

Brussels, 11.3.2022 COM(2022) 89 final

2022/0068 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

laying down rules for the exercise of the Union's rights in the implementation and enforcement of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community and of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part

EN EN

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

Reasons for and objectives of the proposal

Both the Withdrawal Agreement¹ and the Trade and Cooperation Agreement² between the Union and the United Kingdom allow a Party to adopt and apply certain measures in order to induce compliance by the other Party with a ruling delivered by an arbitration tribunal or panel. Such measures are temporary remedies applied until full compliance is achieved³. The Trade and Cooperation Agreement also provides for compensatory measures, which are authorised by an arbitration tribunal at the request of a Party, if the other Party has been found to have applied remedial measures that are significantly inconsistent with the applicable provisions⁴.

Moreover, the two Agreements allow a Party to take the following measures without having to first resort to the relevant dispute settlement mechanism:

(a) Remedial measures:

- (a) under the Withdrawal Agreement (in relation to a failure to add relevant instruments of Union law to the Protocol on Ireland/Northern Ireland)⁵;
- (b) under the Trade and Cooperation Agreement (in relation to subsidies, road transport and fisheries)⁶;

(b) Rebalancing measures:

- (a) under the Withdrawal Agreement (in relation to safeguard measures adopted by the United Kingdom which create an imbalance between the rights and obligations under the Protocol on Ireland/Northern Ireland)⁷;
- (b) under the Trade and Cooperation Agreement (in relation to safeguard measures adopted by the United Kingdom which create an imbalance between the rights and obligations under the Trade and Cooperation Agreement or under any supplementing agreement)⁸;

_

Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, OJ L 29, 31.1.2020, p. 7. The Agreement was concluded pursuant to Council Decision Council (EU) 2020/135, OJ L 29, 31.1.2020, p. 1, and entered into force on 1 February 2020.

Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part, OJ L 149, 30.4.2021, p.10. Agreement concluded pursuant to Council Decision (EU) 2021/689 of 29 April 2021 on the conclusion, on behalf of the Union, of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part, and of the Agreement between the European Union and the United Kingdom of Great Britain and Northern Ireland concerning security procedures for exchanging and protecting classified information (OJ L 149, 30.4.2021, p. 2). The Agreement applied provisionally as of 1 January 2021 and entered into force on 1 May 2021.

Articles 178 of the Withdrawal Agreement and 749 of the Trade and Cooperation Agreement.

⁴ Article 374(12) of the Trade and cooperation Agreement.

Articles 13 of the Protocol on Ireland/Northern Ireland to the Withdrawal Agreement.

⁶ Articles 374, 469 and 506 of the Trade and Cooperation Agreement.

⁷ Article 16 of the Protocol on Ireland/Northern Ireland to the Withdrawal Agreement

⁸ Article 773 of the Trade and Cooperation Agreement.

- (c) under the Trade and Cooperation Agreement (in relation to divergences in the areas of labour and social, environmental or climate protection or subsidy control)⁹;
- (c) Countermeasures under the Trade and Cooperation Agreement (in response to rebalancing measures pursuant to Article 411 of the Trade and Cooperation Agreement)¹⁰;
- (d) Safeguard measures:
 - (a) under the Withdrawal Agreement (if the application of the IE/NI Protocol leads to serious economic, societal or environmental difficulties that are liable to persist, or to diversion of trade)¹¹;
 - (b) under the Trade and Cooperation Agreement (in case of serious economic, societal or environmental difficulties of a sectorial or regional nature that are liable to persist)¹²;
- (e) Suspension of obligations under the Trade and Cooperation Agreement or any supplementing agreement in case of breach of certain provisions of this Agreement or any supplementing agreement or non-fulfilment of certain conditions, in particular with regard to trade in goods, air transport, road transport, fisheries or Union programmes¹³; and

The Union is also authorised, under the Trade and Cooperation Agreement, to suspend or terminate the application of Protocol I, in relation to one or more Union programmes, activities or parts thereof, in case the United Kingdom fails to pay its financial contribution or introduces significant changes to certain initial conditions.

The Union and the United Kingdom may conclude other bilateral agreements between them that constitute supplementing agreements to the Trade and Cooperation Agreement and such supplementing agreements shall be an integral part of the overall bilateral relations as governed by this Agreement and shall form part of the overall framework¹⁴. The above mentioned measures should therefore also cover such supplementing agreements.

The Union should also be able to take appropriate measures if effective recourse to binding dispute settlement under the Agreements is not possible because the United Kingdom does not cooperate in making such recourse possible.

The Council, in its decision on the conclusion of the Trade and Cooperation Agreement (the 'Council decision')¹⁵, empowered the Commission to adopt a majority of the above

_

Article 411 of the Trade and Cooperation Agreement. These measures can be adopted and applied unless the other Party requests the establishment of an arbitration tribunal to examine whether they are consistent with the conditions laid down in that Article.

Article 411 of the Trade and Cooperation Agreement.

Article 16 of the Protocol on Ireland/Northern Ireland to the Withdrawal Agreement.

Article 773 of the Trade and Cooperation Agreement.

Articles 34, 434(4), 435(12), 457, 501 and 506.

Article 2 of the Trade and Cooperation Agreement. The Agreement between the European Union and the United Kingdom of Great Britain and Northern Ireland concerning security procedures for exchanging and protecting classified information (OJ L 149, 30.4.2021, p. 2540) constitutes one such supplementing agreement.

¹⁵ Council Decision (EU) 2021/689

mentioned measures on behalf of the Union "until a specific legislative act regulating the adoption of the measures" enters into force¹⁶.

The Commission and the Council also agreed on a joint statement, issued at the time of the conclusion of the Trade and Cooperation Agreement, which provides that, "without prejudice to its right of initiative under the Treaties, the Commission will aim to propose the specific legislative act referred to above no later than 31 March 2022" ¹⁷.

This legislative proposal fulfils this political commitment. The proposed Regulation empowers the Commission to adopt the measures referred to above, as well as to amend, suspend or repeal them as appropriate, by means of implementing acts. Where the measure consists of the suspension of an obligation under any of the agreements the empowerment extends to the adoption of appropriate restrictions on trade, investment or other activities within the scope of the agreement concerned. The proposed Regulation thus ensures that the Union can act in a timely and effective manner to protect its interests in implementing and enforcing both the Withdrawal Agreement and the Trade and Cooperation Agreement.

• Consistency with existing policy provisions in the policy area

There are no precedents of any policy provisions governing the withdrawal of, and the Union's partnership with, a former Member State. The unprecedented nature of the system formed by the Withdrawal Agreement and the Trade and Cooperation Agreement is particularly noteworthy in the case of the Protocol on Ireland/Northern Ireland to the Withdrawal Agreement, which allows the United Kingdom to participate in the single market for goods in respect of Northern Ireland.

The proposed regulation is intended to apply instead of the empowerment given to the Commission in the above mentioned Council decision on the conclusion of the Trade and Cooperation Agreement. Following the adoption of the proposed Regulation, the Commission will therefore submit a proposal for the repeal of the relevant parts of that Decision.

• Consistency with other Union policies

Given the broad scope of application of the two Agreements, measures might have to be adopted in relation to the following Union policies: the common fisheries policy, the common transport policy, the internal market policy, the research and development policy, the space policy and the common commercial policy.

The proposed Regulation is *lex specialis* with regard to sectoral provisions of Union law to the extent that these provisions govern the same subject matter. Possible overlaps might exist e.g. in the field of the common commercial policy¹⁸ or the transport policy¹⁹.

-

Article 3 of the Council Decision.

Statement by the Commission and the Council on the monitoring and implementation of the Trade and Cooperation Agreement, paragraph 3.

Regulation (EU) No 654/2014 of the European Parliament and of the Council concerning the exercise of the Union's rights for the application and enforcement of international trade rules and amending Council Regulation (EC) No 3286/94 laying down Community procedures in the field of the common commercial policy in order to ensure the exercise of the Community's rights under international trade rules, in particular those established under the auspices of the World Trade Organization (OJ L 189, 27.6.2014, p. 50)

Regulation (EU) 2019/712 of the European Parliament and of the Council of 17 April 2019 on safeguarding competition in air transport, and repealing Regulation (EC) No 868/2004 (OJ L 123, 10.5.2019, p. 4)

Given the specific features of the Union's policies in the Area of Freedom, Security and Justice, the proposed Regulation does not cover measures within the scope of those policies.

A separate legislative proposal governs the adoption of measures in the area of Euratom's research and training programmes.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

Legal basis

The legal bases are those in the Treaty on the Functioning of the European Union (TFEU) which govern the areas in which unilateral and enforcement measures may have to be adopted, namely:

- Article 43 TFEU (fisheries);
- Articles 91 and 100 TFEU (transport);
- Articles 173, 182, 188 and 189 TFEU (Union programmes);
- Article 207 TFEU (common commercial policy).

• Subsidiarity (for non-exclusive competence)

The proposed Regulation implements the Trade and Cooperation Agreement and the Withdrawal Agreement, both of which are EU-only agreements. Since the objective of laying down rules and procedures governing the exercise of Union's rights under the Withdrawal Agreement and the Trade and Cooperation Agreement, cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. However, measures adopted under the proposed initiative will affect Member States and this situation justifies the recourse to comitology procedures.

• Proportionality

Similarly, to the extent that the Union's rights to be exercised are set out in the Agreements concerned, the proposed measures do not exceed what is strictly necessary to achieve the objective to ensure a swift and effective exercise of those rights. Moreover, the conditions applying under the Withdrawal Agreement and the Trade and Cooperation Agreement to the adoption of unilateral and enforcement measures ensure that these measures are limited to what is strictly necessary to achieve the specific purposes laid down therein.

• Choice of the instrument

The form of a regulation fits best the objective pursued, namely to lay down general principles and uniform conditions for the exercise of the rights available to the Union in implementing and enforcing the Withdrawal Agreement and the Trade and Cooperation Agreement or any supplementary agreement.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

• Ex-post evaluations/fitness checks of existing legislation

n/a

Stakeholder consultations

The initiative is of a procedural and institutional nature.

Collection and use of expertise

n/a

Impact assessment

No impact assessment has been carried out for the following reasons:

- 1. No policy options are available to the Commission because: (a) the envisaged proposal organises how measures already agreed in two international agreements are taken within the Union with no margin for variation, and (b) the Commission has committed before the European Parliament and the Council to submit a proposal for this legislative act by a given date.
- 2. No directly identifiable impacts are expected given the procedural nature of the act.

Regulatory fitness and simplification

n/a

• Fundamental rights

Measures adopted under the proposed Regulation would be a lawful action by the Union under the Charter of Fundamental Rights. This is because this action would be taken in conformity with the requirements that the action be taken on the basis of a proper legal basis, by the competent authorities, in pursuit of a legitimate objective, namely that of exercising the Union's rights under the above Agreements, and in line with the principle of proportionality.

4. BUDGETARY IMPLICATIONS

n/a

5. OTHER ELEMENTS

• Implementation plans and monitoring, evaluation and reporting arrangements

A review of the implementation of the proposed Regulation is foreseen within five years of its entry into force. This period is in line with the joint review of both Parties to the TCA as provided for in Article 776 of the TCA.

• Explanatory documents (for directives)

n/a

• Detailed explanation of the specific provisions of the proposal

Article 1 lays down the subject matter of the proposed Regulation, namely to establish rules and procedures to ensure an effective and timely exercise of the Union's rights in enforcing and implementing the Withdrawal Agreement and the Trade and Cooperation Agreement.

These rights may be exercised by means of the measures listed in the second paragraph of that Article, in accordance with the rules laid down in Article 2 and the committee procedure laid down in Article 3. In particular, these measures must be limited to what is necessary to fulfil their purpose as provided for in the relevant provisions of the Withdrawal Agreement and the Trade and Cooperation Agreement.

Article 4 confirms the *lex specialis* character of the proposed Regulation. Article 5 provides for a review of this Regulation by the Commission within five years of its entry into force, in order to ascertain that it remains fit for purpose.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

laying down rules for the exercise of the Union's rights in the implementation and enforcement of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community and of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION.

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 43, 91, 100, 173, 182, 188, 189 and 207 thereof,

Having regard to the proposal from the European Commission,

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

Having regard to the opinion of the European Economic and Social Committee²⁰,

Having regard to the opinion of the Committee of the Regions²¹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) On 30 January 2020, the Council concluded the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community²² (the 'Withdrawal Agreement'). That Agreement entered into force on 1 February 2020.
- (2) On 29 April 2021, the Council concluded, on behalf of the Union, the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part²³ (the 'Trade and Cooperation Agreement'). The Trade and Cooperation Agreement was applied provisionally as of 1 January 2021 and entered into force on 1 May 2021.
- (3) Both the Withdrawal Agreement and the Trade and Cooperation Agreement provide that a Party may adopt certain measures in the specific cases and subject to the conditions and procedures laid down therein. These measures may entail the suspension of certain obligations under the Agreement concerned.
- (4) The Union and the United Kingdom may conclude other bilateral agreements between them that constitute supplementing agreements to the Trade and Cooperation Agreement and such supplementing agreements are an integral part of the overall

-

OJ C, , p. .

OJ C, , p. .

OJ L 29, 31.1.2020, p. 7.
OJ L 149, 30.4.2021, p. 10.

- bilateral relations as governed by this Agreement and form part of the overall framework.
- (5) Should the need arise to exercise its rights in implementing and enforcing the Withdrawal Agreement and the Trade and Cooperation Agreement, the Union should be in a position to make appropriate use of the instruments available to it swiftly and in a proportionate, effective and flexible manner, while fully involving Member States. The Union should also be able to take appropriate measures if effective recourse to binding dispute settlement under those Agreements is not possible because the United Kingdom does not cooperate in making such recourse possible. It is therefore necessary to lay down rules and procedures governing the adoption of those measures.
- (6) The rules and procedures laid down in this Regulation should take precedence over any provisions of Union law adopted on the basis of the Treaty on the Functioning of the European Union that govern the same subject matter.
- (7) In order to ensure that this Regulation remains fit for purpose, the Commission should undertake, within five years of its entry into force, a review of its scope and implementation and report its findings to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.
- (8) In order to ensure uniform conditions for the implementation of this Regulation, and in particular in order to ensure the swift, effective and flexible exercise of the corresponding Union's rights under the Withdrawal Agreement and the Trade and Cooperation Agreement, implementing powers should be conferred on the Commission to adopt the measures referred to above and to and to adopt, as appropriate, measures restricting trade or other activities. Those powers should also extend to the amendment, suspension or repeal of the adopted measures. They should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council²⁴. Given that the envisaged measures entail the adoption of acts of general scope, and that most of the envisaged measures relate to the areas referred to in Article 2(2), point (b), of that Regulation, the examination procedure should be used for the adoption of those measures. The Commission should adopt immediately applicable implementing acts where, in duly justified cases, imperative grounds of urgency so require for the appropriate protection of the Union's interests.
- (9) Since the objective of this Regulation, namely to lay down rules and procedures governing the exercise of Union's rights under the Withdrawal Agreement and the Trade and Cooperation Agreement, and to empower the Commission to adopt the necessary measures including, as appropriate, restrictions in trade, investment or other activities within the scope of the latter Agreement cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. Moreover, since only the Union is Party to the TCA and the WA, action at the level of international law in respect of these agreements can only be taken by the Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective,

-

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

HAVE ADOPTED THIS REGULATION:

Article 1 Subject matter and scope

- 1. This Regulation lays down rules and procedures to ensure an effective and timely exercise of the Union's rights in enforcing and implementing the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community ('the Withdrawal Agreement'), the Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part ('the Trade and Cooperation Agreement') and supplementing agreements to the Trade and Cooperation Agreement.
- 2. This Regulation applies to the following measures adopted by the Union (hereinafter: "measures"):
- (a) the suspension of the relevant preferential treatment of the product or products concerned as set out in Article 34 of the Trade and Cooperation Agreement;
- (b) remedial measures and the suspension of obligations as set out in Article 374 of the Trade and Cooperation Agreement;
- (c) rebalancing measures and countermeasures as set out in Article 411 of the Trade and Cooperation Agreement;
- (d) the refusal, revocation, suspension, limitation of and the imposition of conditions on the operating authorisations of air carriers of the United Kingdom, as well as the refusal, revocation, suspension, limitation of and the imposition of conditions on the operation of those air carriers, as set out in Articles 434(4) and 435(12) of the Trade and Cooperation Agreement;
- (e) the suspension of acceptance obligations as set out in Article 457 of the Trade and Cooperation Agreement;
- (f) remedial measures as set out in Article 469 of the Trade and Cooperation Agreement;
- (g) compensatory measures and the suspension of obligations as set out in Article 501 of the Trade and Cooperation Agreement;
- (h) remedial measures and the suspension of obligations as set out in Article 506 of the Trade and Cooperation Agreement;
- (i) the suspension or termination of the application of Protocol I, in relation to one or more Union programmes or activities adopted on the basis of the Treaty on the Functioning of the European Union, or parts thereof, as set out in Articles 718 and 719 of the Trade and Cooperation Agreement;
- (j) an offer or acceptance of temporary compensation or the suspension of obligations in the context of compliance following an arbitration or panel of experts procedure under Article 749 of the Trade and Cooperation Agreement;
- (k) safeguard measures and rebalancing measures as set out in Article 773 of the Trade and Cooperation Agreement;
- (l) measures restricting trade, investment or other activities within the scope of the Trade and Cooperation Agreement, if adjudication is not possible because the United

Kingdom is not taking the steps that are necessary for a dispute settlement procedure under that Agreement or the Withdrawal Agreement to function, including unduly delaying the proceedings amounting to non-cooperation in the process;

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

Article 2 Exercise of the Union's rights

- 1. The Commission shall be empowered, by means of implementing acts,
 - (a) to adopt the measures referred to in Article 1(2) of this Regulation; and
 - (b) where the measure consists of the suspension of an obligation under any of the agreements referred to in Article 1(1), to impose restrictions on trade, investment or other activities within the scope of the agreement concerned which would otherwise be precluded by the suspended obligation.

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

- 2. The measures to be adopted pursuant to paragraph 1 shall be determined on the basis of the following criteria, in light of available information and of the Union's general interest:
 - (a) effectiveness of the measures in inducing compliance of the United Kingdom with the agreements referred to in Article 1(1);
 - (b) potential of the measures to provide relief to economic operators within the Union affected by the measures of the United Kingdom;
 - (c) availability of alternative sources of supply for the goods or services concerned, in order to avoid or minimise any negative impact on downstream industries, contracting authorities or entities, or final consumers within the Union:
 - (d) avoidance of disproportionate administrative complexity and costs in the application of the measures;
 - (e) any specific criteria that may be established in the agreements referred to in Article 1(1) in connection with the measures referred to in Article 1(2).
- 3. The Commission shall be empowered to amend, suspend or repeal the measures referred to in Article 1(2) by means of implementing acts. Where appropriate, those implementing acts shall specify the duration of the suspension.
- 4. Where there is a particular concern of one or more Member States, that or those Member States may request the Commission to adopt measures referred to in Article 1(2). If the Commission does not respond positively to such a request, it shall inform the Council in a timely manner of its reasons.

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

Article 3 Committee procedure

- 1. The Commission shall be assisted by the UK Committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
- 2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.
- 3. Where reference is made to this paragraph, Article 8 of Regulation (EU) No 182/2011, in conjunction with Article 5 thereof, shall apply.

Article 4 Relation to other provisions of Union law

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

Article 5 Review

By [Publications Office: Please insert the date five years after the entry into force of this Regulation], the Commission shall present a report to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the application of this Regulation.

Article 6 Entry into force

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

This Regulation shall be binding in its entirety and directly applicable in all Member States. Done at Brussels,

For the European Parliament The President For the Council The President