European Parliament plenary session/Brussels
21 May 2013
Dear President,
President in office of the Council,
Honourable members,
At moments like these, when growth forecasts for the near future are low, our job is to make Europe work and that to the benefit of European citizens. Of all of our citizens.
On the agenda of this week's European Council meeting are two issues that, technical as they may seem at first, are crucial in that respect. First, energy, where there is so much more benefit to be reaped, both for citizens and for the competitiveness of our businesses, from more European integration and investments. And second, tax fraud and tax evasion, where by sharpening our common European tools against the tax avoiders we can start to restore the sense of fairness that citizens and small businesses have lost as a result of the financial crisis.
At a time when debate about Europe is all too often a futile shouting match between believers and non-believers, this is a discussion that separates those who like to talk from those who are willing to act, and those who prefer to attract attention to themselves from those who are determined to achieve results for citizens.
I trust that most of us are on the side of the citizens and working for concrete results.
Honourable members,
We are all very much aware of and concerned by the immediate growth prospects for Europe.
This very challenging outlook should galvanise the efforts of all of us, both at European level and in Member States, to mobilise every growth lever we have at hand and to give any impetus we possibly can to help citizens and businesses through these very difficult times. A stronger European energy policy is a particularly important tool to achieve this.
We know that Europe is not endowed by abundant natural riches. The global energy equation is changing fast, and if we want to avoid losing in this race for resources, we will have to step up our joint European efforts. While the United States is on its way to become a net exporter of gas instead of an importer, as a result of the shale gas boom, Europe's import dependence is further increasing and, for oil and gas, is set to grow to over 80% by 2035.
Already in 2012, industry gas prices were four times lower in the US than in Europe. For electricity prices, the EU is almost twice as expensive as the US. So this is above all a debate about our energy security and our competitiveness.
The situation for citizens is also increasingly problematic. Energy bills are rising, adding up to a share of between 7 and 17% of average household expenditure throughout different Member States. The weakest income groups are even harder hit. So this is also a debate about social equity.
In short: we are in a difficult strategic environment. But we must not resign to it. We cannot change long-term global trends, but we can clearly influence them by stepping up our European efforts and make our energy policy more secure, competitive and sustainable. Of course, different Member States have different energy mixes. Yet the added value of stronger European integration in this field is evident.
Let me outline a few urgent steps which I will push for at tomorrow's Summit:
First and foremost, it is crucial that we complete our internal energy market by the end of next year, as agreed by Heads of State and Government. Market opening has brought prices down for consumers wherever real opening was achieved. But there is still plenty of room for improvement, including in cross-border trade, integration and fair competition. We urgently need to implement the third energy package to keep the prices for our consumers and businesses in check.
At the same time, we should also be clear that it is not just commodity prices but policy choices of Member States – like taxes, levies, support mechanisms etc. - which have a great impact on price variations, on which we must reflect to avoid fragmentation.
Indeed, in the preparation for this European Council - since the President of the European Council has asked me to make a presentation of these policies -, I've distributed to all Member States, and

it's available to you as well, and I've also sent it to the President of the European Parliament, a comparison of the price structure in our Member States. And it is amazing to see how big are the differences across Europe, precisely because of different national policies that in fact make it almost unavoidable to have a completely fragmented internal market in this area.

Secondly, we have to push for more public and private investment in energy infrastructure, the backbone of the internal market.

The financial crisis has limited the means for such indispensable investments. But the needs are huge: by 2020, we estimate that 1 trillion euro is needed in the energy sector.

These investments will have to come from the private sector mostly, but the European Union can play a key role. Remember we are expecting to devote some 5 billion euro of the next MFF to energy interconnections, through the Connecting Europe Facility, which must become operational rapidly. And Member States can also devote a bigger share of their structural funds to investing in energy and energy efficiency.

Thirdly, we must continue to strengthen the internal and external diversification of our supplies. This includes tapping new international sources, for instance through the Southern Gas Corridor which I have been pushing hard and on which we expect decisive decisions soon. It also means speaking with one European voice on global energy matters. Internally, it requires a more coordinated approach between Member States on the positive rise of renewables.

Last but not least, we need a balanced, Union-wide approach on using the potential of unconventional hydrocarbons, such as shale gas, on which the Commission is preparing an initiative.

To conclude on energy: the right policies are in place. We know the way forward. But implementation is too slow. There is a clear "cost of non-Europe" here. We must do more together to ensure economic competitiveness and energy equity. We are not heading towards an age of cheap energy. But we have the choice whether we invest scarce resources in our own sustainable and smart energy, or pay for imports.

For that, we must complete our internal energy market, become more energy-efficient, invest in infrastructure and innovation, exploit renewables more cost-effectively and further diversify our external supplies. These are the policy priorities that I will argue for tomorrow in the European Council.

Honourable members,

The European Council will also debate our common engagement against tax fraud and tax evasion. Now, as the two reports debated later today make clear, I don't have to convince this House of the urgency of this issue. Commissioner Algirdas Semeta will later this morning present the Commission's views on these two very important reports. I would like to thank already now their respective rapporteurs, Mrs Mojca Kleva for her report on the fight against tax fraud, tax evasion and tax havens and Ms Ildikó Gall-Pelcz for her tax report focusing on how to free the European potential for economic growth.

As Algirdas Semeta will explain in more detail, the Commission is very grateful to the European Parliament for the strong support given in these reports to our joint efforts in this crucially important area.

Let us not forget that the Commission has been putting these issues on the table in very concrete terms for several years now; with our proposal in 2008 to close the gaps in the savings directive; with our proposal in 2011 for a negotiating mandate with neighbouring countries; with our June 2012 communication and the Action Plan we presented last December; with our two recommendations on tax havens and on aggressive tax planning, also from last year.

Now we see a growing interest in these issues amongst Member States which, frankly, was not there before. Therefore let us not miss but seize the favourable momentum to make progress.

Because there are burning questions to which we need to give convincing responses. How can we explain to honest households and businesses who are feeling the squeeze yet still paying their fair share of taxes, that there are other parts of society and enterprise who are deliberately avoiding paying up?

How can we justify that fiscal consolidation is requiring Member States to make difficult choices to reduce expenditure, yet at the same time there are whole piles of cash that should be in the public purse but are never collected?

The total loss of revenue due to illegal fraud and unacceptable evasion is estimated to be around one trillion euros a year. Let's put that into some perspective. One trillion euro is nearly double the 2012 combined annual budget deficit of all the Member States. It is more than the total spent on health across the EU in 2008. It is more than 6 times the size of the annual budget of the EU. In other words, this money is roughly 1 Multiannual Financial Framework. And, yes, it is the same amount that I mentioned earlier: the investments necessary to cover the needs in the European energy sector by 2020.

That is a huge amount of money to simply let through the net.

We have already identified most of the actions that are needed to tighten the net. Your reports make that clear. And yet, we face a delivery gap. So our actions at national, European and international levels have to be accelerated and better coordinated.

First, at national level, the reform of tax governance and tax administrations will feature prominently in the Country Specific Recommendations the Commission will present in a few days from now.

Member States also need to get on and implement the Commission's Action plan on tax evasion and avoidance of last December, and our Recommendations on tax havens and aggressive tax planning.

At EU level, we have already built up an impressive toolbox to support Member States' ability to fight tax fraud and evasion. Now we need to use it as much as possible, and reach agreement without delay on the proposals the Commission has already made to go further.

That means concluding the negotiations on the revision of the Savings Taxation Directive, further closing loopholes by extending it to investment funds, pensions, innovative financial instruments and payments made through trusts and foundations.

Tomorrow at the European Council, I will push for a political commitment on one very simple principle: that on 1 January 2015 the European Union should have automatic exchange of information for all forms of income. The Commission will shortly table a proposal to amend the directive on administrative cooperation. This already applies automatic exchange of information for a range of income (such as employment, pensions, and insurance) from 2015. The new proposal will further extend the scope of automatic exchange of information between all Member States to cover all relevant types of income, such as dividends and capital gains.

With the Savings proposal on the table, the existing provisions on administrative cooperation, and the forthcoming Commission proposal, this is indeed a feasible target – provided the political will is there.

The pending proposals on tackling VAT fraud, on the Common Consolidated Corporate Tax Base, which will deal with the problems of transfer pricing, and the revision of our anti-money laundering framework also have the potential to make a real difference.

I'm happy to note the adoption, last week, of a mandate to start negotiations on our savings agreements with Switzerland, Liechtenstein, Andorra, Monaco and San Marino, and I assure you the Commission will take forward these negotiations as a priority. But that is no substitute for doing our own homework, namely through the adoption of the savings directive where we need all Member States to signal their agreement.

At global level, the upcoming G8 and G20 summits are an excellent opportunity to make progress, and the EU is taking the lead in this based on our experience and expertise.

Let's remember that automatic information exchange has been the underlying principle of our approach since the 2005 Savings Taxation Directive. I want to see this principle of automatic exchange become the standard at international level as well, and we will continue to work together with international partners to keep up the momentum on this.

We can only do this if we speak with one voice, if we have done our concrete homework internally, if we speak and act as a Union. Some Member States have signalled their readiness to go further, faster. I really welcome their political engagement. But if we are to be really effective, internally and

globally, there is no alternative but to go all the way, together and building on our common EU framework.
Honourable members, to conclude,
These two debates are crucial at this moment in time. They matter for our public finances, for the competitiveness of our businesses and for the cost of living of our citizens. Even more, they are essential for the credibility of our efforts to fight the crisis, for the political capital we are willing to invest in it and the legitimacy of the demands the crisis makes on those who struggle to pay their energy bills or pay their taxes.
They need any relief they can get - and by confronting the specific challenges of our energy markets, we can make a real difference.
They need to know that the burden of the crisis is shouldered by everyone in a fair and equitable manner - and that we will act jointly and decisively against those who refuse to carry their fair share of the burden.
They need assurance that we can show the political leadership and take on the political responsibility to do anything and everything possible to support them.
We have debated these issues in the past, and progress has already been made. Now is the time to go further, not with more words and further analysis but by approving and implementing concrete proposals and actions.
I thank you for your attention.