House of Commons

European Scrutiny Committee

Eighteenth Report of Session 2019–21

Documents considered by the Committee on 23 July 2020, including the following COVID-19 related documents:

Temporarily relaxing the EU rules on the use of genetically modified organisms in clinical trials
Vaccines Strategy

Report, together with formal minutes

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Notes

Numbering of documents

Three separate numbering systems are used in this Report for European Union documents:

> Numbers in brackets are the Committee's own reference numbers.
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> Numbers in the form "5467/05" are Council of Ministers reference numbers. This system is also used by UK Government Departments, by the House of Commons Vote Office and for proceedings in the House.
>
> Numbers preceded by the letters COM or SEC or JOIN are Commission reference numbers.

Where only a Committee number is given, this usually indicates that no official text is available and the Government has submitted an "unnumbered Explanatory Memorandum" discussing what is likely to be included in the document or covering an unofficial text.

Abbreviations used in the headnotes and footnotes

AFSJ	Area of Freedom Security and Justice
CFSP	Common Foreign and Security Policy
CSDP	Common Security and Defence Policy
ECA	European Court of Auditors
ECB	European Central Bank
EEAS	European External Action Service
EM	Explanatory Memorandum (submitted by the Government to the Committee) *
EP	European Parliament
EU	European Union
JHA	Justice and Home Affairs
OJ	Official Journal of the European Communities
QMV	Qualified majority voting
SEM	Supplementary Explanatory Memorandum
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union

Euros

Where figures in euros have been converted to pounds sterling, this is normally at the market rate for the last working day of the previous month.

Further information

Documents recommended by the Committee for debate, together with the times of forthcoming debates (where known), are listed in the European Union Documents list, which is published in the House of Commons Vote Bundle each Monday, and is also available on the parliamentary website. Documents awaiting consideration by the Committee are listed in "Remaining Business": www.parliament.uk/escom. The website also contains the Committee's Reports.

*Explanatory Memoranda (EMs) and letters issued by the Ministers can be downloaded from the Cabinet Office website: http://europeanmemoranda.cabinetoffice.gov.uk/.

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Contents

1 Regional policy post-2020[1]

These EU documents are politically important because:

- they relate to future domestic regional policy; and
- they cover a programme in which Northern Ireland at least will participate in the future.

Action

- Write to the Minister as set out below.
- Draw to the attention of: the Housing, Communities and Local Government Committee; the Northern Ireland Affairs Committee; the Welsh Affairs Committee; the Scottish Affairs Committee; and the Future Relationship with the EU Committee.

Overview

1.1 In 2018, the European Commission published various proposals setting out arrangements for EU structural funding over the period 2021–27. Following the UK's withdrawal from the EU, the UK does not expect to participate in those programmes, with the exception of the PEACE PLUS Programme[2] on the island of Ireland under the "European Territorial Cooperation" (ETC) Regulation. The ETC goal of the Funds (otherwise known as "Interreg"—inter-regional cooperation) is a long-established strand, designed to promote regional cooperation across borders within the EU. It includes the PEACE PLUS Programme, specifically designed to support cooperation across the Irish border, but also includes several other Programmes involving the UK. One such Programme, for example, promotes cooperation among areas around the North Sea

1.2 Our predecessors considered these documents on a number of occasions and had been told initially by the Government that it was considering wider participation in the ETC Regulation beyond PEACE PLUS. In a recent Explanatory Memorandum, though, the Minister for Climate Change and Corporate Responsibility (Lord Callanan) said that the UK had decided against wider participation, referring to a "comprehensive value-for-money assessment of ongoing participation in EU programmes" and noting that the ETC Programme would be replaced by the Shared Prosperity Fund (SPF).

1 (a) Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument, (b) Proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund, (c) Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund Plus (ESF+), (d) Proposal for a Regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments; References: (a) 9511/18 + ADD 1, COM(18) 375, (b) 9522/18 + ADDs 1–2, COM(18) 372 (c) 9573/18 + ADDs 1–2 COM(18) 382 (d) 9536/18 + ADD 1, COM(18) 374; Legal base: (a) Articles 177, 322(1)(a) and 349, TFEU (b) Articles 177, 178 and 349, TFEU (c) Articles 46(d), 149, 153(2)(a), 164, 168(5), 175(3) and 349, TFEU (d) Articles 178, 209(1), 212(2) and 349 TFEU, Ordinary legislative procedure, QMV; Departments: Business, Energy and Industrial Strategy, Housing, Communities and Local Government; Devolved Administrations: Consulted; ESC numbers: (a) 39801, (b)39807, (c) 39808, (d) 39811.

2 Designed to support cooperation across the Irish border.

1.3 Concerning the SPF specifically, we received a letter dated 3 June from the Minister for Regional Growth and Local Government (Simon Clarke MP), explaining that decisions about the design of the fund must take place after a cross-governmental Spending Review. This information was re-iterated in a subsequent letter dated 19 June from the same Minister to the Chairs of various other Select Committees. The Minister declined to provide any timetable for the SPF despite the request made in the Chairs' letter to him.

Our assessment

1.4 We note the Government's continued inability to provide any details of, or timetable for, the SPF. The lack of any clear information on the SPF renders comparative analysis against the EU structural funds — including ETC — impossible. Partly for that reason, it would be helpful to see the Government's value-for-money analysis to which Lord Callanan referred in his recent EM. Finally, we have not received any information of late on the progress of negotiations concerning participation in PEACE PLUS.

Action

1.5 We have written to the Minister, as set out below, raising our queries. We have copied our letter to: the Housing, Communities and Local Government Committee; the Northern Ireland Affairs Committee; the Welsh Affairs Committee; the Scottish Affairs Committee; and the Future Relationship with the EU Committee.

Letter from the Chair to the Minister for Regional Growth and Local Government (Simon Clarke MP)

We have considered your letter of 3 June and taken note of your later letter dated 19 June to the Chairs of various other Select Committee.

We note that you remain unable to set out any details of the Shared Prosperity Fund, or even a timetable for doing so. From the perspective of this Committee, it makes it impossible for us to assess the advantages or disadvantages of seeking participation in relevant aspects of future EU structural funds, such as the European Territorial Cooperation goal, aside from PEACE PLUS.

In a recent Explanatory Memorandum[3] to us covering amended proposals for the future structural funds, the Minister for Climate Change and Corporate Responsibility (Lord Callanan) said:

> Following a comprehensive value-for-money assessment of ongoing participation in EU programmes, HMG will not be pursuing participation in ETC, including ETC health programmes, in the MFF 2021–2027. As a structural fund, the new UKSPF will replace ESIF including ETC funding.

We do not take a position on the desirability or otherwise of participating in the ETC programmes (other than PEACE PLUS) and we recognise that proposals to achieve similar

3 http://europeanmemoranda.cabinetoffice.gov.uk/files/2020/06/EM_COM_(20)_450–451–452_June_2020_PDF.pdf

goals under the SPF may well be better value for money. It is incumbent on us as a scrutiny committee, however, to insist that the Government shares its analysis with us in order that Parliament is in a position to critically assess the Government's approach.

We therefore ask that the value for money assessment referred to be shared with us by 1 September in order that we are able to take forward our scrutiny of these matters. We would also welcome any further details that you are able to share at that stage concerning the SPF, as well as information on the progress of negotiations concerning the UK's participation in PEACE PLUS.

2 Climate Change: Just Transition[4]

These EU documents are politically important because:

- they concern an issue of political interest — the cost of cutting climate emissions equitably — which the UK is planning to address domestically.

Action

- Report to the House.
- Draw to the attention of the Business, Energy and Industrial Strategy Committee.

Overview

2.1 Following the EU's decision to aim for climate neutrality by 2050 the European Commission proposed a new funding mechanism to address inequalities arising from the required climate transition across the EU. This forms part of the European Green Deal policy agenda.

2.2 This 'Just Transition Mechanism' will target financial resources to the most affected regions and sectors, in particular those with a high degree of dependency on fossil fuels or greenhouse gas intensive processes (notably coal-related activities, peat extraction and oil shale).

2.3 The Just Transition Fund is one of three elements of the Just Transition Mechanism. When it was first proposed in January 2020, the Commission earmarked €7.5bn (£6.84bn) for the Fund (i.e. additional capital beyond that set out in earlier proposals for the 2021–27 MFF), but an increase to €17.5bn (£15.97bn) has since been agreed.[5] The increase will come from borrowing on capital markets as agreed by the European Council as part of the EU's recovery plan (on which we have reported separately). Member States will match each Euro allocated via the Fund with between €1.5 (£1.37) and €3 (£2.74) from the European Regional Development Fund and European Social Fund. This will be further supported by national co-financing under existing cohesion policy rules.

2.4 The allocation of grants under the Just Transition Fund will focus particularly on the re-skilling and inclusion of workers in regions which host greenhouse gas-intensive industries, in addition to regions with a high proportion of workers employed in coal, lignite, oil shale and peat production. Financial distribution at the Member State level will reflect the capacity of Member States to cope with the transition to climate neutrality, taking into account the level of reliance on greenhouse gas-intensive industry, social

4 (a) Proposal for a Regulation establishing the Just Transition Fund, (b) Amended proposal for a Regulation laying down common provisions on the European Structural and Investment Funds, (c) Amended Proposal for a Regulation establishing the Just Transition Fund (d) Proposal for a Regulation on the public sector loan facility under the Just Transition Mechanism; EU document references: (a) 5256/20 + ADD 1, COM(20) 22 (b) 5259/20, + ADD 1, COM(20) 23, (c) 8386/20 + ADD 1, COM(20) 460, (d) 8412/20 + ADDs 1–2, COM(20) 453; Legal base: (a) Article 174(1) TFEU, QMV (b) Article 175 TFEU, QMV (c) Articles 174, 175 and 322 TFEU, QMV (d) Articles 175 and 322 TFEU, QMV; ordinary legislative procedure; Departments: Business, Energy and Industrial Strategy and HM Treasury (document (d)); Devolved Administrations: Consulted; ESC number: (a) 41035 (b) 41036 (c) 41304 (d) 41306.

5 European Council Conclusions, 17–21 July 2020.

challenges of job losses, regional and national levels of economic development, and investment capacity. Access to the Just Transition Fund will be limited to 50% of national allocation for Member States that have not yet committed to implement the objective of achieving a climate-neutral EU by 2050, in line with the objectives of the Paris Agreement, with the other 50% being made available upon acceptance of such a commitment.

2.5 Another element of the Just Transition Mechanism is the public sector loan facility, designed to support public investments through preferential lending conditions. The Commission proposed that the facility consist of a grant, provided from the EU budget, and a loan component, provided by a finance partner. The European Investment Bank (EIB) will be the lead finance partner, while also allowing for the possibility to cooperate with other finance partners over time.

2.6 The aim of the facility is to support public sector entities with resources needed to address the social, economic and environmental challenges resulting from climate transition and in doing so complement the other elements of the Just Transition Mechanism. It will support a wider range of investments, with a broader geographical spread, than the Just Transition Fund. The facility will also complement the other element (InvestEU) — which aims to bolster private investment and support public investment that is financially viable — by supporting public investments that generate insufficient revenue and could not be financed without a grant component to a loan. We have reported separately on InvestEU.

2.7 The Parliamentary Under-Secretary of State (Lord Callanan) observes that, since the Just Transition Fund concerns EU policy following the UK's withdrawal, there are no direct implications for the UK, reflecting the position of his predecessor (Lord Duncan) in his earlier Explanatory Memorandum (EM). Similarly, the Chief Secretary to the Treasury (Rt Hon. Steve Barclay MP) says in his EM that the UK will not be participating in the public sector loan facility and recalls that the UK is no longer a member of the EIB. The Government nevertheless notes the Commission's commitment to ensuring that the climate transition supports those most affected. For the UK, the Government envisages a similar combination of public and privately leveraged finance.

Action

2.8 We report the documents to the House as politically important because they concern an issue of political interest — the cost of cutting climate emissions equitably — which the UK is planning to address domestically. The Just Transition Fund itself will not directly affect the United Kingdom.

2.9 We also draw these proposals to the attention of the Business, Energy and Industrial Strategy Committee. We require no further information from the Government on any of these documents.

3 EU COVID-19: Vaccines Strategy[6]

This EU document is politically important because :

- it concerns an EU public health procurement initiative in which the UK is eligible to participate during the Transition Period; and
- it concerns regulatory flexibilities applicable to the whole of the UK during the Transition Period and which will continue to apply to Northern Ireland after the Transition Period.

Action

- Report to the House.
- Draw to the attention of the Health and Social Care Committee and the Future Relationship with the EU Committee.

Overview

3.1 Recognising that conventional vaccine development can take many years, but that the search for a Covid-19 vaccine requires a much quicker response, the Commission has put forward this Vaccines Strategy. The UK was able to participate in the joint procurement element of the Strategy but has decided not to do so. It will nevertheless look to build strong collaboration with the EU and other international partners outside the framework of this initiative.

3.2 The EU's Strategy is based on two pillars:

- joint procurement — ensuring the EU secures sufficient production of vaccines for its Member States through Advance Purchase Agreements (APAs) with vaccine producers using Emergency Support Instrument (ESI) funding under the 2014–20 EU financial framework as well as possible additional financing from Member States if the EU resource is insufficient; and
- ensuring the necessary adaptions are made to the EU's regulatory framework to respond to the current crisis —making use of existing regulatory flexibility to accelerate the development, authorisation and availability of vaccines while maintaining the standards for vaccine quality, safety and efficacy.

3.3 The Commission believes that "a common strategy allows better hedging of bets, sharing of risks and pooling investments to achieve economies of scale, scope and speed" and notes that its initiative builds on the inclusive vaccine Alliance by France, Germany, Italy, and the Netherlands. The Commission adds, though, that the identified benefits would be increased if more countries were to join the effort. To that end, says the Commission, it "is ready to support the development and operation of an inclusive international COVID-19 procurement mechanism that facilitates early and affordable access to vaccines and other tools for all who need it across the world".

6 Commission Communication: EU Strategy for COVID-19 vaccines; 9021/20, COM(20) 245; Legal base: —; Department: Business, Energy and Industrial Strategy; Devolved Administrations: Consulted; ESC number: 41354.

3.4 On regulatory flexibilities, the Commission points to ways in which the authorisation of clinical trials might be accelerated. Further proposed flexibilities include shorter consultation requirements and allowing for the translation of documents into all EU languages after, rather than before, authorisation, along with the alleviation of language requirements on packaging and labelling. Promoting multi-dose presentation of vaccines is also set out in the Strategy, presented as a means of ensuring rapid and even deployment among Member States. Finally, a separate Regulation[7] has been proposed to adjust and clarify certain legal requirements for the environmental risk assessment for Covid-19 vaccines that contain or consist of genetically modified organisms, aiming to ensure that clinical trials are not slowed down by these provisions. We have reported separately on that proposal.

3.5 In his Explanatory Memorandum, the Secretary of State for Business, Energy and Industrial Strategy (Rt Hon. Alok Sharma MP) confirms in the following terms that the UK will not participate in the EU's initiative:

> The UK Government and the European Commission have had constructive discussions about possible UK participation in this joint procurement initiative. The European Commission has confirmed that the UK, in line with the terms of the Withdrawal Agreement, would not be able to take part in the governance of the scheme or the negotiating team. They have also confirmed that the UK would be bound to end our own negotiations with individual vaccine suppliers as soon as the EU decided to start such negotiations. lt is also difficult to see how we could pursue other commercial negotiations in good faith, since we could be required to abandon them at any moment. The UK Government has therefore decided not to join this scheme, since doing so would mean we would have no say in what vaccines to procure, at what price, in what quantity and for what delivery schedule. Therefore, we could not be confident that the scheme would meet UK needs. We will continue to take forward our own programme to support vaccine trials and manufacturing and secure vaccines for the UK public and the wider world. We will also look to build strong collaboration with the EU and other international partners outside the framework of this initiative.

3.6 The Secretary of State adds that the UK will continue to consider on a case by case basis participation in all future EU schemes that may provide a route to support the public health response in the UK and in which the UK is eligible to take part until the end of the Transition Period.

3.7 Concerning the second pillar of the Strategy — the regulatory flexibilities — the UK continues to follow EU law, including on the regulation of medicines, during the Transition Period. The UK will continue to work closely with the European Medicines Agencies on the use of any regulatory flexibilities needed to support the deployment of Covid-19 vaccines. Any future cooperation with the EU on medicines regulation is subject to the UK-EU Future Relationship negotiations.

7 COM (2020) 261 Proposal for a Regulation on the conduct of clinical trials with and supply of medicinal products for human use containing or consisting of genetically modified organisms intended to treat or prevent coronavirus disease.

3.8 Regarding the Northern Ireland Protocol, notes the Secretary of State, Northern Ireland will continue to follow EU rules and regulations for medicines. Therefore, any regulatory flexibilities deployed by the EU after 1 January 2021 will need to apply to vaccines on the NI market.

3.9 In the UK-EU Future Relationship negotiations, adds the Secretary of State, the UK is seeking a mutual recognition agreement on Good Manufacturing Practice inspections, batch testing and the Official Control Authority Batch Release, in order to reduce technical barriers to trade while also maintaining high levels of patient safety. Subject to securing such an agreement, any future Covid-19 vaccine placed on the UK market after 1 January 2021 will be subject to those arrangements.

Our assessment

3.10 We note that the UK Government is keen to build strong collaboration with the EU and other international partners on COVID-19 vaccines development outside the framework of this initiative, and that the European Commission would also like to see "the development and operation of an inclusive international COVID-19 procurement mechanism".

3.11 As both the Government and the Commission recognise, this is certainly an area where global cooperation is desirable. While the UK and EU were unable to agree on a joint approach to this EU initiative, we are reassured that they both recognise the benefits of a multilateral approach and appear committed to that objective.

3.12 We raise no issues with the Government but report this to the House as politically important. We draw the document to the attention of the Health and Social Care Committee and the Future Relationship with the EU Committee.

4 Fishing Opportunities 2021[8]

This EU document is politically important because:

- it relates to the setting of fish quotas for the EU and the UK in the UK's first year outside the Common Fisheries Policy; and
- the future fisheries relationship between the UK and the EU — and thus the basis for agreeing quotas — is yet to be resolved.

Action

- Write to the Minister as set out below.
- Draw to the attention of the Environment, Food and Rural Affairs Committee.

Overview

4.1 Each year, the European Commission sets out its assessment of the state of the EU's fish stocks and its intended approach to setting fishing opportunities—Total Allowable Catches (TACs)—for the following year. This document presents the Commission's latest assessment and its intentions for the 2021 TACs. The UK's withdrawal from the EU will be an important factor when the TACs come to be set for 2021.

4.2 The Commission states that its approach to setting fishing opportunities for 2021 will be based on scientific catch advice from the International Council for the Exploration of the Sea (ICES), including where appropriate any ICES advice on the mixed fisheries approach. Fishing opportunities in the Baltic, North Sea, and Western Waters will be set in accordance with the relevant Multi-Annual Plans (MAPs) for EU-only stocks. The main objective of the Commission's proposals will be to maintain or reach fishing at maximum sustainable yield (FMSY) for MSY-assessed stocks.

4.3 The Commission notes that the COVID-19 pandemic may affect the delivery of scientific advice and the continuity in submitting data compared to preceding years. The Commission aims to cover as many stocks as possible in its proposal, but it expects that stocks shared with Norway and the UK will be presented as 'pro memoria' until negotiations for them are concluded.

4.4 Last year, says the Commission, the Council set 62 out of 78 TACs for 2020 in line with FMSY and concludes that, in 2020, more than 99% of landings by volume from the Baltic, the North Sea and the Atlantic managed exclusively by the EU will come from sustainably managed fisheries. As for the 11 shared stocks in the North-East Atlantic, which are managed with non-EU countries, the Commission confirms the positive overall trend observed in EU waters until 2014. After that, however, an increasing number of stocks have been exploited above FMSY. In the North-East Atlantic overall (EU-only and shared stocks), the Commission reports that the proportion of overexploited stocks has decreased from around 71% in 2003 to 38% in 2018.

8 Commission Communication — Towards more sustainable fishing in the EU: state of play and orientations for 2021; 8871/20, COM(20) 248; Legal base: —; Department: Environment, Food and Rural Affairs; Devolved Administrations: Consulted; ESC number: 41347.

4.5 Beyond TAC-setting, the Commission reports that, in 2019, the Council adopted remedial measures under the EU's Multi-Annual Plans to allow certain fish stocks to recover, such as Celtic Sea cod and whiting and eastern Baltic cod. Remedial measures were also agreed for North Sea cod, Skagerrak and Kattegat cod in the EU-Norway consultations.

4.6 Concerning the implementation of the landing obligation, the Commission acknowledges that compliance in general appears to be low and reporting of discards has so far been insufficient. The Commission believes that, in 2019, the Member States' regional groupings successfully addressed potential 'choke' situations,[9] using solutions developed with the Commission and other stakeholders.

4.7 In her Explanatory Memorandum, the Parliamentary Under-Secretary of State (Victoria Prentis MP) notes that this will be the first year that the UK will be negotiating as an independent coastal State outside the Common Fisheries Policy. The process of developing UK priorities for the annual negotiations for 2021 has just started, she says, and as part of that process the UK will examine carefully the Commission's proposals when they are issued later this year.

4.8 The Minister makes some initial observations on the Commission's approach:

- the Government welcomes the evidence that continuing progress is being made towards more sustainable fishing and stock recovery in the North East Atlantic;
- the Government is encouraged to see the Commission's acknowledgement that sustainability considerations should take a key role during the annual negotiations;
- the Government has also noted the potential impact of COVID-19 on the timing of advice, and also that quota uptake during 2020 may be reduced, potentially affecting estimates in the advice — dialogue is therefore underway between UK officials and ICES on how best to manage this for the upcoming negotiations in Autumn; and
- control and enforcement efforts by the Marine Management Organisation are being increased to improve compliance. This includes exploring the potential future use of new technology as part of the UK's compliance and enforcement toolbox.

Our assessment

4.9 We note that the Government is pleased with the Commission's overall assessment of the state of stocks in the North-East Atlantic but does not comment on the reduced sustainability of those stocks shared with non-EU countries. As the UK will be negotiating as a non-EU country, we believe that the UK must be alive to these issues. We will seek the Government's view on why this position has developed and what action the UK will take to manage that risk, particularly in the event that the UK and EU are unable to conclude a fisheries agreement.

4.10 The Commission points to remedial measures undertaken both within the EU's Multi-Annual Plans and through the EU-Norway consultations. Noting the Government's

9 Whereby the lack of quota for an incidentally caught catch "chokes" the catching of target species.

view that it wishes to base its future fisheries relationship on the EU-Norway relationship, it would be helpful to understand the Government's approach to the development of such remedial measures between the UK and EU. We would be particularly interested to know if any such measures should be ad hoc, or whether there would helpfully be a broader framework, similar to the Multi-Annual Plans already in place under the Common Fisheries Policy.

4.11 Finally, the Government notes the pressure that COVID-19 has placed on the timing and nature of scientific advice and that there are consequently implications for the annual negotiations. We consider that the wider EU-UK negotiation is another source of pressure on those negotiations. Bearing in mind those pressures, it would be helpful to know the approximate timeframe to which the Government is working for coastal state negotiations and final agreement. This, in turn, should include a timetable for the development of the UK's priorities which — according to the Minister — has just started.

Action

4.12 We have written to the Government raising the issues identified above. Our letter has been copied to the Environment, Food and Rural Affairs Committee.

Letter from the Chair to the Parliamentary Under-Secretary of State (Victoria Prentis MP), Department for Environment, Food and Rural Affairs

We have considered your Explanatory Memorandum on the above document.

We note that the Government is pleased with the Commission's overall assessment of the state of stocks in the North-East Atlantic, but the Commission also mentions the reduced sustainability of those North-East Atlantic stocks shared with non-EU countries. Given that the UK will be negotiating as a non-EU country, could you tell us if you agree with the Commission's assessment and, if so, why you believe that the state of those stocks has deteriorated? Finally, what action will the UK take to manage the risk, particularly in the event that the UK and EU are unable to conclude a fisheries agreement?

The Commission points to remedial measures undertaken both within the EU's Multi-Annual Plans and through the EU-Norway consultations. Noting the Government's view that it wishes to base its future fisheries relationship on the EU-Norway relationship, would the Government be supportive of similar remedial measures between the UK and EU? Should any such measures be developed in an ad hoc manner, or would the Government favour a broader framework, similar — although not identical — to the Multi-Annual Plans already in place under the Common Fisheries Policy?

Finally, the Government and Commission note the pressure that COVID-19 has placed on the timing and nature of scientific advice and that there are consequently implications for the annual negotiations. We consider that the wider EU-UK negotiation is another source of pressure on those negotiations. Bearing in mind those pressures, could you tell us the approximate timeframe to which the Government is working for coastal state negotiations and final agreement and the underlying assumptions? This should include a timetable for the development of the UK's priorities, which you note is a process that has just begun.

We ask for a response by 12 August 2020.

5 COVID-19: Temporarily relaxing the EU rules on the use of genetically modified organisms in clinical trials[10]

This EU document is politically important because:

- it will apply to the whole of the UK during the remainder of the Transition Period and will continue to be directly relevant to Northern Ireland after the Transition Period; and

- it should facilitate clinical trials on potential COVID-19 vaccines and therapies including genetically modified organisms.

Action

- Report to the House.

- Draw to the attention of the Health and Social Care Committee, the Future Relationship with the EU Committee and the Northern Ireland Affairs Committee.

Overview

5.1 In order to accelerate clinical trials on potential COVID-19 vaccines, the European Commission proposed waiving the requirement for an environmental risk assessment to be undertaken before a clinical trial on an investigational medicinal product (IMP) containing a genetically modified organism (GMO) can commence. This only applies if the IMP relates to COVID-19 and the waiver will expire once COVID-19 is no longer regarded as a pandemic by the World Health Organisation or the EU does not consider there to be a situation of public health emergency due to COVID-19. The Commission noted in its proposal that some of the COVID-19 vaccines under development are based on genetically modified viruses and may fall within the definition of GMO.

5.2 The rule change — which has been agreed without amendment by the European Parliament and Council[11] — is one of the regulatory flexibilities suggested in the EU's wider COVID-19 Vaccines Strategy[12] on which we have reported separately. The change will apply to the whole of the UK during the remainder of the Transition Period. After the Transition Period, it will remain in force across the UK as EU retained law — unless amended or revoked domestically — and it will be relevant in Northern Ireland as IMPs used

10 Proposal for a Regulation on the conduct of clinical trials with and supply of medicinal products for human use containing or consisting of genetically modified organisms intended to treat or prevent coronavirus disease; COM (20) 261; Legal base: Articles 114 and 168(4)(c) TFEU, QMV; Department: Health and Social Care; Devolved Administrations: Consulted; ESC number: 41349.

11 PE-CONS 28/1/20 REV 1.

12 Commission Communication: EU Strategy for COVID-19 vaccines; 9021/20, COM(20) 245.

in clinical trials in Northern Ireland will need to stay aligned with certain requirements of EU legislation in this area,[13] including certification of good manufacturing practice and batch testing to EU standards.

5.3 In his Explanatory Memorandum, the Parliamentary Under Secretary of State for Innovation (Lord Bethell) notes that some legislative change may be required in the UK and that the Health and Safety Executive, along with its devolved administration competent authority partners, is actively considering how to best achieve this in a proportionate manner. It is anticipated that, across the EU, the change will result in faster start-up times for clinical trials of COVID-19 medicines that contain or consist of GMOs, including potential vaccines.

5.4 Looking forward, says the Minister, Great Britain's future regulatory regime for clinical trials will be a national system and the UK is seeking to be able to share clinical trial information with EU partners through the Future Relationship negotiations with the EU. He acknowledges that IMPs used in clinical trials in Northern Ireland will need to stay aligned with the requirements of the EU legislation in this area.

5.5 The Minister emphasises that, from 1 January 2021, clinical trials will continue to be approved at a national level, working to international standards as they are now, and the Medicines and Healthcare Products Regulatory Agency (MHRA) — along with partners across the UK — has taken steps to ensure there will be no interruption to the UK clinical trials regulatory regime so trials can continue seamlessly. The UK will still have the ability to participate in multinational trials and it will still be possible for sponsors (the organisations that run clinical trials, such as pharmaceutical companies and academic institutions) to run multistate trials that involve UK patients. Data generated in a UK clinical trial will continue to be admissible to support regulatory activity in the EU, and indeed globally.

Action

5.6 We report this document to the House as politically important given that the Regulation will apply to the whole of the UK during the Transition Period and will have an impact in Northern Ireland beyond that. It is also the case that the Regulation may facilitate clinical trials on potential COVID-19 vaccines and therapies which include genetically modified organisms.

5.7 We require no further information from the Government. We draw the document to the attention of the Health and Social Care Committee, the Future Relationship with the EU Committee and the Northern Ireland Affairs Committee.

13 Under the terms of the Withdrawal Agreement, Northern Ireland will remain aligned with the provisions of Article 13 of the Clinical Trials Directive (Directive 2001/20/EC on the approximation of the laws, regulations and administrative provisions of the Member States relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use) and with the provisions of Chapter IX of the Clinical Trials Regulation (Regulation (EU) No 536/2014 on clinical trials on medicinal products for human use), which will supersede the Clinical Trials Directive once the necessary IT systems are in place.

6 The EU's €750 billion Coronavirus Recovery Fund[14]

These EU documents are politically important because:

- they will establish the EU's centralised €750 billion (£678 billion) fiscal stimulus plans to help its Member States recover economically from the coronavirus pandemic, which will be funded through the issuance of EU debt bonds on an unprecedented scale; and
- while the Treasury has confirmed the UK will not contribute to or draw from the Fund, it may nevertheless have an indirect impact on the British economy as well as serving as a potential comparator for the Government's domestic stimulus plans. It is also unclear if the UK may seek participation in "InvestEU", a new multi-billion scheme under the Recovery Fund that will leverage investment from the European Investment Bank for infrastructure and research projects, and which is open to non-EU countries.

Action

- Write to the Chief Secretary to the Treasury (Rt Hon. Steve Barclay MP) to seek information on the Government's position on participation in the "InvestEU" economic recovery programme.
- Draw the overall EU Coronavirus Recovery Fund to the attention of the Committee on the Future Relationship with the EU, the Business, Energy and Industrial Strategy Committee and the Treasury Committee.

Overview

6.1 Throughout Europe, the social and economic costs of the 2020 coronavirus pandemic have been devastating, and the level of government spending required to counteract it — for example via income retention schemes, tax breaks for struggling businesses and emergency public health measures — unprecedented. Given the scale of the crisis, discussions within the European Union in recent months have focussed on the size and scope of a collective fiscal intervention to ensure all its Member States have access to the necessary investment to support their economies to recover.[15] This has focussed on ensuring that those EU countries still burdened with high public debt, and therefore facing high costs to borrow the money, have sufficient fiscal space to respond to the crisis.

14 The documents covered by this chapter are: (a) Proposal for a COUNCIL REGULATION establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic; (b) Amended proposal for a COUNCIL DECISION on the system of Own Resources of the European Union; (c) Proposal for a REGULATION establishing the InvestEU Programme; EU references: (a) COM(2020) 441; (b) COM(2020) 445; (c) 8411/20; COM(2020) 403; Legal base: (a) Article 122 TFEU; special legislative procedure; QMV; (b) Article 311 TFEU; special legislative procedure; unanimity and national ratification; (c) Articles 173 and 175 TFEU; ordinary legislative procedure; QMV; Department: HM Treasury; Devolved Administrations: consulted; ESC number: (a) 41315; (b) 41303; (c) 41324.

15 European Central Bank, Financial Stability Review, May 2020: "While the large fiscal policy response mitigates the economic cost of the downturn, thereby providing a first line of defence against fiscal debt sustainability concerns, a more severe and protracted economic downturn could give rise to debt sustainability risks in the medium term".

6.2 After difficult discussions on an initial fiscal "safety net" for EU Member States facing potential difficulties in funding their short-term response to the pandemic concluded on 9 April 2020, the focus shifted to a longer-term EU-wide fiscal stimulus.[16] Based largely on a joint proposal of the French and German Governments,[17] the Commission on 27 May duly published draft legislation to establish a €750 billion (£678 billion) EU "Coronavirus Recovery Instrument" (hereafter the ECRI or the Recovery Fund), which would provide large-scale financial support to individual EU countries, in particular to support the EU's "green and digital" economic priorities.[18] At the same time, the Commission also presented a package of supplementary proposals on how the money would be raised and spent, the most eye-catching of which is the suggestion to fund the ECRI by the unprecedented issuance of EU debt bonds rather than by direct Member State contributions.

6.3 Following four days of difficult negotiations about the conditionality attached to countries receiving money from the Fund,[19] on 21 July 2020 the European Council — the EU's Heads of State and Government — reached provisional agreement on the design of the Recovery Fund, maintaining its €750 billion endowment and the proposition to finance this by issuing EU debt. They however substantially altered the earlier Commission proposals with respect to both the purpose and allocation of the funds,[20] and initiated discussions on new "own resources" — essentially EU taxes — to pay back the debt in due course. Further discussions on the technical detail of how the money will be raised, spent and managed will take place over the coming months, as the European Parliament must also give its approval to the package before the Recovery Fund can become operational.[21]

6.4 The ECRI will come on top of 'regular' EU spending under its next long-term budget for the 2021–2027 period, on which EU leaders also reached broad agreement in July. Among other things, they endorsed the creation of a €5 billion (£4.5 billion) "Brexit Adjustment Reserve" to give financial support to countries like Ireland and Belgium, which are likely to be affected most by the UK's withdrawal from the Single Market and Customs Union. In 2021, further negotiations are due to take place about the possible introduction of new EU taxes to fund all this expenditure, with options put forward including a carbon border adjustment levy, a digital services tax and a financial transactions tax.

6.5 As we explore further in paragraphs 22 to 31 below, the UK — having left the European Union on 31 January 2020 — will neither contribute to the EU Recovery Fund, nor be able to draw on it. However, it may still have indirect macroeconomic and political

16 This 'safety net' consists of a last-resort loan facility from the European Stability Mechanism for Eurozone sovereigns, a separate loan facility to provide funds for any EU Member State's national income retention scheme for furloughed workers, and a new European Investment Bank guarantee fund to leverage investment in struggling businesses. See for more information our Report of 26 March 2020.

17 On 23 April 2020, the EU's 27 national leaders had asked the European Commission to "come up with a proposal" for a "recovery fund" to provide investment in "the sectors and geographical parts of Europe most affected" by the crisis.

18 From a legal perspective, the proposal to establish the ECRI is based on Article 122 TFEU, which allows the EU to "grant […] financial assistance" to any Member State which "is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control".

19 The European Council's discussions focused in particular on the extent to which EU payments should be tied to a "rule of law" mechanism, where funding to countries where judicial independence is being eroded, as well as economic reform conditions that would be attached to countries in receipt of Recovery Fund payments.

20 In particular, important funding decisions on granting support from the ECRI to individual EU Member States will require the approval of a Qualified Majority of all 27 Member States.

21 The precise legislative procedures applicable to the different proposals of the Recovery Fund package vary on a case-by-case basis. For example, while the Recovery Instrument itself is subject to a Qualified Majority vote in the Council only, the European Parliament has co-decision powers over the sectoral proposals determining how the money would be spent.

implications for the UK, as well as serving as a potential comparator for the Government's domestic fiscal stimulus plans. The introduction of new taxes to fund the EU budget may also impact on UK businesses with exports to, or operations in, the European Union post-Brexit. We have therefore provided a summary of the Commission's proposals and the state of play in the negotiations in Brussels.

The EU's Coronavirus Recovery Fund

6.6 On the basis of the deal struck by the European Council on 21 July 2020, the Recovery Fund's €750 billion endowment would mostly be spent from 2021 to 2024 on both grants and loans to EU countries,[22] via a variety of different programmes:[23]

- First, the ECRI's flagship initiative is a €672.5 billion (£607 billion) "Recovery and Resilience Facility", under which the Commission and Member States would seek to agree on medium-term economic reform and investment priorities, especially related to the "green and digital transitions", for example for transport, energy or telecommunications projects.[24] Under the proposals, EU countries could secure sizeable non-repayable financial support — €312.5 billion in the form of grants — from the EU under the Facility, while the rest would be disbursed as low-cost loans.[25] The precise mix of grants and loans was one of the most controversial issues during the negotiations between EU leaders. They also increased significantly the budget of the Facility, which the European Commission had provisionally set at €560 billion;

- Secondly, to provide further financial support to EU countries, there will be a €47.5 billion "REACT-EU"[26] programme to increase the amount of money available under the EU's existing Structural Funds, to contribute towards job retention schemes, healthcare systems and small businesses in the sectors and regions hit hardest by the coronavirus crisis;[27]

22 The European Commission has proposed that a small proportion of the funds would be used to support non-EU countries in addressing the impact of the coronavirus crisis, but there are doubts whether the Recovery Instrument — which is based on a provision of the EU Treaty which relates to situations "where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control" — could be used for such purposes.

23 Amounts are in 2018 prices.

24 Specific funding decisions from the Recovery & Resilience Facility would be made on the basis of "recovery and resilience plans". In these, each EU government will set out specific reforms and projects for which it is seeking financial support from the Facility. These national plans would be integrated into the existing "European Semester". This is an annual process that ostensibly serves to coordinate national economic policies across EU countries, on the basis of policy recommendations issued by the European Commission. It has, to date, largely been a technocratic exercise. Under the Recovery Instrument however, those Commission recommendations would ultimately determine how much a country would receive from the Facility in a given year, meaning the Semester process is set to acquire significant distributional consequences.

25 The Recovery & Resilience Facility would also encompass a "Technical Support Instrument", a mechanism to ensure that the European Commission can "provide tailor-made expertise on the ground to ensure that the Member States have the necessary institutional and administrative capacity to develop and implement growth enhancing reforms" that the Facility will aim to support.

26 The acronym stands for "Recovery Assistance for Cohesion and the Territories of Europe".

27 The European Council scrapped a proposal to begin disbursement from REACT-EU before the end of 2020, which would have necessitated an increase in the EU's spending limits for this year as its annual budget is already fully committed.

- thirdly, there would be a further targeted intervention — amounting to €10 billion[28] — in support of the 'green' economy by providing additional money for the "Just Transition Fund" and its loan facility for the public sector (which both aim to support EU countries in becoming less reliant on fossil fuels);

- fourthly, the Recovery Fund would contribute €5.6 billion towards the "InvestEU" programme. This will be the EU's new €8.4 billion scheme to support key economic sectors by guaranteeing investments made by financial institutions, primarily the European Investment Bank (EIB), against the EU budget and therefore incentivise the EIB to invest more in the recovery.[29] The effect of this is to partially indemnify the EIB or other intermediary if the project does not yield the desired (financial) results to counter risk aversion in the current economic climate.[30] The size of the programme was slashed significantly by EU leaders, as it had been €75 billion under the European Commission's original proposals; and

- last, the remainder of the ECRI — approximately €14.4 billion[31] — would be used to "top up" some of the EU's regular funding schemes with a link to the recovery from the crisis, notably by providing €5 billion of additional support for EU investment in medical research from its Framework Programme for Research, as well as €7.5 billion for the Rural Development Fund and €1.9 billion for the EU's Civil Protection Mechanism.[32] Some of these EU schemes are open to UK participation at the Government's discretion.[33]

28 The European Commission had proposed €30 billion in Recovery Fund support for the Just Transition Mechanism, but this was reduced to €10 billion by the European Council.

29 The total EU guarantee (i.e. exposure for claims against guaranteed investments) would be capped at €75 billion. The Commission proposes to provision for €33 billion of this from the Recovery Fund, setting the money aside in advance in anticipation of having to pay for claims.

30 The InvestEU was already part of the EU's long-term budget plans for the 2021–2027 period, as our predecessors discussed in their Report of 12 September 2018. The European Commission published an amended proposal for the legal framework of the InvestEU programme alongside its Coronavirus Recovery Instrument proposals, which would insert a new "strategic investment facility" into the programme. This would seek to leverage investment specifically for "strategic activities", including healthcare, critical infrastructure and manufacturing of information technology components or devices. It also replaces the funding for the programme that would have come from the EU budget almost entirely by funding from the Recovery Instrument.

31 This amount consists of providing the following 'top up' funding for EU schemes above and beyond their allocation from the EU long-term budget 2021–2027: €15 billion for the Rural Development Fund; €13.5 billion for the Framework Programme for Research; €10.5 billion for the Neighbourhood, Development & International Cooperation Instrument; €5 billion for the Humanitarian Aid Instrument; €7.7 billion for the EU Health Programme; and €2 billion for the Civil Protection Mechanism.

32 These amounts are substantially less than originally proposed by the European Commission, which — for example — had set aside €13.5bn from the Recovery Fund for scientific research. Moreover, under the original Commission proposal, other EU programmes which would benefit from a financial top-up from the Recovery Fund included the EU4Health Programme; the Civil Protection Mechanism; the Humanitarian Aid Instrument; and the Neighbourhood, Development & International Cooperation Instrument. Those funding increases have been scrapped.

33 The Committee wrote to the Treasury about the UK Government's position on such participation in EU schemes, and the required financial contribution, on 26 March and 21 May 2020. The legal service of the Council of the EU had initially argued that it is not clear if the Recovery Fund — which will be based on a Treaty article relating to "severe difficulties caused by natural disasters or exceptional occurrences beyond its control" — can be used to provide money for these routine spending programmes. See for example Politico.EU, "Council lawyers flag problem with recovery fund proposal" (25 June 2020).

6.7 The European Commission had also proposed a €26 billion "Solvency Support Instrument" which would have aimed to leverage private investment for companies struggling because of the pandemic by using the EU budget as a guarantee.[34] This proposal was scrapped altogether by the European Council.

6.8 The exact distribution of the €750 billion between the 27 EU Member States would vary for each specific scheme, because each has a different purpose and therefore different conditions attached to its use. This will be affected by the extent to which the Recovery Fund is distributed in the form of grants or loans, and the precise conditions which will be attached for disbursement of the funding (see paragraph 19 below); the type of projects the money will support;[35] and the practical implementation of a existing proposal to suspend EU funding for countries where the rule of law is under threat, which has been under discussion since May 2018.

6.9 Given the above, it is not possible to determine in advance which countries might be the largest beneficiaries of the ECRI as a whole. The European Commission had initially estimated that, under its original proposals,, the largest potential beneficiaries of grants from the Recovery & Resilience Facility would be Italy and Spain (accounting for roughly 20 per cent, or €67 billion each), with the average maximum national allocation amounting to €12.4 billion.[36] The largest beneficiaries relative to their economic size would be Bulgaria, Croatia, Hungary, Poland and Romania (which, coincidentally, are also the EU Member States where the aforementioned "rule of law" concerns are most pressing, in particular Hungary and Poland). It is not yet clear at this stage how the likely allocation by Member State will be different under the deal agreed by EU leaders on 21 July 2020.

Financing the Coronavirus Recovery Fund

6.10 The net benefit of the ECRI for each EU Member State also depends on how they must contribute to financing this new expenditure. Finding the money for such an increase in EU spending is not straightforward. Funding the ECRI under the EU's traditional budgetary approach, where the bulk of the money is provided directly by Member States' national treasuries when it is required for the EU to pay its bills, would require countries to contribute significantly more to the EU budget almost immediately, at a time when national budgets are already under pressure.[37]

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34 More specifically, the Solvency Support Instrument would form part of the existing European Fund for Strategic Investments (EFSI). It would offer the European Investment Bank a guarantee to either invest directly in struggling companies or provide funds to financial intermediaries to do so, meaning the EU budget would partially indemnify either the EIB or those intermediaries for losses they incur on such investments where covered by the guarantee.

35 20 EU countries had called for it to be a "Green Deal" which "accelerat[es] the green transition in a cost-efficient way.

36 The smallest beneficiary of the grant component of the Recovery & Resilience Facility would have been Luxembourg, with a maximum allocation of €109 million. The European Commission's estimates relied on a proposed cap on the maximum financial support each Member State could receive. This would be calculated on the basis of each EU country's relative economic size, population and unemployment rate.

37 At present, the EU budget is principally funded through three different revenue streams: the customs duties collected by Member States on goods imported into the EU; a contribution based on each Member State's national VAT base; and a balancing contribution to 'top up' these other two revenue streams to ensure the EU has the necessary funds to service its financial obligations, which is calculated on the basis of each Member State's relative economic size (i.e. richer Member States pay proportionally more). This latter, "GNI-based" contribution has become the EU's chief source of revenue, accounting for approximately 70 per cent of its funding.

6.11 To avoid this the Commission has, as we noted, proposed to finance the Recovery Fund entirely by the EU borrowing the necessary money on the capital markets. The European Council endorsed this proposition in July 2020. These debt bonds would then be repaid from the EU budget gradually from 2028 onwards, over a period of thirty years.

6.12 As this approach would still require the Member State to pay for the Recovery Fund, even if only at a later stage, the Commission has also announced that it intends to push new sources of revenue for the EU — called "own resources", or in effect new kinds of taxation — whose receipts would legally accrue to the EU budget, and therefore reduce the need for direct national contributions.[38] As a first step, there will be a new "own resource" from the start of 2021 under which each EU country is taxed based on its national volumes of unrecycled plastic waste..[39] This proposal, like the borrowing operation underpinning the Recovery Fund, still needs to be approved unanimously by Member States, including through ratification by their national parliaments (see paragraph 18 below).[40] In 2021, the European Commission will table further proposals for new taxes to fund the EU budget. These will be based around a "carbon border adjustment scheme" on goods imported from non-EU countries with higher carbon footprints, the taxation of companies in the digital economy, and the revenues generated by emissions auctions under the EU Emissions Trading Scheme (ETS). The EU may also revive discussions on a financial transactions tax (FTT), which could be used in part to finance the EU budget..[41]

6.13 Although the proposed EU debt issuance to finance the ECRI is intended to be an exceptional occurrence because of the unprecedented nature of the pandemic, its longer-term implications for the EU's approach to spending is unclear. It is not inconceivable that the EU could turn to debt bonds again if necessary to fund its activities during another crisis, or borrow more in the future to pay off this initial debt and defer the moment at which the Member States need to pay up. Reliance on borrowing to fund expenditure, as States do, could therefore become a permanent feature. The ECRI could represent a first step towards a more independent, and centralised, fiscal capacity at EU-level. The debt

38 To facilitate the borrowing necessary to resource the Recovery Fund, the European Council also accepted a proposed amendments to the Own Resources Decision (beyond the authorisation to actually borrow the money) would also temporarily raise the legal cap on the Member States' payments to the EU from 1.2% to 1.8% of EU GNI (and permanently to 1.4%). The aim of this is not to enable the EU to require the Member States to pay more now, but to create more headroom in the EU budget to be used as a guarantee against the borrowed money (lowering the risk to lenders and therefore the cost to the EU), and providing additional EU spending flexibility during difficult economic conditions.

39 The European Commission already tabled legislative proposals to create such "own resources" in May 2018, but they have made very little progress in the intervening years.

40 Amendments to the EU's sources of revenue must be made via the "Own Resources Decision", which under Article 311 TFEU can only be made after they are "approved by the Member States in accordance with their respective constitutional requirements".

41 In the meantime, the Commission has proposed that the EU could request additional contributions from Member States when, in a given year, its annual budget is not sufficient to cover its Recovery Fund debt repayment obligations. Article 6(4) of the amended proposal for an Own Resources Decision states: "Where the authorised appropriations entered in the budget are not sufficient for the Union to comply with its obligations resulting from borrowing [...], the Member States shall make the resources necessary for that purpose available to the Commission. The cash resources shall be made available in accordance with [the Financial Regulation], as applicable at that time, under the same conditions as those applying in the event of default on a loan contracted pursuant to regulations and decisions adopted by the Council, or by the European Parliament and the Council."

bonds to be issued to fund the EU's economic recovery could, in this context, be seen as a type of European "safe asset" for investors, partially substituting for the sovereign bonds issued by individual EU countries.[42]

Link between the Coronavirus Recovery Fund and the EU's Multiannual Financial Framework 2021–2027

6.14 The Recovery Fund, a temporary measure aimed at mitigating the impact of the coronavirus pandemic, will sit alongside — *but not be part of* — the EU's routine funding programmes under its draft long-term budget for the 2021–2027 period.

6.15 Negotiations on this "Multiannual Financial Framework", which sets the EU's spending limits for specific policies and programmes for that seven-year period, are being held in parallel. The European Council on 21 July 2020 also reached provisional agreement on a €1.07 billion long-term EU budget.[43] This deal included increases in the rebates for a number of net contributors to the EU budget, and ditched the increases the European Commission had proposed for EU funding for areas such as research, security and defence. Among other things, EU leaders also endorsed the creation of a €5 billion (£4.5 billion) "Brexit Adjustment Reserve" to give financial support to countries like Ireland and Belgium, which are likely to be affected most by the UK's withdrawal from the Single Market and Customs Union at the end of the post-Brexit transition period on 31 December 2020.In practice, the agreement reached means that the €750 billion of crisis spending under the Recovery Fund will come on top of the EU's planned expenditure for schemes like the Common Agricultural Policy and the Regional Development Fund under its next long-term budget. The deal struck at the European Council will increase planned EU spending over from 2021 to 2027 to approximately €1.85 trillion (£1.68 trillion).

6.16 The direct relevance of the EU's next Multiannual Financial Framework for the UK is limited, now that it has left the European Union. However, several of the EU's 'routine' spending programmes are open to participation by non-Member States like the UK, in return for a financial contribution. The Government is known to be seeking continued involvement in several schemes, including notably the EU's Framework Programme for Research and the Euratom nuclear research programme, but it has been unable to tell us how the UK's financial contribution would be calculated or why other EU programmes were not selected for participation. In addition, the share of the EU long term budget allocated to the Common Agricultural Policy (CAP) in particular remains relevant for the UK, as this will form a subsidy for the European competitors of British farmers, whose financial support from the Government when the UK leaves the CAP from 1 January 2021 remains uncertain. We will continue to scrutinise the implications of EU agricultural policy for the UK separately.[44]

42 However, the Recovery Fund debt bonds will not replace existing sovereign debt issued by EU Member States, nor prevent them from issuing their own sovereign debt going forward.

43 As part of its package of proposals, the European Commission not only issued an updated proposal for the EU's spending limits for broad policy areas for the 2021–2027 period — the Multiannual Financial Framework itself — but also updated its proposals for various 'routine' EU spending programmes during that period, to reflect the "lessons learned" from the coronavirus crisis. These relate to the European Social Fund, the Regional Development Fund, the Cohesion Fund, the European Fund for Sustainable Development, the EU Health Programme, the Civil Protection Mechanism and the Fund for Aid to the Most Deprived. The Committee is considering some of these proposals in more detail separately given their specific implications for the UK.

44 We have assessed the potential impact of the CAP for UK farmers separately, most recently in our Report of 26 March 2020.

The negotiations in Brussels

6.17 On 19 June 2020, the EU's 27 Heads of State and Government first discussed the Recovery Fund proposals and the wider long-term EU budget, but took no firm decisions on its size or design. The key aspects of the Recovery Fund, including how it is funded, were eventually resolved after four more days of negotiations by EU leaders from 18 to 21 July 2020 as described above. However, this provisional agreement does not mean the ECRI is now ready to become operational., Under the EU Treaties, the legislation to establish the Fund and its different programmes still requires the formal agreement of the European Parliament and of the national governments in the Council of the EU. In addition, the authorisation to borrow €750 billion on the capital markets — and the new EU "own resource" based on plastic waste — also depends on national ratification, which may involve Member States' national parliaments.[45]

6.18 The European Council meeting in July took as long as it did because there were a number of difficult political issues to resolve. One of the key ones related to the process by which individual EU countries could receive funding — in particular grants — from the Recovery & Resilience Facility. While the Dutch Government had initially pushed for strict economic reform conditions in return for the money, and a veto for each other Member State to block further payments to a country if those conditions were not being met, the compromise struck on 21 July is less far-reaching.[46] Requests for grant funding from the Facility will need to be approved by a qualified majority of the 27 Member States.[47] Moreover, any individual EU country could raise concerns about how the Recovery Fund money is being used by any other Member State, in which case any further payments would be suspended until the issue had been "exhaustively" discussed by the European Council.[48]

6.19 The EU leaders also agreed a target that 30 per cent of Recovery Fund expenditure should be linked to climate change adaptation and mitigation, but it does not appear this will be legally-binding.

6.20 The European Parliament, which was not represented during the European Council discussions, still has an important role.. Under the Treaties, it has to approve both the EU's long-term budget and the legal frameworks for each of the specific funding programmes

45 The formal legal proposal to authorize the EU to borrow €750 billion to finance the Recovery Fund requires an amendment to the so-called "Own Resources Decision", which under Article 311 TFEU can only be done with the approval "by the Member States in accordance with their respective constitutional requirements". The proposition of the EU borrowing money to finance the Recovery Fund is not without its detractors however. For example, Finland's Constitutional Law Committee has argued that the proposal exceeds the EU's competences because it does not respect the principle that the EU's budget should be in balance (i.e. grant payments to Member States should not be financed by the EU issuing debt).

46 The original Dutch approach was not foreseen by the European Commission's proposals and also strongly resisted by countries including Greece and Italy, which argue that the economic shock of the coronavirus was beyond their control and not comparable to the domestic practices which played a part in the Eurozone sovereign debt crisis a decade ago.

47 The European Council's agreement envisages the adoption of funding decisions from the Recovery & Resilience Facility by means of "implementing acts", meaning there is no role for the European Parliament but the approval is required of a qualified majority of EU Member State governments. MEPs are likely to push for the use of "delegated acts" instead, which take effect automatically unless vetoed by either the European Parliament or a qualified majority of Member States.

48 This suspension mechanism applies only to the Recovery Fund, not the general EU long-term budget. Given the "rule of law" concerns with respect to Hungary and Poland, the European Council also resolved that — where such breaches are identified — "the Commission will propose measures in case of breaches for adoption by the Council by qualified majority". What such measures may mean in practice is not yet clear.

under the Recovery Instrument, including the flagship Recovery & Resilience Facility. While it is expected to accept both the size and general design of the ECRI as set out by EU leaders, it may seek a larger role for itself in approving funding decisions for individual EU countries and to alter the allocation of funds between different schemes under both the Recovery Fund and the general long-term EU budget.[49] The aim is for various pieces of legislation to formally establish the ECRI to be formally approved by the EU institutions, and the EU's 27 national parliaments, by the end of the year at the latest, to allow for the bulk of the money to be released to Member States from January 2021 onwards.

The Government's position

6.21 The Chief Secretary to the Treasury (Rt Hon. Steve Barclay MP) submitted an Explanatory Memorandum setting out the Government's position on the EU's Recovery Fund on 6 July 2020. In this Memorandum, the Minister briefly summarises the different components of the ECRI. He also confirms that the UK, having left the European Union on 31 January 2020 under the terms of the Withdrawal Agreement, will not participate in the Recovery Fund: it will not have any obligation to pay off a share of any debt bonds issued by the EU to pay for this €750 billion of proposed expenditure, nor be able to receive any financial support from it.[50]

6.22 More specifically, although the UK has agreed to a settlement in the Withdrawal Agreement of its residual financial obligations to the EU accrued during the UK's membership of the European Union, this precludes the Treasury from having any exposure to expenditure or financial obligations the EU may enter into from 1 January 2021 onwards (including, therefore, the majority of the Recovery Fund).[51] Although the settlement *does* require the UK to contribute towards spending made by the EU before 31 December 2020, its maximum liability is capped by the limits on EU spending for this year under its "Multiannual Financial Framework" 2014–2020 as it stood immediately prior to the UK's withdrawal. In any event, the European Council has decided that the EU will not increase its spending in 2020 in relation to the Recovery Fund.[52]

49 MEPs are expected to be critical in particular of the European Council's substantial decreases in EU future funding for programmes related to research, health and climate change compared to the original European Commission proposals.

50 The Minister's Explanatory Memorandum also states that "the Government believes the proposals are consistent with the principle of subsidiarity", a position it would be unlikely to have taken if the UK were still an EU Member State given the unprecedented nature of the proposed EU borrowing arrangements.

51 The UK's legal exclusion from having any shared exposure to new EU financial commitments entered into from 1 January 2021 would have been the case even if the post-Brexit transition period had been extended beyond the end of 2020, as per Articles 132(2)(a) and 132(2)(b) of the Withdrawal Agreement. Instead, an extension of the transition under the terms of that Article would have required the UK to make a one-off contribution to the EU budget, the amount of which would be subject to negotiation. The option for an extension of the transition period under Article 132 expired on 30 June 2020.

52 While the European Commission had proposed €11.5 billion increase of the EU budget in 2020 as part of the Recovery Fund, this proposal was not taken forward by the European Council. As we explored in our Reports of 7 May 2020 and 2 July 2020, there is an outstanding matter of contention between the UK and the EU on a COVID-related amendment to the Multiannual Financial Framework 2014–2020 which modified an existing EU financial reserve so it could be used for healthcare-related spending. The Government says it is "discussing" whether the UK needs to pay for a share, estimated to be approximately £200 million, of this new EU spending for 2020, under the terms of the Withdrawal Agreement. However, the EU spending plans are not made under the Recovery Instrument and therefore not directly relevant to this chapter.

6.23 Given the above, the Minister adds that the "structure and direction of post-2020 EU funding proposals is a matter for the EU27". He does not offer any commentary on the potential broader economic or political implications or relevance of the EU Coronavirus Recovery Fund for the UK.

Committee conclusions and action

6.24 We thank the Minister for his Explanatory Memorandum, and his confirmation that the UK is not exposed to any liability to contribute towards the EU's Recovery Fund (and, by extension, will also not be able to draw financial support from it). Moreover, while the Minister did not acknowledge so explicitly in his Memorandum, the Committee considers that the ECRI as agreed by the European Council on 21 July 2020 does have potentially significant economic and political implications for the UK for a number of reasons:

- first, in practical terms, the European Council's proposals still require the approval of the European Parliament. These negotiations on the ultimate design of the Recovery Fund have been identified as the EU's immediate priority, at the expense of other items on the political agenda including negotiations with the Government on a new relationship between the UK and the EU. The precise impact of this is impossible to quantify as the slow progress in those negotiations to date is, primarily, a product of the two sides being far apart on the substance of a new UK-EU free trade agreement;

- secondly, the size of the Recovery Fund and unprecedented issuance of EU debt instruments to fund this expenditure potentially could represent a further a step towards the EU obtaining a more independent capacity to conduct fiscal policy, with ramifications for how the UK might be impacted by a more centralised economic decisions taken in Brussels (and, by extension, how it may need to engage with the EU in the future on such matters);

- thirdly, the level of coronavirus-related spending agreed by the European Council is substantial (albeit outstripped by collective spending by national governments in the EU), and is likely to have a wider macroeconomic impact on the UK as one of the EU's largest economic partners. There is also the possibility for direct UK participation in the "InvestEU" component of the Recovery Fund, at the Government's discretion, which we discuss further below; and

- last, the EU's Coronavirus Recovery Fund may provide a useful comparator for the UK Government's own stimulus plans to boost the British economy and therefore be of general interest to other Select Committees of the House as they seek to scrutinise the recovery plans announced by the Prime Minister and Chancellor in June and July 2020.

6.25 The efforts to introduce new EU taxes to fund the EU's expenditure, and pay off the debt incurred to establish the Recovery Fund, may also impact on the UK in the longer term, dependent on the final substance of these levies. For example, both the carbon border adjustment levy, the digital economy tax and the financial transactions tax, referred to in the European Council's agreement as possible policy options, could impact on British businesses with exports to, or activities in, the European Union. This will be a matter for Parliament to scrutinise in more detail in due course in the light of the European Commission's specific proposals to establish such new "own resources".

The InvestEU programme and potential UK participation

6.26 One particular element of the EU's coronavirus recovery package deserves further scrutiny with respect to the potential relevance for the UK's new post-Brexit relationship with the EU: the proposed InvestEU programme.

6.27 InvestEU aims to leverage billions of euros in investment via the European Investment Bank (EIB) and other intermediaries into key sectors of the European economy, including infrastructure, research and small businesses. It will do so by offering a guarantee for such investments, using a €8.4 billion (£7.6 billion) Guarantee Fund, to be financed mostly from the Recovery Fund. While much reduced in ambition from the original Commission proposal, which foresaw an EU guarantee of €75 billion to back the programme, this is still a not insubstantial amount. Article 5 of the draft Regulation to establish InvestEU states that non-EU countries like the UK could participate in the programme.[53] It is also noteworthy that applications for support under the programme will be decided by an independent "Investment Committee", not the European Commission itself.

6.28 While the UK was an EU Member State the EIB was a provider of substantial financial backing for major British infrastructure projects including to the Northern Powerhouse Investment Fund and social housing in Northern Ireland. Such investment tailed off following the 2016 referendum,[54] and at the moment of its withdrawal from the EU on 31 January 2020, the UK automatically ceased to be a shareholder in the EIB and therefore largely ineligible[55] for new financial support from it.[56] The Government has not yet published the outcome of its "Infrastructure Finance Review", which explored "institutional options for delivering government support" including in the context of the UK's lack of access to the EIB. It also still maintains that is open to "exploring options for a future relationship" with the Bank,[57] but has to date not made any public proposals in this respect. It is unclear what, if any, discussions on this matter have taken place as part of the negotiations on the future UK-EU relationship.

6.29 As noted, the proposal for the "InvestEU" programme provides for the possibility of participation by non-EU countries like the UK, in return for a financial contribution to the Guarantee Fund. This would make such "third countries" eligible for EIB financial

53 The other components of the Recovery Fund, as described in paragraph 5, are not open to participation by non-EU countries.

54 EIB records indicate investment projects in the UK which were approved in 2015 amounted to €7.036 billion, but nosedived to €456 million in 2019. The EIB has not approved any UK projects in 2020.

55 The EIB's Statutes provide that "the Bank shall grant finance [...] for investments to be carried out in the territories of Member States", but its Board of Governors — i.e. the EU's 27 Finance Ministers — "may grant financing for investment to be carried out, in whole or in part, outside the territories of Member States". At the end of 2019, 9 per cent of the EIB's stock of loans involved countries outside the EU (excluding, for the purposes of calculating this figure, the UK).

56 Under the Withdrawal Agreement, existing EIB projects in the UK are not affected by its withdrawal. The Treasury will receive back its €3.5 billion in paid-in capital with the European Investment Bank in twelve annual installments, but it has also offered a guarantee to provide capital to the Bank if necessary for the latter to cover its financial obligations in relation to financial operations entered into before the UK left the EU on 31 January 2020. The Agreement does not provide for the UK to receive a share of the profits generated during its EU membership.by the EIB.

57 Letter from the Chief Secretary to the Treasury (Rt Hon. Steve Barclay MP) to Sir William Cash MP, 9 June 2020.

operations in line with the priorities and conditions to be set out in the InvestEU Regulation (but without a guarantee for a specific level of investment). However, the Minister's Explanatory Memorandum does not refer to this possibility at all, from which we infer the Government has ruled it out. However, it is not clear on what basis it decided not to pursue the option of UK participation in InvestEU and, by extension, establish a new relationship with the European Investment Bank. We have written to the Minister to seek clarification on this point, and a copy of that letter is shown in the Annex to this Report.[58]

6.30 More generally, we will continue to follow the negotiations on the EU Coronavirus Recovery Fund and the EU's long-term budget closely. We intend to focus primarily on those elements which remain relevant for the UK post-withdrawal (in particular the EU funding programmes in which the UK is seeking continued participation, and the economic impact of the Common Agricultural Policy on British farmers). We will make further Reports to the House as and when appropriate.

6.31 We also draw our summary and assessment of the Recovery Fund to the attention of the Business, Energy and Industrial Strategy Committee, the Committee on the Future Relationship with the EU, and the Treasury Committee.

Letter from Sir William Cash MP to the Chief Secretary to the Treasury (Rt Hon. Steve Barclay MP)

The EU Coronavirus Recovery Instrument: options for UK participation in the "InvestEU" programme

Thank you for your Explanatory Memorandum on the European Commission's proposals of 27 May 2020 for a €750 billion EU Coronavirus Recovery Instrument.[59] We have taken note of your confirmation that the UK will not be required to contribute to this new EU fund and, as a consequence, will also not receive any financial support from it. The Committee nevertheless considers that the Recovery Instrument may have political and economic implications for the UK, as we will set out in our forthcoming Report.

The Committee has also asked me to raise a specific issue with you in relation to one particular element of the Coronavirus Recovery Instrument: the draft "InvestEU" programme, which builds on an earlier proposal released in 2018 as part of the EU's next long-term budget for the 2021–2027 period.[60]

As you will be aware, this scheme aims to leverage hundreds of billions of euros in capital for key sectors of the European economy, by providing investment and loan guarantees from the EU budget for the European Investment Bank (EIB) and other financial

58 With respect to the negotiations on the EU's routine long-term budget more broadly, we note there are also potential financial implications for the UK with respect to those EU programmes in which the Government has confirmed it is seeking continued British participation as a non-Member State (in particular the "Horizon Europe" Framework Programme for Research and the Euratom nuclear research programme). Such participation would require the Treasury to make an annual financial contribution, which would be calculated based of the EU's own budget for these programmes (which, in turn, are dependent on the outcome of the discussions on the next Multiannual Financial Framework). The Treasury has to date refused to provide an update on its negotiations with the European Commission on this matter, despite two requests for information. We will continue to pursue this matter with Ministers separately.

59 EU documents: (a) COM(2020) 441, (41315); (b) COM(2020) 445 (41303).

60 EU Document 8411/20; COM(2020) 403, (41324).

intermediaries. This would incentivise them to make investments that would otherwise be considered too risky, especially in the current economic climate. The guarantee, to be provisioned for in a multi-billion euro Guarantee Fund financed primarily by the Recovery Instrument, would be used to increase investment in five "windows": public infrastructure; research and innovation; small businesses; social investment and skills; and — in response to the COVID crisis — a "strategic investment" window for projects in areas such as healthcare, critical infrastructure and security.

Notably, Article 5 of the draft InvestEU Regulation allows non-EU countries to participate in the programme, withthe exception of the strategic investment window. This means that, in return for a financial contribution to the Guarantee Fund — of a size to be agreed jointly by both sides — other countries would be eligible for investment from the European Investment Bank under the four aforementioned "windows" of the scheme (whereas the EIB normally invests primarily in EU Member States). The precise link between the size of the contribution and the share of investment a non-EU country could expect to receive under the scheme would be a matter for negotiation.

Despite this theoretical option for UK participation in the "InvestEU" programme, your recent Explanatory Memorandum did not refer to this possibility.[61] While we take no position on whether participation should be sought, we have inferred that the Government is not actively pursuing involvement in the programme. The reasoning underpinning the Government's decision to that effect — if our inference is correct — is unclear.

In particular, as you yourself told us in your recent letter of 9 June 2020, the Government remains "open to exploring options for a future relationship with the EIB as a non-EU country". Participation in the "InvestEU" programme could provide a basis for this, since the investment it aims to leverage will come primarily from the EIB (subject, of course, to the negotiations between the European Parliament and the Member States on the final design of the scheme). Moreover, one of the focus areas of the scheme is scientific research. Given that the Government is already seeking to secure continued UK participation in the EU's general Framework Programme for Research for the 2021–2027 period ("Horizon Europe"), involvement in InvestEU could potentially build on these existing efforts to strengthen the UK's research links with its European neighbours post-Brexit.[62]

Therefore, we ask you to write to us by 10 August to clarify if the Government has indeed ruled out seeking UK involvement in the "InvestEU" programme, and if so, why on balance such participation has already been determined not to be of potential value (in particular given that negotiations on the final design of the scheme are not yet completed). We will consider the importance of the InvestEU proposal for the UK further in light of your response.

61 In October 2018, the Government told our predecessors that it was "encouraging the Commission and Member States to design future EU programmes in a way that keeps options open for future UK and EU cooperation opportunities" (Letter from the Rt Hon. Elizabeth Truss MP to Sir William Cash MP, 4 October 2018).

62 We note in this respect that InvestEU will replace the EU's existing "InnovFin Equity" scheme under its current Framework Programme for Research ("Horizon 2020") to leverage investment into research projects, which can be used for investments in non-EU countries that participate in Horizon 2020. The UK is automatically eligible for this scheme until the end of 2020 under the terms of the financial settlement in the Withdrawal Agreement.

7 Green Deal Investment Plan[63]

This EU document is politically important because:

- the EU's approach to cutting greenhouse gas emissions, and financing that transition, is of strategic interest to the UK in light of its Presidency of the next Conference of the Parties to the UN Framework Convention on Climate Change; and

- any changes to EU state aid rules to support green investment may be of direct relevance to Northern Ireland under the terms of the Ireland/Northern Ireland Protocol.

Action

- Report to the House.

- Draw to the attention of the Business, Energy and Industrial Strategy Committee; the Northern Ireland Affairs Committee; and the Environmental Audit Committee.

Overview

7.1 Alongside its 'European Green Deal' vision, the Commission set out an investment plan to support the delivery of the Green Deal. The investment plan aims to utilise the EU budget and associated instruments to mobilise at least €1 trillion of private and public investment.

7.2 The plan has three dimensions: financing (mobilising investment); enabling investment; and practical support for planning and executing projects.

7.3 Specific ideas include:

- at least 25% of the next EU multiannual budget (2021–27) to be spent on climate-related activity, achieved through strengthening the link between the EU budget (including its individual programmes) and the objective of the investment plan;

- work with the European Investment Bank (EIB) to enhance the sustainability of projects financed by the EIB

- ensure that the revision to state aid rules in 2021 reflects the policy objective of the European green deal and, in the meantime, apply current rules flexibly; and

- create a Just Transition Mechanism to support regions and territories that are highly dependent on activities which are greenhouse gas intensive (see separate chapter).

7.4 In his Explanatory Memorandum, the Chief Secretary to the Treasury (Steve Barclay MP) notes only that, while the UK will not participate in the next EU multiannual budget,

63 Commission Communication: Sustainable Europe Investment Plan, European Green Deal Investment Plan; 5269/20, COM(20) 21; Legal base: —; Department: HM Treasury; Devolved Administrations: Consulted; ESC number: 41034.

there is a small number of programmes in which the UK and the EU may wish to continue working together, such as science and innovation. Any future participation will be subject to negotiations.

Assessment and action

7.5 As the Minister notes, the United Kingdom has signalled interest in some continued participation in Union Programmes, such as the research programme (Horizon Europe). The Commission's proposal to strengthen the link between the EU budget and the Green Deal is therefore of some relevance to the UK, although such an orientation is in line with UK public policy on climate change.

7.6 While not mentioned by the Minister, it is also the case that amendments to the state aid rules — including the energy and environment state aid guidelines — are relevant to the UK as they will apply in Northern Ireland under the Ireland/Northern Ireland Protocol agreed as part of the Withdrawal Agreement.

7.7 We note the Communication and consider it of political importance, but we raise no issues with the Minister. We draw it to the attention of the Business, Energy and Industrial Strategy Committee; the Northern Ireland Affairs Committee; and the Environmental Audit Committee.

8 Documents not raising questions of sufficient legal or political importance to warrant a substantive report to the House

Department for Business, Energy and Industrial Strategy

(41307) — COM(20) 452	Amended proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund.
(41308) — COM(20) 451	Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 as regards exceptional additional resources and implementing arrangements under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy (REACT-EU).
(41309) — COM(20) 450	Amended proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument.
(41310) — COM(20) 447	Amended proposal for a Regulation of the European Parliament and of the Council on the European Social Fund Plus (ESF+).

Department for Environment, Food and Rural Affairs

(41366) 9175/20 + ADD1 COM(2020) 266	Report from the Commission to the European Parliament and the Council on the progress made on the implementation of Directive (EU) 2016/2284 on the reduction of national emissions of certain atmospheric pollutants.
(41368) — COM(2020) 267	Proposal for a Council Decision on the position to be taken on behalf of the European Union in the Joint Committee established by the Agreement between the European Community, of the one part, and the Government of Denmark and the Home Government of the Faroe Islands, of the other part, as regards the adoption of the amendments to Protocols 1 and 4 to the Agreement.

Department of Health and Social Care

(41200) — —	Communication from the Commission Guidelines on COVID-19 in vitro diagnostic tests and their performance.

Department for International Trade

(41376) — —	Commission Implementing Regulation (EU) 2020/894 of 29 June 2020 amending Implementing Regulation (EU) 2019/159 imposing definitive safeguard measures against imports of certain steel products.

Foreign and Commonwealth Office

(41356) — —	Council Decision (CFSP) 2020/850 of 18 June 2020 amending Decision 2014/386/CFSP concerning restrictive measures in response to the illegal annexation of Crimea and Sevastopol.
(41374) — COM(20) 272	Report from the Commission Annual Report 2019 on the Application of the Principles of Subsidiarity and Proportionality and on Relations with National Parliaments.
(41401) — —	Council Decision (CFSP) 2020/907 of 29 June 2020 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine.

HM Treasury

(41140) 6928/20 COM(20) 99	Report from the Commission to the European Parliament and the Council on the implementation of Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (market abuse directive).
(41210) 7476/20 + ADD 1 COM(20) 163	Proposal for a Decision of the European Parliament and of the Council on providing Macro-Financial Assistance to enlargement and neighbourhood partners in the context of the COVID-19 pandemic crisis.
(41229) 7671/20 COM(20) 190	Draft amending budget No 4 to the general budget for 2020 accompanying the proposal to mobilise the European Union Solidarity Fund to provide assistance to Portugal, Spain, Italy and Austria.

(41230) 7672/20 COM(20) 200	Proposal for a Decision of the European Parliament and of the Council on the mobilisation of the European Union Solidarity Fund to provide assistance to Portugal, Spain, Italy and Austria.
(41305) — COM(20) 456	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions Europe's moment: Repair and Prepare for the Next Generation.
(41311) — COM(20) 446	Proposal for a Council Regulation amending Council Regulation (EU, EURATOM) No 1311/2013 laying down the multiannual financial framework for the years 2014–2020.
(41312) — COM(20) 444	Amended proposal for an Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.
(41314) — COM(20) 442	Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions The EU budget powering the recovery plan for Europe.
(41316) — COM(20) 459	Amended proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe — the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination.
(41318) — COM(20) 409	Proposal for a Regulation of the European Parliament and of the Council establishing a Technical Support Instrument.
(41319) — COM(20) 408	Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility.
(41326) — COM(20) 404	Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2015/1017 as regards creation of a Solvency Support Instrument.
(41336) 8492/20 COM(20) 423	Draft amending budget No 6 to the general budget for 2020: Reflecting in the budget 2020 the launch of the recovery plan for Europe.

Home Office

(41001) 15126/19 +ADD 1 COM(20) 631	Proposal for a Council Decision on the position to be taken, on behalf of the European Union, in the sixty-third session of the Commission on Narcotic Drugs on the scheduling of substances under the Single Convention on Narcotic Drugs of 1961, as amended by the 1972 Protocol, and the Convention on Psychotropic Substances of 1971.
(41002) 15091/19 +ADD 1 COM(20) 624	Proposal for a Council Decision on the position to be taken, on behalf of the European Union, in the sixty-third session of the Commission on Narcotic Drugs on the scheduling of substances under the Single Convention on Narcotic Drugs of 1961, as amended by the 1972 Protocol, and the Convention on Psychotropic Substances of 1971.
(41044) 5396/20 COM(20) 17	Proposal for a Council Decision on the position to be taken on behalf of the European Union in the sixty-third session of the Commission on Narcotic Drugs on the addition to the list of substances in Table I of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Ministry of Justice

(41361) — COM(20) 258	Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions EU Strategy on victims' rights (2020–2025).

Office for National Statistics

(41355) 8991/20 COM(20) 241	Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the impact of demographic change.

Annex

Documents drawn to the attention of select committees:

('SNC' indicates that scrutiny (of the document) is not completed'; 'SC' indicates that scrutiny of the document is completed)

Business, Energy and Industrial Strategy Committee: The EU's €750 billion Coronavirus Recovery Fund [Proposed (a)(c) Regulations; (b) Decision (SNC)]; Climate Change: Just Transition [Proposed Regulations (SC)]; Green Deal Investment Plan [Commission Communication (SC)]

Environmental Audit Committee: Green Deal Investment Plan [Commission Communication (SC)]

Environment, Food and Rural Affairs Committee: Fishing Opportunities 2021 [Commission Communication (SNC)]

Committee on the Future of the European Union: The EU's €750 billion Coronavirus Recovery Fund [Proposed (a)(c) Regulations; (b) Decision (SNC)]; Regional policy post-2020 [Proposed Regulations (SNC)]; EU COVID-19 Vaccines Strategy [Commission Communication (SC)]; COVID-19: Temporarily relaxing the EU rules on the use of genetically modified organisms in clinical trials [Proposed Regulation (SC)]

Health and Social Care Committee: EU COVID-19 Vaccines Strategy [Commission Communication (SC)]; COVID-19: Temporarily relaxing the EU rules on the use of genetically modified organisms in clinical trials [Proposed Regulation (SC)]

Housing, Communities and Local Government Committee: Regional policy post-2020 [Proposed Regulations (SNC)]

Northern Ireland Affairs Committee: Regional policy post-2020 [Proposed Regulations (SNC)]; Green Deal Investment Plan [Commission Communication (SC)]; COVID-19: Temporarily relaxing the EU rules on the use of genetically modified organisms in clinical trials [Proposed Regulation (SC)]

Scottish Affairs Committee: Regional policy post-2020 [Proposed Regulations (SNC)]; Green Deal Investment Plan [Commission Communication (SNC)]

Treasury Committee: The EU's €750 billion Coronavirus Recovery Fund [Proposed (a)(c) Regulations; (b) Decision (SNC)]

Welsh Affairs Committee: Regional policy post-2020 [Proposed Regulations (SNC)]

Formal Minutes

Thursday 23 July 2020

After consulting all Members of the Committee, the Chair was satisfied that the Report represented a decision of the majority of the Committee and reported it to the House. (Order of the House of 24 March 2020).

Standing Order and membership

The European Scrutiny Committee is appointed under Standing Order No.143 to examine European Union documents and—

a) to report its opinion on the legal and political importance of each such document and, where it considers appropriate, to report also on the reasons for its opinion and on any matters of principle, policy or law which may be affected;

b) to make recommendations for the further consideration of any such document pursuant to Standing Order No. 119 (European Committees); and

c) to consider any issue arising upon any such document or group of documents, or related matters.

The expression "European Union document" covers —

i) any proposal under the Community Treaties for legislation by the Council or the Council acting jointly with the European Parliament;

ii) any document which is published for submission to the European Council, the Council or the European Central Bank;

iii) any proposal for a common strategy, a joint action or a common position under Title V of the Treaty on European Union which is prepared for submission to the Council or to the European Council;

iv) any proposal for a common position, framework decision, decision or a convention under Title VI of the Treaty on European Union which is prepared for submission to the Council;

v) any document (not falling within (ii), (iii) or (iv) above) which is published by one Union institution for or with a view to submission to another Union institution and which does not relate exclusively to consideration of any proposal for legislation;

vi) any other document relating to European Union matters deposited in the House by a Minister of the Crown.

The Committee's powers are set out in Standing Order No. 143.

The scrutiny reserve resolution, passed by the House, provides that Ministers should not give agreement to EU proposals which have not been cleared by the European Scrutiny Committee, or on which, when they have been recommended by the Committee for debate, the House has not yet agreed a resolution. The scrutiny reserve resolution is printed with the House's Standing Orders, which are available at www.parliament.uk.

Current membership

Sir William Cash MP (*Conservative, Stone*) (Chair)

Tahir Ali MP (*Labour, Birmingham, Hall Green*)

Jon Cruddas MP (*Labour, Dagenham and Rainham*)

Allan Dorans MP (*Scottish National Party, Ayr Carrick and Cumnock*)

Richard Drax MP (*Conservative, South Dorset*)

Margaret Ferrier MP (*Scottish National Party, Rutherglen and Hamilton West*)

Mr Marcus Fysh MP (*Conservative, Yeovil*)

Mrs Andrea Jenkyns MP (*Conservative, Morley and Outwood*)

Mr David Jones MP (*Conservative, Clwyd West*)

Stephen Kinnock MP (*Labour, Aberavon*)

Mr David Lammy MP (*Labour, Tottenham*)

Marco Longhi MP (*Conservative, Dudley North*)

Craig Mackinley MP (*Conservative, South Thanet*)

Ann Marie Morris MP (*Conservative, Newton Abbot*)

Charlotte Nichols MP (*Labour, Warrington North*)

Greg Smith MP (*Conservative, Buckingham*)