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INFORMATION NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down rules for the exercise of the Union's rights in the implementation and enforcement of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community and of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part - Outcome of the European Parliament's first reading (Strasbourg, 13-16 February 2023)

I. INTRODUCTION

In accordance with the provisions of Article 294 of the TFEU and the Joint declaration on practical arrangements for the codecision procedure¹, a number of informal contacts have taken place between the Council, the European Parliament and the Commission with a view to reaching an agreement on this file at first reading.

¹ OJ C 145, 30.6.2007, p. 5.

In this context, the rapporteurs, Danuta Maria HÜBNER (EPP, PL), Seán KELLY (EPP, IE) and Andreas SCHIEDER (S&D, AT), presented a compromise amendment (amendment number 20) to the abovementioned proposal for a Regulation on behalf of the Committee on Foreign Affairs (AFET), of the Committee on International Trade (INTA) and of the Committee on Constitutional Affairs (AFCO). This amendment had been agreed during the informal contacts referred to above. No other amendments were tabled.

II. VOTE

When it voted on 14 February 2023, the plenary adopted the compromise amendment (amendment number 20) to the abovementioned proposal for a Regulation. The Commission's proposal as thus amended constitutes the Parliament's first-reading position which is contained in its legislative resolution as set out in the Annex hereto².

The Parliament's position reflects what had been previously agreed between the institutions. The Council should therefore be in a position to approve the Parliament's position.

The act would then be adopted in the wording which corresponds to the Parliament's position.

² The version of the Parliament's position in the legislative resolution has been marked up to indicate the changes made by the amendments to the Commission's proposal. Additions to the Commission's text are highlighted in ***bold and italics***. The symbol "■" indicates deleted text.

Union rights in enforcing and implementing the UK Withdrawal Agreement and the EU-UK Trade and Cooperation Agreement

European Parliament legislative resolution of 14 February 2023 on the proposal for a regulation of the European Parliament and of the Council laying down rules for the exercise of the Union's rights in the implementation and enforcement of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community and of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part (COM(2022)0089 – C9-0059/2022 – 2022/0068(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2022)0089),
 - having regard to Article 294(2) and Articles 43, 91, 100, 173, 182, 188, 189 and 207 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C9-0059/2022),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the provisional agreement approved by the responsible committees under Rule 74(4) of its Rules of Procedure and the undertaking given by the Council representative by letter of 20 December 2022 to approve Parliament's position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the opinions of the Committee on Internal Market and Consumer Protection, Committee on Transport and Tourism and the Committee on Fisheries,
 - having regard to the report of the Committee on Foreign Affairs, the Committee on International Trade and the Committee on Constitutional Affairs (A9-0248/2022),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Position of the European Parliament adopted at first reading on 14 February 2023 with a view to the adoption of Regulation (EU) 2023/... of the European Parliament and of the Council laying down rules for the exercise of the Union's rights in the implementation and enforcement of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community and of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles *43(2), 91(1), 100(2), 173(3), 182(5), 188, 189(2) and 207(2)* thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee³,

After consulting the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure⁴,

³ OJ C 365, 23.9.2022, p. 66.

⁴ Position of the European Parliament of 14 February 2023.

Whereas:

- (1) On 30 January 2020, the Council concluded the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community⁵ (the ‘Withdrawal Agreement’). That Agreement entered into force on 1 February 2020.
- (2) On 29 April 2021, the Council concluded, on behalf of the Union, the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part⁶ (the ‘Trade and Cooperation Agreement’). That Agreement was applied provisionally as of 1 January 2021 and entered into force on 1 May 2021.
- (3) Both the Withdrawal Agreement and the Trade and Cooperation Agreement provide that a Party may adopt certain measures in the specific cases and subject to the conditions and procedures laid down therein. Those measures may entail the suspension of certain obligations under the Agreement concerned.

⁵ OJ L 29, 31.1.2020, p. 7.

⁶ OJ L 149, 30.4.2021, p. 10.

- (4) The Union and the United Kingdom may conclude other bilateral agreements between them that constitute supplementing agreements to the Trade and Cooperation Agreement and such supplementing agreements are an integral part of the overall bilateral relations as governed by that Agreement and form part of the overall framework. ***It is recalled that, in accordance with Article 774(3) of the Trade and Cooperation Agreement, that Agreement neither applies to Gibraltar nor has any effects in that territory.***
- (5) Should the need arise to ***adopt unilateral measures as provided for in*** the Withdrawal Agreement, ***including the Protocol on Ireland/Northern Ireland,*** and the Trade and Cooperation Agreement, the Union should be in a position, ***in the light of the Union's general interest,*** to make appropriate use of the instruments available to it swiftly and in a proportionate, effective and flexible manner, while fully involving Member States. The Union should also be able to take appropriate measures if effective recourse to binding dispute settlement under the Withdrawal Agreement or the Trade and Cooperation Agreement is not possible because the United Kingdom does not cooperate in making such recourse possible. It is therefore necessary to lay down rules and procedures governing the adoption of such measures.

- (6) *It is recalled that the procedure for adopting autonomous measures in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council⁷ pursuant to this Regulation is without prejudice to the continued and permanent exercise by the Council of its policy-making, coordination and decision-making functions conferred by the Treaties insofar as the implementation of the agreements between the Union and the United Kingdom is concerned.*
- (7) *To give effect to the powers laid down in Article 16(1) of the Treaty on European Union (TEU) and Article 218(9) of the Treaty on the Functioning of the European Union (TFEU), the internal decision-making in relation to the implementation of the Withdrawal Agreement and of the Trade and Cooperation Agreement is reflected in Council Decisions (EU) 2020/135⁸ and (EU) 2021/689⁹. In order for the Council to be in a position to exercise fully its policy-making, coordination and decision-making functions in that regard, the Council should be kept continuously informed on a permanent and regular basis of the implementation of those Agreements, including about all difficulties that might arise, in particular possible breaches of those Agreements and other situations that may give rise to measures taken pursuant to this Regulation. In that regard, the Council should be duly informed in a timely manner of possible responses at the disposal of the Union to ensure a full and proper implementation of those Agreements, as well as of the follow-up to any measures taken.*

⁷ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

⁸ Council Decision (EU) 2020/135 of 30 January 2020 on the conclusion of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (OJ L 29, 31.1.2020, p. 1).

⁹ Council Decision (EU) 2021/689 of 29 April 2021 on the conclusion, on behalf of the Union, of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part, and of the Agreement between the European Union and the United Kingdom of Great Britain and Northern Ireland concerning security procedures for exchanging and protecting classified information (OJ L 149, 30.4.2021, p. 2).

- (8) *The European Parliament should be immediately and fully informed, as provided for in Article 218(10) TFEU, allowing it to exercise fully its prerogatives in accordance with the Treaties. The Commission should inform the European Parliament in a timely manner of all difficulties that may arise, in particular possible breaches of the Withdrawal Agreement and of the Trade and Cooperation Agreement and other situations that might result in measures being taken pursuant to this Regulation.*
- (9) The rules and procedures laid down in this Regulation should take precedence over any provisions of Union law adopted on the basis of the TFEU that govern the same subject matter.
- (10) In order to ensure that this Regulation remains fit for purpose, the Commission should undertake, within *three* years of its entry into force, a review of its scope and implementation and report its findings to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. That review should, *where appropriate, be accompanied by relevant legislative proposals.*

- (11) In order to ensure uniform conditions for the implementation of this Regulation, and in particular in order to ensure the swift, effective and flexible exercise of the corresponding rights of the Union under the Withdrawal Agreement and the Trade and Cooperation Agreement, implementing powers should be conferred on the Commission to adopt the measures taken pursuant to this Regulation and to adopt, as appropriate, measures restricting trade or other activities. Those powers should also extend to the amendment, suspension or repeal of the adopted measures. They should be exercised in accordance with Regulation (EU) No 182/2011. Given that the envisaged measures entail the adoption of acts of general scope, and that most of the envisaged measures relate to the areas referred to in Article 2(2), point (b), of that Regulation, the examination procedure should be used for the adoption of those measures. The Commission should adopt immediately applicable implementing acts where, in duly justified cases, imperative grounds of urgency so require for the appropriate protection of the Union's interests.

- (12) *When the Council decides pursuant to Article 43(3) TFEU to suspend, in whole or in part, access to Union waters under Heading Five of the Trade and Cooperation Agreement by vessels of the United Kingdom for fisheries, it should take into account the effectiveness of such suspension in inducing compliance of the United Kingdom with the relevant agreement and any specific criteria established therein. Such suspension should be implemented in relation to individual vessels of the United Kingdom in accordance with Title III of Regulation (EU) 2017/2403 of the European Parliament and of the Council¹⁰.*
- (13) Since the objectives of this Regulation, namely to lay down rules and procedures governing the exercise of the Union's rights under the Withdrawal Agreement and the Trade and Cooperation Agreement, and to empower the Commission to adopt the necessary measures including, as appropriate, restrictions in trade, investment or other activities within the scope of the Trade and Cooperation Agreement cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 TEU. Moreover, since only the Union is Party to the Withdrawal Agreement and the Trade and Cooperation Agreement, action at the level of international law in respect of those Agreements can only be taken by the Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

¹⁰ Regulation (EU) 2017/2403 of the European Parliament and of the Council of 12 December 2017 on the sustainable management of external fishing fleets, and repealing Council Regulation (EC) No 1006/2008 (OJ L 347, 28.12.2017, p. 81).

Article 1

Subject matter and scope

1. This Regulation lays down rules and procedures to ensure an effective and timely exercise of the Union's rights in implementing and enforcing the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the 'Withdrawal Agreement'), the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part (the 'Trade and Cooperation Agreement') and supplementing agreements to the Trade and Cooperation Agreement.
2. This Regulation applies to the following measures adopted by the Union:
 - (a) the *temporary* suspension of the relevant preferential treatment of the product or products concerned as set out in Article 34 of the Trade and Cooperation Agreement;
 - (b) remedial measures and the suspension of obligations as set out in Article 374 of the Trade and Cooperation Agreement;

- (c) rebalancing measures and countermeasures as set out in Article 411 of the Trade and Cooperation Agreement;
- (d) the refusal, revocation, suspension, limitation of and the imposition of conditions on the operating authorisations *or technical permissions* of air carriers of the United Kingdom, as well as the refusal, revocation, suspension, limitation of and the imposition of conditions on the operation of those air carriers, as set out in Articles 434(4) and 435(12) of the Trade and Cooperation Agreement;
- (e) the suspension of acceptance obligations as set out in Article 457 of the Trade and Cooperation Agreement;
- (f) remedial measures as set out in Article 469 of the Trade and Cooperation Agreement;
- (g) compensatory measures, *in particular* the suspension of obligations as set out in Article 501 of the Trade and Cooperation Agreement;

- (h) remedial measures and the suspension of obligations as set out in Article 506 of the Trade and Cooperation Agreement;
- (i) the suspension or termination of the application of Protocol I to the Trade and Cooperation Agreement in relation to one or more Union programmes or activities adopted on the basis of the TFEU, or parts thereof, as set out in Articles 718 and 719 of the Trade and Cooperation Agreement;
- (j) an offer or acceptance of temporary compensation or the suspension of obligations in the context of compliance following an arbitration or panel of experts procedure under Article 749 of the Trade and Cooperation Agreement;
- (k) safeguard measures and rebalancing measures as set out in Article 773 of the Trade and Cooperation Agreement;
- (l) measures restricting trade, investment or other activities within the scope of the Trade and Cooperation Agreement, if adjudication is not possible because the United Kingdom is not taking the steps that are necessary for a dispute settlement procedure under that Agreement or the Withdrawal Agreement to function, including unduly delaying the proceedings amounting to non-cooperation in the process;

- (m) the suspension of obligations under Article 178 of the Withdrawal Agreement in the context of compliance with an arbitration panel ruling;
- (n) remedial measures as set out in Article 13 of the Protocol on Ireland/Northern Ireland to the Withdrawal Agreement;
- (o) safeguard measures and rebalancing measures as set out in Article 16 of the Protocol on Ireland/Northern Ireland to the Withdrawal Agreement.

Article 2

Exercise of the Union's rights

1. The Commission shall be empowered, by means of implementing acts,
 - (a) to adopt the measures referred to in Article 1(2) of this Regulation, ***with the exception of the suspension, in whole or in part, of access to Union waters under the Trade and Cooperation Agreement by vessels of the United Kingdom for fisheries***; and
 - (b) where the measure consists of the suspension of an obligation under any of the Agreements referred to in Article 1(1), to impose restrictions on trade, investment or other activities within the scope of the agreement concerned which would otherwise be precluded by the suspended obligation.

Where appropriate, those implementing acts shall specify the duration of the adopted measures.

2. Measures adopted *pursuant to this Regulation* shall be *proportionate to the objectives pursued and effective in inducing compliance* of the *United Kingdom with the Agreements referred to in Article 1(1)*. *They shall comply with the specific criteria established in those Agreements.*

3. The Commission shall be empowered to amend, suspend or repeal the measures referred to in Article 1(2) by means of implementing acts. Where appropriate, those implementing acts shall specify the duration of the suspension.
4. Where there is a particular concern of one or more Member States, that or those Member States may request the Commission to adopt the measures referred to in Article 1(2). If the Commission does not respond positively to such a request, it shall inform the Council in a timely manner of its reasons.

5. If, due to persisting significant divergences, the rebalancing measures referred to in Article 1(2), point (c), of this Regulation last for more than a year, one or more Member States may request the Commission to activate the review clause provided for in Article 411 of the Trade and Cooperation Agreement. The Commission shall examine that request in a timely manner and shall consider seizing as appropriate the Partnership Council of that matter, in accordance with the provisions set out in the Trade and Cooperation Agreement. If the Commission does not respond positively to such a request, it shall inform the Council in a timely manner of its reasons.
6. The implementing acts referred to in paragraphs 1 and 3 of this Article shall be adopted in accordance with the examination procedure referred to in Article 3(2).
7. On duly justified imperative grounds of urgency, the Commission shall adopt immediately applicable implementing acts in accordance with the procedure referred to in Article 3(3).
8. *When the Council decides pursuant to Article 43(3) TFEU to suspend, in whole or in part, access to Union waters under the Trade and Cooperation Agreement by vessels of the United Kingdom for fisheries, it shall apply the criteria set out in paragraph 2 of this Article.*

Article 3
Committee procedure

1. The Commission shall be assisted by the UK Committee. That committee shall be a committee within the meaning of **Article 3 of Regulation (EU) No 182/2011**. ***In accordance with Regulation (EU) No 182/2011, the European Parliament and the Council shall be regularly and promptly informed on committee proceedings.***
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.
3. Where reference is made to this paragraph, Article 8 of Regulation (EU) No 182/2011, in conjunction with Article 5 thereof, shall apply.
4. ***The European Parliament and the Council may at any time exercise their right of scrutiny in accordance with Article 11 of Regulation (EU) No 182/2011.***

Article 4
Information

- 1. In order to give effect to the powers of the Council under the Treaties, as reflected in Decisions (EU) 2020/135 and (EU) 2021/689, the Council shall be kept continuously informed on a permanent and regular basis of the implementation of the Withdrawal Agreement and the Trade and Cooperation Agreement.**
- 2. In order to give effect to its powers under the Treaties, the European Parliament shall be kept immediately and fully informed, in accordance with the Treaties, to allow it to exercise its institutional prerogatives.**

Article 5
Relation to other provisions of Union law

This Regulation shall apply notwithstanding any provisions of Union law adopted on the basis of the TFEU that govern the same subject matter.

When the Commission submits its annual reports to the European Parliament and to the Council on the implementation and application of the Trade and Cooperation Agreement, it shall also include an overview of any complaints received regarding the Trade and Cooperation Agreement as well as the follow up to such complaints, and of measures adopted pursuant to Article 2 of this Regulation.

Article 6

Review

By ... [OJ: Please insert the date **three** years after the date of entry into force of this Regulation], the Commission shall present a report to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the application of this Regulation, *accompanied where appropriate by relevant legislative proposals*.

Article 7

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ...,

For the European Parliament

For the Council

The President

The President