

European Parliament Sherpa speaking points

INTRODUCTION

Possible EP position

1. The European Parliament stands **ready to act as an honest partner** throughout the renegotiation procedure. The UK is better off in the EU and, likewise, the EU benefits from UK membership. The European Parliament will therefore do its utmost to arrive at an equitable solution. The **European Parliament will however defend the fundamental principles and objectives of the EU and will be cautious of setting dangerous precedents** which could undermine such principles and objectives.
2. The interpretations given within the decision are **without prejudice to the ECJ's** powers as the institution responsible for the interpretation of the Treaties, **and to the European Commission's** role as guardian of the Treaties.
3. The European Parliament calls for a **full respect of the Treaty provisions and full compliance with the legislative procedures**. In order to ensure full compliance with the Treaties, some adaptations to this draft decision and annexed documents may be needed.
4. We welcome the use of the ordinary legislative procedure whose **outcome** cannot be prejudged.
5. We understand that the intention is to integrate some elements into the Treaty during a future revision. Any such revision should address the **present issues** but also, among others, **any further deepening of the EMU** and be fully compliant with the procedures for Treaty revision established in the Treaty.
6. While the proposed text recognises that the UK is not committed to further political integration, an **"ever closer Union" remains a central principle of the Treaties, which cannot be subject to reinterpretation**.
7. The draft decision does not establish any distinction between member states benefiting from an exemption to join the single currency and those who have not yet joined the euro. Joining the euro is an obligation under the Treaties. The proposed text creates uncertainty about the status and obligations of member states currently outside the single currency because it puts them into a single category.

SECTION A - ECONOMIC GOVERNANCE

Possible EP position

1. The Treaty states clearly that the Euro is the currency of the European Union. The UK benefits from an opt-out that nobody is contesting. There is therefore no **need to remove the objective of a single currency**.
2. The underlying distinction made between eurozone matters and single market ones is worrying as both are in reality interlinked. What happens in the eurozone directly affects the single market. The non-obligation to join the euro does not lead to exemptions from full participation on the Single Market.
3. **The integrity of the single market also means that Member States should not systematically get carve outs.**
4. 'No disadvantages' for those outside the Eurozone governance **cannot lead to there actually being advantages for being outside.**
5. Agreeing that any Eurozone specific issue with an effect on all member states, or potentially all economic issues, must be discussed and agreed at European Council level where unanimity is required would lead to **handing a veto to the UK, or to any other member state**. One element to be stressed is that even on banking union matters, which is the area of most concern to the City, all Member States are part of the decision-making process.
6. Safeguards regarding decisions of the financial supervisory authorities **already exist**. All financial institutions operating in the single market should be subject to the **Single Rule Book**. All EU financial institutions are part of the European System of Financial Supervision, which includes the European Supervisory Authorities and the European Systemic Risk Board. EU institutions and agencies powers and competences as defined by EU law should be fully respected.
7. Different treatment within the EU general budget of euro-zone and non-euro zone Member States could, moreover, lead to **two separate EU budgets**. This undermines one of the major principles of the EU budget which is its unity.
8. This agreement should not lead to an "à la carte" approach to the EU of some Member States.
9. The scope of the decision annexed to section A should be clearly defined¹ and its legal nature should be fully in line with EU law. The mechanism referred to in the annex cannot affect the internal market.

¹ and refer to legislative procedures directly relating to the effective management of the banking union and to other provisions specific to Member States whose currency is the euro aiming at further integration of the euro area

SECTION B - COMPETITIVENESS

Possible EP position

1. Just in December 2015 the negotiation teams of the three institutions agreed on an Interinstitutional Agreement on Better Law-Making (BLM). In this agreement, the three institutions inter alia committed to simplify legislation and to avoid overregulation and administrative burdens for citizens, administrations and businesses, including in particular SMEs, while ensuring that the objectives of the legislation are met. The Agreement is endorsed by the Council and Commission and is now going through the Parliament. It is a balanced agreement that meets the objectives formulated by the UK.
2. The draft European Council declaration on competitiveness, including **burden reduction targets in key sectors**, and the draft Commission declaration on the subsidiarity implementation mechanism and burden reduction implementation mechanism, aiming at reducing regulatory burden and establishing specific targets, are **de facto reopening the extensive negotiations that have just taken place**. Moreover the text **disregards the need to assess not only the costs but also the benefits and savings potential of EU regulation**. The European Council declaration rightly stresses the need to repeal unnecessary legislation, while having **due regard to the need to maintain a high standard of consumer, employee, health and environmental protection**. We see no reason to hastily redo the negotiations or create new parallel systems. Hence a reference to the recently agreed Interinstitutional Agreement on better law-making should be added.

SECTION C - SOVEREIGNTY

Possible EP position

1. It is fundamental that this decision fully respects the letter of the Treaty, including its article 352 (relating to the flexibility clause).
2. An "ever closer Union" remains a central principle of the Treaties, which cannot be subject to reinterpretation nor is it compatible with a pick and choose approach.
3. The proposed procedure involving national Parliaments would give them a possibility, **in an automatic way**, to block EU lawmaking. This would **sideline the EU legislator** and confuses the roles of the different institutions; it is **contrary to the principle of sincere cooperation**; furthermore it purports, against the clear wording of the Treaty, to extend the deadline for national Parliaments to send reasoned opinions from 8 to 12 weeks.
4. The self-commitment made by Member States , when they act in the Council, does not affect the legislative procedures. The figure of 55% of the votes is aligned with Protocol 2.

SECTION D - SOCIAL BENEFITS AND THE FREE MOVEMENT

N.B: Some tend to refer to "migrants" and "migration" when they actually refer to "EU workers" and "mobility" within the EU. It is essential to use the correct terminology. The word migrant refers to third country citizens while the bulk of the UK government's concerns relate to EU citizens benefiting from freedom of movement in the internal market.

Possible EP position

1. Free movement of workers is a fundamental principle and an essential asset of the single market. The relative attractiveness of national systems is a complex phenomenon and therefore the introductory part of this section should consequently be adapted to better reflect these complexities.
2. The fact that it is foreseen to use the **ordinary legislative procedure is welcome**. The EP stands ready to play its part once the legislative proposals will have been adopted by the Commission and will examine them in light of the non-discrimination and equal treatment principles enshrined in the Treaties.
3. However, the two draft Commission declarations to Section D cannot and should not prejudge **the outcome of a legislative process** which is of course not legally possible.

SECTION E – APPLICATION AND FINAL PROVISIONS

Possible EP position

1. The proposed paragraph 1 should be read as a mechanism similar to the Ioannina compromise.