

Remarks by Vice-President Valdis Dombrovskis at the press conference following the second session of the informal ECOFIN in Helsinki

Thank you Minister. Honourable media representatives.

Regarding the EU fiscal rules, let me first thank Professor Niels Thygesen for an excellent report and for today's presentation. It indeed provided lots of food-for-thought.

During today's discussions, many colleagues said that our current EU fiscal rules are actually working reasonably well. But they are not perfect. But results are there:

- The excessive budget deficits of European countries has been brought down. This is the first time since the crisis that we have no Member State under the Excessive Deficit Procedure.
- The public debt level in the EU is decreasing and is expected to be at 80% of GDP this year, down from 88% in 2014.
- It's true that these improvements were often happening thanks to stronger economic growth, but it is also evidence that the EU's fiscal governance works.
- Many also acknowledged the need for a degree flexibility and adaptability to balance fiscal sustainability and growth .

But there is always room for improvement.

Having directly dealt with the implementation of the Stability and Growth Pact for the last 5 years, I can agree with most of the shortcomings identified by the European Fiscal Board – complexity, loss of ownership, some pro-cyclicality bias in good and bad times, to name few elements.

Today many Member States spoke in favour of simplifying the rules to increase transparency and predictability. Notably, the number of indicators in the assessment could be reduced and we could rely less on unobservable variables such as output gaps. The EFB for instance proposes to rely only on a debt anchor and an operational target defined by an expenditure benchmark.

Several colleagues also called to focus on better implementation and enforcement.

Overall, today's discussion seemed to confirm to me that we must approach cautiously a possible revision of the legislation.

We need further analysis and discussion, including in the context of a review of the Six-Pack and Two-pack legislation, which the Commission has to deliver by the end of the year.

We will also have to assess whether we can realistically achieve agreement on simpler rules without opening the legislation.

Once again, I warmly welcome the Finnish Presidency's timely decision to give us the opportunity to discuss the topic of energy taxation because this is an area where it is essential that the next Commission makes progress.

As you know, President-elect Ursula von der Leyen announced in her political guidelines several policy actions for a European Green deal. A revision of the Energy Taxation Directive could be part of this package.

The Commission services this week published an evaluation of the 2003 Directive. The aim is to assess the performance of the Directive against its objectives and evolving policy goals.

In terms of results: on one hand, the Energy Tax Directive has contributed to the proper functioning of the internal market by establishing harmonised rules.

But the evaluation also shows that EU rules are clearly out of step with the considerable evolution of technology and energy markets over the past 15 years. They no longer contribute effectively to the new EU regulatory framework and policy objectives in the area of climate and energy.

So I was glad to see that many ministers share the Commission's view that energy taxation has a key role to play in achieving the Union's climate and environmental objectives.

There are a number of possible solutions to address the main challenges we are facing. Some countries raised the option of aviation taxation, or tackling the imbalances between the tax rates of energy products such as diesel and petrol. Or promoting the use of renewable energy and increasing energy efficiency.

We will of course take into consideration all views for the next Commission as part of the European Green Deal.

To reiterate: we must make concrete progress on this issue during the next mandate because we must live up to the promises we have made to Europeans on climate and environmental issues.

Thank you.