention to work towards joint fulfilment of its climate commitment with the EU. This would involve cooperation with the EU on emission reductions in non-ETS sectors as well as within the emissions trading system. We appreciate the EU's positive reception of our proposal.

Norway strongly supports the Commission's strategy for creating a real digital single market, especially by promoting cross-border digital trade.

Digitalisation is a driver of innovation, growth and modernisation— for both businesses and the public sector. Developing the digital single market will boost the European economy. It can also serve as an engine for sustainable green growth.

We have followed the launch of the Commission's new eGovernment Action Plan with interest, and will take part in its implementation.

The initiatives in the Digital Single Market Strategy are due to be delivered by the end of 2016. The Commission has made proposals in many different areas for achieving the goals of the strategy, and we expect more in the months to come. Norway has provided input for several of these proposals, both individually and together with the other EEA EFTA countries. We will continue to follow the Commission's work very closely.

We share the Commission's commitment to improving the functioning of the single market further through a number of targeted measures as set out in the Single Market Strategy. We support the focus on improving the functioning of the market in the service sector and on full national implementation of EU law.

The strategy also raises important questions regarding the collaborative or 'sharing' economy and how new business models should be regulated at the European and national level.

(Transatlantic Trade and Investment Partnership)

I would also like to comment briefly on the Transatlantic Trade and Investment Partnership (TTIP).

Norway has not yet clarified its position on the TTIP Agreement, but in our view, it should be kept open to third countries with strong ties to the EU internal market. As the EFTA Chair said earlier, we welcome a closer TTIP dialogue with the Commission, both in the EEA Joint Committee and at expert level.

The Norwegian Government has commissioned an external report on the consequences of the TTIP Agreement for Norway. The report will review the consequences of possible Norwegian policy options, and will be ready this autumn.

(Closing remarks)

In conclusion, since its entry into force the EEA agreement has proven to be an efficient and robust platform for our participation in the internal market and in related programmes and agencies. It has boosted economic growth and promoted a homogenous market and economic predictability for the parties involved. The EFTA and EU states are jointly responsible for ensuring that the EEA cooperation runs smoothly as possible, and for showing the pragmatism and flexibility necessary to find solutions to what are sometimes difficult issues. Well-functioning cooperation benefits economic operators and other stakeholders throughout the 31 states that are parties to the EEA Agreement. We have done pretty well so far, and I am confident that we will continue to be successful in the future.

6. ORIENTATION DEBATE: "STATE OF PLAY OF THE BETTER REGULATION AGENDA AND ITS IMPACT ON THE EEA"

Intervention of Minister KOENDDERS on behalf of the European Union

Let us now turn to the next item on the agenda, our orientation debate on the state of play of the better regulation agenda and its impact on the European Economic Area.

From the outset, I would like to say that I am very glad to have this opportunity to exchange views with you on the better regulation agenda. The issue of how we can improve the quality of EU legislation, to ensure that it is based on informed decisions and does not entail unnecessary burdens, is extremely important for all of us, including our public opinion.

The Council has actively supported the better regulation agenda and we have recently taken major steps to take it forward. Work is ongoing on this in the Council.

The Council is of course aware that what we do has a direct effect on the EEA EFTA countries. I have taken note with great interest of the EEA EFTA comments on better regulation from September last year and I look forward to your views in today's debate.

The better regulation agenda is a comprehensive one with several strands. The work of the Commission is crucial here and forms the basis for our efforts and I will give the floor to the Commission's representative, Ms Kerstin Jorna, in a moment to elaborate on this.

To kick off the debate, I would like to provide you with an overview of what we are doing at the Council. Firstly, there is the new Interinstitutional Agreement on Better Law-Making that was signed and entered into force on 13 April 2013. Secondly, important work is being done by the Competitiveness Council on development and use of tools for better regulation to enable evidence-based decision making.

In this respect, I would like to draw your attention to the Netherlands Presidency's work programme, which welcomes the inclusion of better regulation in the Commission's work programme. Improving regulation is an ongoing process that requires continuous attention and joint efforts. The Netherlands Presidency has put better regulation on the agenda of the Competitiveness Council.

With the Interinstitutional Agreement on Better Law-Making, in short the IIA, the three institutions have jointly established a set of rules on how together we can ensure a better law-making for our citizens and businesses.

I will not go into detail on all these issues but limit myself to mentioning what we refer to as 'legislative programming'. The IIA improves the dialogue among institutions on the Commission's annual work programme and sets joint priorities for legislative activities in the EU. This will lead to more focus and more efficiency.

More concretely, on better regulation, there are two key issues in the IIA targeted directly at better regulation. One is strengthening the basis for taking informed decisions and the other is regularly evaluating the existing body of EU regulation to see whether it is still fit for purpose and whether it can be simplified, also with a view to cutting red tape.

In particular, we have strengthened the provisions on the scope and content of the Commission's initial impact assessments, by making sure they cover a comprehensive range of aspects that may affect the outcome, such as competitiveness, jobs and growth. In this regard, it was of utmost importance for the Council to put emphasis on the impact on SMEs, as they are key to fostering growth and jobs in Europe.

In the Council, we are currently reflecting on how to improve our own handling of impact assessments. The Presidency plans to have a debate in the Council on this in June.

In stakeholder consultations, the emphasis is on consultations that are as inclusive as possible, targeting in particular SMEs and other end users. For the Council it is important to ensure that those who will be directly affected by legislation are heard.

Also, the Council is a firm supporter of the Commission's Regulatory Fitness and Performance Programme, REFIT, and we have now ensured that it is firmly situated within the IIA framework. It is the basis for our simplification efforts, providing a strong commitment to avoiding overregulation and administrative burdens while ensuring that the objectives of legislation are met. We look forward to the Commission's annual burden survey which will provide an overview of efforts in simplification. This will be a useful common platform for the institutions to discuss for example priorities for simplification.

Importantly for the Council, the IIA also provides the possibility of setting quantitative burden-reduction targets in specific areas.

Part of better regulation is also ensuring the transparency of the activities of the institutions. Having this IIA, which sets out principles and rules for co-operation on legislation between the institutions, contributes in itself to ensuring EU legislation vis-à-vis stakeholders and the general public is more transparent.

However, the IIA also contains specific commitments to the transparency of the legislative process. In particular, there will be a joint database on legislative proposals to make it easier to trace where the proposal is in the legislative process, and we have committed to actively communicating on the negotiations between the institutions. The Presidency intends to launch a discussion in the Council on improving transparency on the basis of the IIA in June.

We have taken a significant step forward by concluding the IIA but of course everything will depend on its application and implementation. It is now up to the institutions to live up to what we have agreed. The Council is committed to pursuing efforts in this area, also in close co-operation with the two other institutions.

As part of this work, we also need to examine more closely the tools at our disposal to achieve better regulation, not least within the framework of our efforts to enhance the EU's competitiveness. These include quantification, reduction targets and applying the 'think small first' principle to support SMEs and start-ups.

At this point I would like to share with you some ideas about another important aspect, namely making legislation future-proof and enabling for innovation. Innovation and regulation are two sides of the same coin and both contribute to strengthening competitiveness. This promising topic will be at the heart of a policy debate at the Competitiveness Council on 26 and 27 May 2016, at which Council conclusions on the subject are also due to be adopted.

I will now first invite the Commission to contribute to the debate. Ms Jorna, you have the floor.

Intervention of Deputy Director General JORNA on behalf of the Commission

DG GROW Director Kerstin JORNA explained how the Commission applies the Better Regulation principle when it comes to the transposition and enforcement of legal acts. Amongst others, Director JORNA also highlighted the good cooperation with the EEA EFTA States with regards to Better Regulation for Standards.

Intervention of Minister FRICK on behalf of Liechtenstein

Dear Chairman, dear colleagues,

Liechtenstein, being an EEA Member State for 21 years and therefore applying EU legislation related to the Internal Market, is very interested in the EU's Better Regulation Agenda.

We welcome the modernisation and simplification of the EU's legislative framework as this will be of benefit for businesses, citizens and administrations.

Liechtenstein is convinced that effective legislation leads to the achievement of its targets at minimum costs. This also provides legal predictability and legal certainty, which we see as cornerstones for a successful business environment. This is especially true for small and medium sized enterprises.

At the end of 2014, 99.6% of all Liechtenstein companies were SMEs (with less than 249 employees). These undertakings provided for 67.2% of the total employment in Liechtenstein. Against this background, we support the stronger focus on creating a friendly environment for SMEs.

We also appreciate the stronger use of impact assessments and the involvement of stakeholders at an early stage. This ensures that the interests of the European businesses and stakeholders are duly taken into account when drafting new EU Legislation. Furthermore, due consideration should be given in such impact assessments to the question whether a certain area or issue needs to be regulated at all.

Liechtenstein believes that effective and simple EU legislation guarantees uniform implementation and application of EU-law in the Internal Market and, hence, leads to legal certainty.

The better regulation agenda helps to increase the competitiveness of Europe as a whole.

To sum up, Liechtenstein is a strong advocate of a well functioning Single Market and we are therefore prepared to actively contribute to the better regulation agenda.

Thank you.

Intervention of Minister Alfreðsdóttir on behalf of Iceland

Mr. Chairman,

We are faced with a challenging task; to make laws or rules - where necessary and in a timely manner - that are clear, fit for purpose and future proof. Rules that provide for certainty and security for businesses and consumers without being too burdensome. At the same time existing rules need to be reassessed on a continuous basis against the same benchmarks. It matters for growth and it matters for the credibility of our democratic institutions.

In essence that is what Better Regulation is all about. Therefore we welcome very much the increased emphasis which the Commission has placed on this issue. As a party to the EEA Agreement it is important for Iceland that the legislation that is incorporated into the Agreement is not only of good quality but also of added value.

In Iceland the general sentiment is also that European regulations are sometimes too detailed, descriptive and burdensome. The policy of the current Commission to be more targeted when it comes to legislation is therefore much welcomed. However, it is safe to say that Iceland has, in general, benefitted from our common set of rules.

The internal market has already been extensively regulated. It is therefore a major task to review current legislation based on experience and cut red tape, where possible and appropriate, in order to deliver economic gains for our societies. In particular, the REFIT programme will be of importance and hopefully the REFIT platform will serve well to identify legislation that are in need of review.

Mr. Chairman,

In Iceland better law-making as has been in focus since 2013. The Government has adopted a strategy for a simplified regulatory framework for businesses and certain sectorial initiatives have already been undertaken. In addition, the recent Act on Public Finance places enhanced responsibilities on the ministries pertaining to policy work and for the identification of indicators which will lead to better law making. Work procedures have been reviewed with the aim to establish roadmaps before the drafting of new legislation starts. The government guidelines for drafting of legislation have also been streamlined and better law making has been made part of training offered to staff in the central administration. Later this year the administration intends to open a central platform for public consultations of proposals for new laws and regulations.

Mr. Chairman,

Our hope is for fewer and better quality regulations. Our shared policies are contributing to this goal and we should continue on that basis. We look forward to contributing to the process ahead through every avenue available to us.

Intervention of Minister Aspaker on behalf of Norway

Ladies and gentlemen,

We fully support the Commission's aim and the work it is doing to avoid over-regulation and unnecessary burdens by systematically reviewing existing legislation and ensuring that future legislation is made simpler, better and more user-friendly. We also support its continued focus on high standards for health, safety and the environment in this work. The Commission's efforts will contribute to delivering tangible and sustainable benefits for individual citizens, business and society as a whole.

Almost all internal market legislation is relevant to us, as we have to implement it into our national legislation. It should therefore go without saying that Norway is very interested in the better regulation agenda in general, and in the various pieces of legislation that are being assessed and rewritten as part of the REFIT programme in particular. Furthermore, the Norwegian Government shares many of the EU's priorities in its own internal policymaking work and when assessing national legislation. We have chosen 'Improve, Simplify and Renew' as the Government's slogan, with special focus on how to make our public sector more effective and our legislation more 'business-friendly', especially in relation to SMEs. These objectives have become increasingly relevant now that we, and the rest of Europe, find ourselves in a period of transition and in need of new, smart – and digital – ways forward.

The Government has also established an independent watchdog, the Norwegian Better Regulation Council, which will be operative as of 1 June 2016. The Council will work to lessen the burdens on business from new or altered regulations. As is already the case with proposals for new EU legislation from the Commission, our national Council will be responsible for determining whether impact assessments have been carried out in accordance with the Instructions for Official Studies and Reports, and whether the consequences for business have been properly taken into account. Moreover, it will consider whether new or altered regulations have been drawn up in a manner that achieves the policy objectives, at the lowest possible cost for business. The Council will also follow the developments and practices relating to simplification and regulation, and will provide information and general guidance with a view to promoting effective regulation.

We have also launched our own national 'digital agenda', in the form of a white paper to the Norwegian Storting (our parliament), which focuses on digitalisation in general and a more efficient and user-friendly public sector in particular.

All this shows that our national policies have a great deal in common with the better regulation agenda at European level. I am sure that we have a lot to learn from each other, both as regards specific pieces of legislation and in broader terms, with regard to policy guidelines and the use of best practices.

This brings me to the REFIT platform, which is of course a central policy tool under the Commission's better regulation agenda. We have previously signalled our interest in participating as observers in the work of the REFIT platform, preferably alongside our EEA EFTA partners. We believe this would make good sense, both because the outcome of the work may affect us directly and because we share the same legislation, and thereby the same experiences. This puts us in a position to provide input on the substantive issues. So far, this has not been possible to arrange, but we hope that the Commission will in due course reconsider the question of our participation, not least because the platform is now up and running. In any case, we hope to continue our close dialogue with the Commission on the better regulation agenda.

7. ADOPTION OF THE CONCLUSIONS OF THE 45TH EEA COUNCIL

Intervention of Minister KOENDDERS on behalf of the European Union

We now turn to the discussion of our draft conclusions (as set out in document 1602/16). As in previous years, no agreement could be reached before our meeting on a paragraph regarding the management of mackerel, namely paragraph 25 of our text.

The wording of this paragraph is neutral and its subject, the management of mackerel stocks in the North East Atlantic, continues to raise important concerns in the EU. Our position on the matter is still the same as at our last meeting in November.

The EU, Norway and the Faroe Islands are working together on this important shared stock, on the basis of a trilateral arrangement agreed in 2014, as well as on a long-term management strategy agreed upon in October 2015.

The EU said from the outset that the door was open for Iceland to join the arrangement, and I want to underline that this door continues to remain open. The EU still hopes that parties can work out the terms of a full four-Party Coastal State arrangement for mackerel, which would offer stability and predictability to all of us and would guarantee the conservation of the biomass at its current level, as well as the fishing activities of the ships spread across the coastline.

With this in mind, we invite the EEA EFTA side to accept the inclusion of paragraph 25 into the conclusions.

Intervention of Minister Alfreðsdóttir on behalf of Iceland

I can confirm that the draft conclusions of the EEA Council are indeed acceptable to Iceland, with the exception of paragraph 25. Fisheries management is not covered by the EEA Agreement. It is therefore not appropriate to agree a conclusion on this issue in this forum. We can therefore approve the Conclusions provided this paragraph is deleted.

Intervention of Minister KOENDDERS on behalf of the European Union

We have taken good note of your comments, but we remain convinced of the added value of the proposed paragraph 25.

It looks like we need a spirit of compromise. Therefore, the EU delegation does not insist on maintaining paragraph 25 of the draft conclusions and agrees on its deletion, while not changing its position on the subject as such.

With that said, I conclude that we have reached an agreement to adopt the draft conclusions (as set out in document 1602/16), without paragraph 25. The conclusions as adopted will be circulated after the meeting as document 1602/16 REV 1.

8. OTHER BUSINESS

none

Closing remarks of Minister KOENDDERS on behalf of the European Union

Thank you. We have come to the end of this session of the EEA Council.

I would like to thank you all for the interesting discussions and close this part of the meeting.

I would also like to thank everyone from the EEA EFTA States, as well as the EFTA Secretariat, the EFTA Surveillance Authority, the EU Member States and the EU institutions for contributing to and participating in this constructive and fruitful meeting.

Closing remarks of Minister FRICK on behalf of the EEA EFTA States

Thank you, Mister Chair. We would like to express our appreciation of the frank, open and dynamic dialogue we have had in this meeting, as on previous occasions.

Our thanks go in particular to the Netherlands Presidency, the Council Secretariat, the European External Action Service and the Commission for their positive and constructive cooperation over the last months. We look forward to working with the Slovak Presidency in the months ahead.

45th meeting of the

EEA COUNCIL

(Brussels, 25 May 2016)

INDICATIVE LIST OF DELEGATIONS

**THE GOVERNMENTS OF THE EEA – EFTA STATES WILL BE REPRESENTED AS
FOLLOWS:**

THE PRINCIPALITY OF LIECHTENSTEIN

(EEA EFTA Chair)

H.E. Ms Aurelia FRICK	Minister of Foreign Affairs
H.E. Mr Kurt JÄGER	Ambassador, Mission of Liechtenstein to the EU
Mr Dominik MARXER	Counsellor, Mission of Liechtenstein to the EU
Ms Anne CORNU	Counsellor, Mission of Liechtenstein to the EU
Ms Helen LOREZ	Second Secretary, Office for Foreign Affairs
Mr Andreas FOSER	Temporary Officer, Mission of Liechtenstein to the EU

ICELAND

H.E. Ms Lilja DÖGG ALFREÐSDÓTTIR	Minister of Foreign Affairs
H.E. Ms Bergdis ELLERTSDÓTTIR	Ambassador, Mission of Iceland to the EU
Ms Unnur ORRADÓTTIR RAMETTE	Director General, Directorate for External Trade and Economic Affairs, Ministry for Foreign Affairs
Mr Hrannar PÉTURSSON	Political Advisor to the Minister

Mr Ragnar G. KRISTJÁNSSON

Deputy Head of Mission, Mission of Iceland to the
EU

Ms Katrín SVERRISDÓTTIR	Coordinator for European Economic Area (EEA) cooperation, Mission of Iceland to the EU
Mr Kristján Freyr HELGASON	Counsellor for Fisheries and Agriculture, Mission of Iceland to the EU
Mr Ingólfur FRIDRIKSSON	First Secretary, Mission of Iceland to the EU
Ms Sigríður EYSTEINSDÓTTIR	First Secretary, Mission of Iceland to the EU
Mr Andri JÚLÍUSSON	First Secretary, Mission of Iceland to the EU
Ms Þóra MAGNÚSDÓTTIR	Counsellor
Ms Ingibjörg Rafnar PÉTURSDÓTTIR	Specialist

THE KINGDOM OF NORWAY

H.E Ms Elisabeth ASPAKER	Minister of EEA and EU Affairs
H.E Ms Oda Helen SLETNES	Ambassador, Mission of Norway to the European Union
Mr Niels ENGELSCHIØN	Deputy Director General, Ministry of Foreign Affairs
Ms Trine Eskedal JØRANLI	Director, Ministry of Foreign Affairs
Mr Knut HERMANSEN	Minister Counsellor, Mission of Norway to the EU
Ms Aud HELLSTRØM	Minister Counsellor, Mission of Norway to the EU
Ms Wera HELSTRØM	Head of Communications and Press, Mission of Norway to the EU
Mr Lars Erik NORDGAARD	Counsellor for Trade, Industry and Fisheries, Mission of Norway to the EU
Mr Rune BJAASTAD	Senior Adviser, Ministry of Foreign Affairs

Ms Grethe Dale JOHANSEN

Senior Adviser, Ministry of Foreign Affairs

II. THE EUROPEAN UNION WILL BE REPRESENTED AS FOLLOWS:

THE NETHERLANDS PRESIDENCY

(PRESIDENCY-IN-OFFICE OF THE COUNCIL OF THE EUROPEAN UNION)

H.E. Mr Bert KOENDERS	Minister of Foreign Affairs
Mr Thijs VAN DER PLAS	Director, European Integration Department, Ministry of Foreign Affairs
Mr Robert FARLA	Chair of the EFTA Working Party
Ms Marline KESTER	Senior Policy Officer, Ministry of Foreign Affairs
Ms Bertine BOS	Policy Officer EU enlargement
Mr David DE BOER	Policy Officer EU enlargement

EUROPEAN COMMISSION

Ms Kerstin JORNA	Director, Single Market Policy, Regulation and Implementation, Directorate General GROW
Mr Tom DIDERICH	International Desk Officer, Directorate General GROW

EUROPEAN EXTERNAL ACTION SERVICE

Ms Angelina EICHHORST	Director for Western Europe, Western Balkans and Turkey
Mr Claude MAERTEN	Head of Division, Western Europe
Mr Florin NITA	Desk officer European Economic Area (EEA)
Mr Vaclav NAVRATIL	Desk officer European Economic Area (EEA)
Mr Martin SKYLV	Desk officer for Norway, Iceland and Liechtenstein

COUNCIL OF THE EUROPEAN UNION - GENERAL SECRETARIAT

Mr Matthew REECE	Head of Enlargement Unit
Ms Andreia Visconti IORDACHITA	Desk officer for Non-EU Western Europe, Enlargement Unit
Ms Dhana IRSARA	Political Administrator, Enlargement Unit

III. THE EUROPEAN FREE TRADE ASSOCIATION (EFTA) WILL BE REPRESENTED AS FOLLOWS:

EFTA SECRETARIAT

Mr Kristinn F. ÁRNASON	Secretary-General
Mr Dag Wernø HOLTER	Deputy Secretary-General
Mr Georges BAUR	Assistant Secretary-General
Mr Tómas BRYNJÓLFSSON	Director, Services, Capital, Persons & Programmes Division
Ms Brit HELLE	Director, Goods Division
Ms Dóra Sif TYNES	Head of EEA Legal Services, EEA Coordination Division
Mr Marius VAHL	Head of EEA Policy, EEA Coordination Division
Ms Christina EVERETT	Senior Assistant, EEA Coordination Division
Mr Fredrik NORDBØ	Trainee, EEA Coordination Division
Ms Gudrun KVARAN	Trainee, Secretary-General's Office

EFTA SURVEILLANCE AUTHORITY

Mr Sven Erik SVEDMAN	President
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Ms Helga JONSDÓTTIR

College Member

Mr Frank BÜCHEL

College Member

EUROPEAN ECONOMIC AREA
Council of the EEA

Brussels, 13 May 2016
(OR. en)

EEE 1603/16

PROGRESS REPORT

Subject: Progress Report by the EEA Joint Committee to the 45th meeting of the EEA Council

Decision making

1. The EEA Joint Committee has adopted 129 Joint Committee Decisions (JCDs) incorporating 227 legal acts since the EEA Council of 13 November 2015. In the period from 1st January to 29 April 2016, the EEA Joint Committee has adopted 102 JCDs incorporating 180 legal acts. In the same period of 2015, 128 JCDs incorporating 193 legal acts were adopted.

2. As of 29 April 2016, there were 432 outstanding legal acts where the compliance date in the EU had passed, compared to 422 acts on 1 November 2015. Since November 2015 therefore the overall number of outstanding legal acts has increased by 2.2 %.
3. Since the last EEA Council, the EFTA side has continued to identify further actions needed to permanently reduce the number of outstanding acts and avoid their re-emergence.
4. The number of JCDs awaiting the fulfilment of constitutional requirements, where the six-month period had expired, increased from 11 on 1 November 2015 to 15 on 3 May 2016.
5. Important decisions incorporated since the 44th meeting of the EEA Council include:
 - Decisions No 306/2015 and No 22/2016 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and spirit drinks,

- Decision 317/2015 with regard to the provision of EU-wide real-time traffic information services,
- Decision 24/2016 with regard to labelling of energy-related products on the internet,
- Decision 25/2016 with regard to eco-design requirements for solid fuel local space heaters,
- Decision 30/2016 as regards interoperability of spatial data services,
- Decision 53/2016 on allowing the use of the radio spectrum for equipment using ultra-wideband technology in a harmonised manner,
- Decision 54/2016 laying down detailed measures for the implementation of the common basic standards on aviation security,
- Decision 66/2016 with regard to movement of pet animals,
- Decision 92/2016 on net neutrality and roaming on public mobile communications networks,
- Decision 97/2016 on the public procurement legislative framework.

Decision shaping

6. The EEA EFTA States are participating in 14 EU programmes and 18 agencies, of which 13 were regulatory agencies and five executive agencies.
7. Since the last EEA Council, the EEA Joint Committee has taken note of EEA EFTA Comments on the following subjects, to which the EU side has provided oral and/ or written reactions:
 - Upcoming proposal regarding contract rules for online purchases of digital content and tangible goods.

- The public consultation on the evaluation and review of regulatory framework for electronic communications networks and services,
- Possible action addressing the challenges of work-life balance faced by working parents and caregivers,

Briefings in the Joint Committee

8. Briefings on the following subjects were provided in the EEA Joint Committee:

- Capital controls in Greece,
- Capital controls in Iceland,
- Transatlantic Trade and Investment Partnership (TTIP) negotiations.

Status of outstanding issues

9. The discussions on the following issues have not yet been concluded:

- the Directive on the Deposit Guarantee Scheme,
- the Third Package for the Internal Energy Market,
- the remaining part of the 2009 TELECOM package, including the Regulation establishing the Body of European Regulators for Electronic Communications (BEREC),
- the Third Postal Directive,
- the Regulation on Medicinal Products for Paediatric Use,
- the Marine Strategy Framework Directive,
- the Offshore Safety Directive,
- the EU legal acts in the area of organic production.

The Joint Committee has reiterated its determination to work towards the rapid conclusion of these issues.

Financial Services

10. The first package of 9 JCDs containing 31 legal acts in the area of the European Supervisory Authorities (ESAs) was after successful preparatory talks submitted to the EU side for formal processing on 9 March 2016. The position on the EU side shall now be established by the Council. This package has also been submitted to the national parliaments in the EEA EFTA States for approval.

Financial Mechanisms

11. The Agreement on the EEA Financial Mechanism for the 2014-2021 period was signed on 3 May 2016, with a total commitment of 1548.1 million euro. The Agreement on the Norwegian Financial Mechanism for the 2014-2021 period, with a total commitment of 1253.7 million euro, was also signed on 3 May 2016. The aim of the Financial Mechanisms is to contribute to reducing economic and social disparities in the European Economic Area and to strengthen bilateral relations.
12. For the period 2009-2014, 993.5 million euro has been set aside under the EEA Financial Mechanism and an additional 804.6 million euro under the Norwegian Financial Mechanism. Programmes and projects under both Mechanisms may be implemented until 2016.

**EUROPEAN ECONOMIC AREA
Council of the EEA**

**Brussels, 25 May 2016
(OR. en)**

**EEE 1602/1/16
REV 1**

CONCLUSIONS

Subject: Conclusions of the 45th meeting of the EEA Council
(Brussels, 25 May 2016)

1. The forty-fifth meeting of the EEA Council took place in Brussels on 25 May 2016 under the Presidency of Mr Bert Koenders, Minister of Foreign Affairs of the Netherlands, representing the Presidency of the Council of the European Union. The meeting was attended by Ms Aurelia Frick, Minister of Foreign Affairs of Liechtenstein, Ms Lilja Dögg Alfreðsdóttir, Minister for Foreign Affairs of Iceland, and Ms Elisabeth Aspaker, Minister of EEA and EU Affairs of Norway, as well as by Members of the Council of the European Union and representatives of the European Commission and the European External Action Service.
2. The EEA Council noted that, within the framework of the Political Dialogue, the Ministers would discuss *the migratory and refugee crisis, Russia and Ukraine, the EU Global Strategy on foreign and security policy, including cooperation in the Arctic*. An orientation debate was held on *the state of play of the Better Regulation agenda and its impact on the EEA*.
3. The EEA Council acknowledged the key role played by the EEA Agreement for more than 20 years in advancing economic relations and internal market integration between the EU and the EEA EFTA States. The EEA Council highlighted that the Agreement had been robust and capable of adapting to changes in EU treaties and EU enlargements. The EEA Council

recognised that increased efforts towards enhancing competitiveness would be key for jobs and growth in Europe.

4. The EEA Council emphasised the importance of a well-functioning Single Market as a driver in boosting economic growth and creating new jobs throughout Europe, and welcomed the steps already taken to implement the proposals contained in the strategies for a Digital Single Market and for upgrading the Single Market, both launched in 2015, with a view to exploiting in full its untapped growth and productivity potential. The EEA Council agreed that a holistic approach is required to tackle some of the main challenges facing the Single Market, and stressed the importance of close involvement of the EEA EFTA States in the further design and development of single market policies and initiatives.
5. Noting the Progress Report of the EEA Joint Committee, the EEA Council expressed its appreciation for the work of the Joint Committee in ensuring the continued successful operation and good functioning of the EEA Agreement.
6. The EEA Council emphasised the importance of solidarity among the countries of Europe to overcome social and economic challenges. In particular, the EEA Council expressed concern regarding the continued high level of youth unemployment in some EEA Member States.
7. The EEA Council recognised the still existing need to alleviate social and economic disparities in the EEA, as well as the positive contribution of the EEA and Norway Financial Mechanism 2009-2014 and of their predecessors in reducing economic and social disparities throughout the EEA.
8. The EEA Council welcomed the signature on 3 May 2016 of the Agreement on an EEA Financial Mechanism 2014-2021 and of the Agreement between Norway and the EU on a Norwegian Financial Mechanism for the 2014-2021 period.
9. The EEA Council also welcomed the signature on 3 May 2016 of the protocols on trade in fish and fisheries products between Norway and the EU and Iceland and the EU and called for a swift conclusion of the necessary work.
10. Emphasising the fact that greater knowledge of the EEA Agreement throughout the EEA is in the interest of all Contracting Parties, the EEA Council urged them to ensure that information on the EEA Agreement is made readily and easily available.

11. The EEA Council noted that free movement of capital is a fundamental internal market freedom and an integral part of the EEA acquis and acknowledged that restrictions can be implemented only temporarily on the basis of the provisions of Article 43 of the EEA Agreement.
12. The EEA Council welcomed the significant progress towards finalisation of the EEA Joint Committee Decisions of the first package of legal acts related to the EU Regulations on the European Supervisory Authorities in the area of financial services. It stressed the need to swiftly finalise the necessary procedures to allow for the incorporation into the EEA Agreement and the rapid entry into force of these acts in order to ensure effective and homogenous supervision throughout the EEA, as called for by the EU and EEA EFTA Ministers of Finance and Economy at their informal meeting of 14 October 2014. The EEA Council also highlighted the high importance of promptly incorporating and applying the other outstanding legislation in the field of financial services as soon as possible in order to ensure a level playing field throughout the EEA in this important sector.
13. The EEA Council placed great importance on continued close cooperation between the EU and the EEA EFTA States in environment, energy and climate change policies, particularly in light of the 2030 Framework for Climate and Energy and the Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy. The close cooperation should also continue in particular in the areas of internal energy market, energy security, emissions trading, promotion of competitive, climate resilient, safe and sustainable low carbon energy, energy efficiency, renewable energy resources, carbon capture and storage (CCS) and carbon capture and utilisation (CCU), as well as other environmental issues such as waste, chemicals, water resource management and industrial pollution.

14. The EEA Council welcomed the efforts and close cooperation of the EU, its Member States and the EEA EFTA States in the preparations of the 21st Conference of the Parties (COP21) of the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in December 2015. The EEA Council highlighted that this cooperation had contributed to the adoption of an ambitious, dynamic, durable and legally binding global agreement. In order to hold the increase in the global average temperature well below 2°C, and to pursue efforts to limit it to 1,5° C above pre-industrial levels, as well as to foster climate resilience and low greenhouse gas emissions development, parties aim to reach global peaking of greenhouse gas emissions as soon as possible and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century. The EEA Council underlined the need to maintain the momentum after COP21 and focus on implementation, at the international level and domestically, in particular in relation to the Intended Nationally Determined Contributions (INDCs) and the 2030 climate and energy framework. In this regard, the EEA Council welcomed the opening for signature of the Paris Agreement on 22 April 2016 in New York and underlined the need for the EU, its Member States and the EEA EFTA States to be able to ratify the Paris Agreement as soon as possible and on time so as to be Parties as of its entry into force.
15. The EEA Council welcomed the ongoing efforts made to both reduce the number of EEA-relevant EU acts awaiting incorporation into the EEA Agreement and to accelerate the incorporation process. While commending all the steps undertaken in the course of the last years, the EEA Council noted that the number of acts awaiting incorporation was still too high. The EEA Council called for continued work in order to significantly and durably reduce the current backlog and thereby ensure legal certainty and homogeneity in the EEA. It urged all parties to engage constructively to find solutions to pending difficult issues.

16. With regard to the Third Package for the Internal Energy Market, the EEA Council welcomed progress made in recent months with regard to EEA EFTA participation in the Agency for the Cooperation of Energy Regulators (ACER), and underlined the importance of swiftly finalising this work in order to establish a fully functional internal market for energy.
17. The EEA Council welcomed the incorporation into the EEA Agreement of the public procurement legislative framework and progress made in recent months with regard to the 2009 regulatory framework for electronic communications (including the Regulation on the Body of European Regulators for Electronic Communications – BEREC), and the Regulation on Medicinal Products for Paediatric use.
18. The EEA Council noted that progress was still needed on a number of important outstanding issues and looked forward to reaching a conclusion as soon as possible, in particular regarding the Third Postal Directive, the EU legal acts in the area of organic production as well as in the area of common rules and standards for ship inspection and survey organisations.
19. The EEA Council noted that there was a number of Joint Committee Decisions, for which the six-month deadline provided for in the EEA Agreement with regard to constitutional clearance had been exceeded. It encouraged the EEA EFTA States to strengthen their efforts to resolve the pending cases as soon as possible and to avoid such delays in the future.
20. The EEA Council acknowledged the significance of the negotiations on a Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the United States. The EEA Council welcomed the continuous exchange of information between the European Commission and the EEA EFTA States, initiated in the EEA Joint Committee in December 2014. Bearing in mind inter alia Protocol 12 to the EEA Agreement, the EEA Council encouraged a continuation of this exchange of information.

21. The EEA Council acknowledged that the Contracting Parties, pursuant to Article 19 of the EEA Agreement, had undertaken to continue their efforts with a view to achieving the progressive liberalisation of agricultural trade. The EEA Council looked forward to the signing of the Agreements on the further liberalisation of agricultural trade and on the protection of geographical indications between the EU and Iceland, which were initialled on 17 September 2015, in the near future.
22. The EEA Council took note of the lack of progress in the negotiations between the EU and Norway on the protection of geographical indications and noted the suspension of the talks for the time being. However, the EEA Council welcomed the progress made in the negotiations between the parties on further liberalisation of agricultural trade within the framework of Article 19 launched in February 2015 and encouraged the parties to actively continue their efforts for further progress in the negotiations.
23. The EEA Council looked forward to the adoption of the Joint Committee Decision related to the agreement on the further liberalisation of trade in processed agricultural products within the framework of Article 2(2) and Article 6 of Protocol 3 to the EEA Agreement between Iceland and the EU, which was concluded on 17 September 2015, in the near future.
24. The EEA Council encouraged the Contracting Parties to continue the dialogue on the review of the trade regime for processed agricultural products within the framework of Article 2(2) and Article 6 of Protocol 3 to the EEA Agreement in order to further promote trade in this area.
25. Acknowledging the contribution made by EU programmes to building a more competitive, innovative and social Europe, the EEA Council welcomed the participation of the EEA EFTA States in EEA-relevant programmes to which they contribute financially.

26. The EEA Council underlined the importance of continuing the practice of inviting officials from the EEA EFTA States to political dialogues held at the level of the relevant EU Council working parties.
 27. The EEA Council underlined the importance of inviting EEA EFTA Ministers to informal EU ministerial meetings and ministerial conferences relevant to EEA EFTA participation in the Internal Market, and expressed its appreciation to the current Dutch and incoming Slovak Presidencies for the continuation of this practice.
 28. The EEA Council recognised the positive contributions made by the EEA EFTA States to the decision-shaping process of EEA-relevant EU legislation and programmes through their participation in the relevant committees, expert groups and agencies, as well as through the submission of EEA EFTA Comments.
 29. The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its meeting in Vaduz on 19-20 May 2016 on *The Single Market Strategy for Goods and Services*, and on *The Collaborative Economy*, and of the EEA Consultative Committee adopted at its meeting in Vaduz on 19-20 May 2016 on *Labour mobility in the EEA* and on *Better Regulation to support businesses and protect workers in the EEA*.
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EEA Council

Brussels, 25 May 2016

Lilja Alfreðsdóttir, Minister for Foreign Affairs



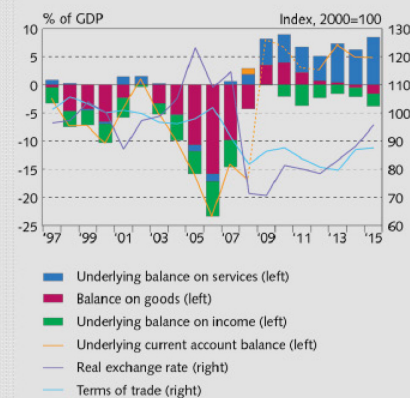
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Iceland's Balance of Payment Challenge – 70% of GDP

- Failed estates 30%
- Off-shore ISK 16%
- Residents 10-40%

Components of the underlying current account balance, real exchange rate, and terms of trade¹



1. Adjusted for the effects of DMBs in winding-up proceedings on factor income and the effects of these DMBs' financial intermediation services indirectly measured (FISIM) on the balance on services from Q4/2008. Secondary income is included in factor income. From 2009 through 2012, the balance on income was also adjusted for the effects of Actavis, owing to inaccurate data during the period.
Sources: Statistics Iceland, Central Bank of Iceland.



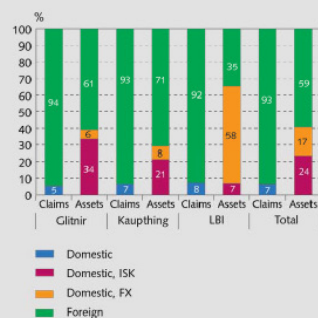
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Failed estates – composition agreements

Estimated domestic/foreign breakdown of assets and claims of DMBs in winding-up proceedings¹

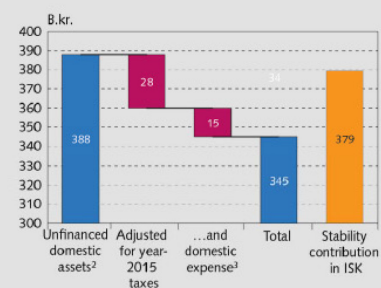
Book value of assets 30.09.2015



¹ The share of domestic claims is estimated based on underlying beneficial owners of claims.
Sources: Claims registers and financial information from Giltir, Kaupthing and LBI; Central Bank of Iceland.

Unfinanced domestic assets reverting to foreign creditors¹

Book value of assets 30.9.2015



¹ Assuming equal distribution of assets among creditors. ² Assuming refinancing of the Landsbanki bonds. Estimated domestic costs for DMBs in winding up proceedings, which if not used will become part of the stability contribution.

Sources: Claims registers and financial information from Giltir, Kaupthing, and LBI; Statistics Iceland; Central Bank of Iceland.



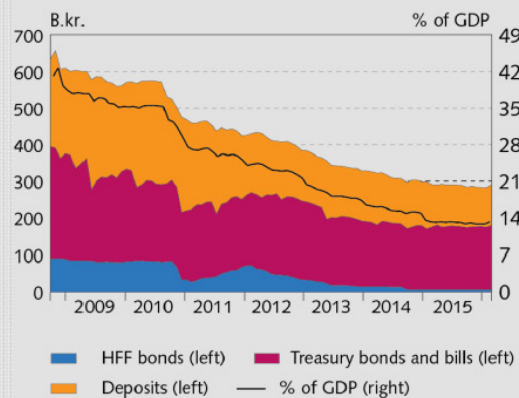
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Offshore ISK assets

Offshore króna assets¹

October 2008 - February 2016

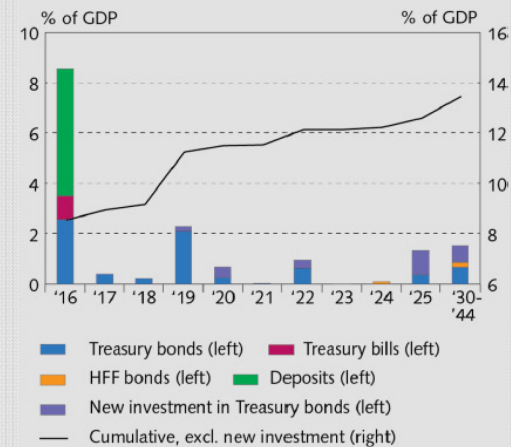


1. ISK assets held by non-residents and locked in by the capital controls. Adjusted for new investment in Treasury bonds during the period. Possibly underestimated because of outflows relating to new investment. The Central Bank is currently working on improving data on outflows so as to make it possible to account for this.

Sources: Statistics Iceland, Central Bank of Iceland.

Short-term ISK assets held by non-residents

Nominal value as of February 2016



Source: Central Bank of Iceland.

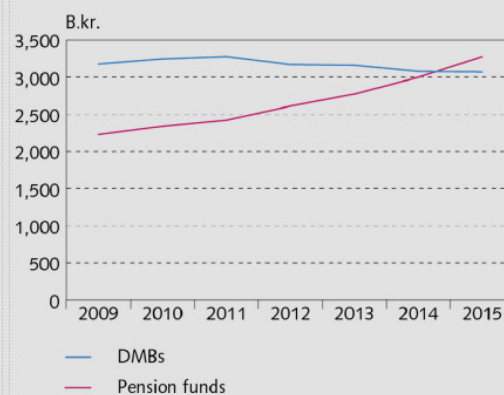


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Residents

Total assets of DMBs and pension funds¹
At 2015 price level



1. Parent companies.
Source: Central Bank of Iceland.



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Economic recovery

Net international investment position¹



1. At the end of 2015, the estates of the failed financial institutions reached composition agreements entailing the write-off of a large portion of their debt. As a result, there was no difference in the NIIP and the underlying NIIP at year end 2015. 2. Adjusted for the effects of settlement of the deposit institutions in winding-up proceedings, assuming equal distribution of assets to general creditors until Q4/2015.

Sources: Statistics Iceland, Central Bank of Iceland.

Net international investment position¹



1. Based on Q3/2015 figures for countries other than Iceland (Q4/2015), Croatia and Luxembourg (Q2/2015), and the United States, Chile, Japan, Mexico, New Zealand, Switzerland, and Turkey (Q4/2014).

Sources: Eurostat, Macrobond, Central Bank of Iceland.

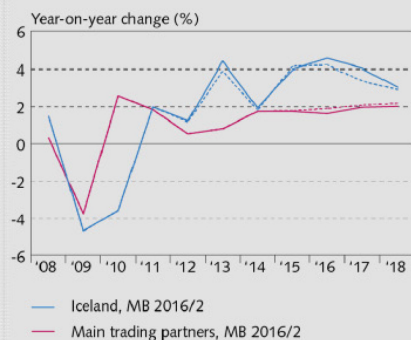


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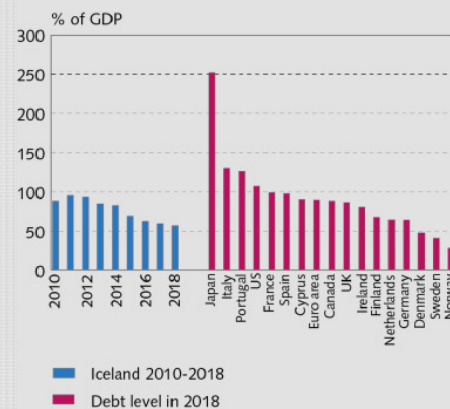
Economic recovery

GDP growth in Iceland and trading partners
2008-2018¹



1. Central Bank baseline forecast 2016-2018. Broken lines show forecast from MB 2016/1.
Sources: Macrobond, Statistics Iceland, Central Bank of Iceland.

General government gross debt



Sources: International Monetary Fund, Ministry of Finance and Economic Affairs, Central Bank of Iceland.

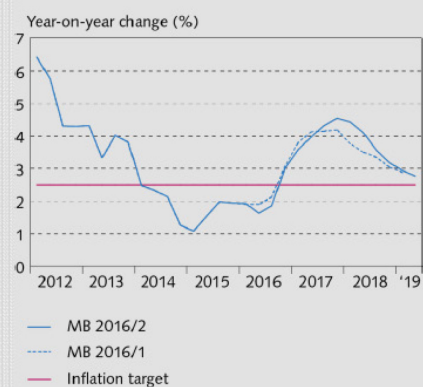


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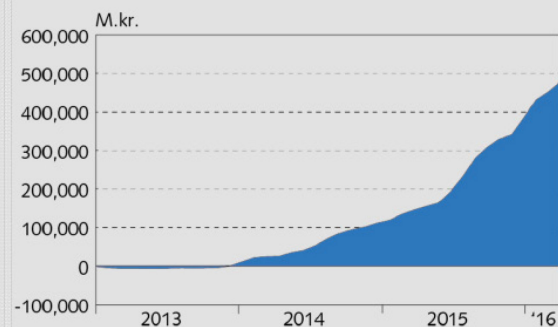
Economic recovery

Inflation¹
Q1/2012 - Q2/2019



1. Central Bank baseline forecast Q2/2016-Q2/2019.
Sources: Statistics Iceland, Central Bank of Iceland.

Accumulated Central Bank intervention
in the FX market from January 2013



Source: Central Bank of Iceland.

