

Commission opinion on the draft Decision amending Article 136 of the TFEU with regard to the ESM (15 February 2011)

Caption: On 15 February 2011, following a request from the President of the European Council, the European Commission delivers a favourable opinion on the draft European Council Decision amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro.

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EUROPEAN COMMISSION

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COMMISSION OPINION

**on the draft European Council Decision amending Article 136 of the Treaty on the
Functioning of the European Union with regard to a stability mechanism for
Member States whose currency is the euro**

COMMISSION OPINION**on the draft European Council Decision amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on European Union, and in particular the second subparagraph of Article 48(6) thereof,

Whereas:

- (1) On 16 December 2010, the Belgian Government, acting in accordance with the first subparagraph of Article 48(6) of the Treaty on European Union (TEU), submitted to the European Council a proposal for revising Article 136 of the Treaty on the Functioning of the European Union (TFEU) by adding a paragraph which would enable the Member States whose currency is the euro to establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole and which would provide that the granting of any financial assistance required under the mechanism is to be made subject to strict conditionality.
- (2) When it met on 16 and 17 December 2010, the European Council agreed that the TFEU should be amended to enable the Member States of the euro area to establish a European stability mechanism.
- (3) To this end, the European Council approved the text of a draft Decision amending the TFEU and decided to launch the simplified revision procedure provided for in Article 48(6) of the TEU immediately.
- (4) The President of the European Council wrote to the Commission on 20 December 2010 requesting its opinion.
- (5) The draft decision adopted by the European Council adds to Article 136 of the TFEU a paragraph 3 which provides that Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole and that the granting of any financial assistance required under the mechanism is to be made subject to strict conditionality.
- (6) The new paragraph, which will be one of the Treaty provisions specific to Member States whose currency is the euro, confirms that the legal framework of the Union does not prevent those Member States from establishing a permanent stability mechanism enabling them to obtain any necessary financial assistance.
- (7) Some general features of the future mechanism were also the subject of a statement by the Eurogroup at its meeting of 28 November 2010 and were approved by the European Council.

- (8) In this opinion, the Commission will, in the first place, consider the draft decision approved by the European Council in the light of the conditions on the use of the simplified revision procedure and will thereafter give its position on the substance of the amendment to the Treaty.
- (9) Firstly, the Commission takes the view that the requisite conditions for having recourse to the simplified revision procedure provided for in Article 48(6) of the TEU are met.
- (10) To begin with, the proposed amendment concerns a provision of Part Three of the TFEU relating to Union policies and internal actions. The Commission also notes that it does not affect, either directly or indirectly, the other parts of the TFEU.
- (11) Furthermore the amendment does not affect the competences conferred on the Union and its institutions in the Treaties. It does not involve creating a new legal base which would allow the Union to take action that was not possible before this Treaty amendment. Under the draft decision, the permanent stability mechanism will be established directly by Member States whose currency is the euro.
- (12) Nor does the draft decision reduce the competences conferred on the Union. In particular, it does not affect either the specific solidarity mechanisms provided for in Articles 122 and 143 of the TFEU in the event that a Member State is in difficulties or is seriously threatened with difficulties or the Union's competences in terms of coordination and surveillance of the economic and financial policies of the Member States in general and of Member States whose currency is the euro in particular.
- (13) As regards this last aspect, on 29 September 2010 the Commission proposed an ambitious legislative package aimed at robust reinforcement of economic governance in the euro area. It particularly welcomes the political support which the package has received from the European Council. The global economic and financial crisis has highlighted and increased the need to reinforce the established framework for the Economic and Monetary Union (EMU) in order to bolster macroeconomic stability and the viability of public finances. This reinforcement requires closer coordination of the economic and budgetary policies of the Member States of the euro area, the key objective underlying the Commission's legislative package currently under discussion in the European Parliament and the Council. This objective was also acknowledged and further developed in the final report which the Task Force chaired by the President of the European Council presented to the European Council in October 2010.
- (14) The Union's economic governance in the euro area will thus constitute the basis which the future stability mechanism will necessarily build upon. The strict conditions to which granting any assistance under the mechanism is to be made subject must be based on the guidelines adopted at Union level to support the proper functioning of the EMU. The Commission will take every initiative, whether legislative or of any other kind, to ensure consistency between the future mechanism and the Union's economic governance in the euro area in particular, while respecting the competences conferred on the Union and its institutions by the Treaty.
- (15) As a complement to stronger economic governance, reinforcement of the EMU framework also requires a robust institutional and financial mechanism to cope

with difficulties or a serious threat of difficulties in one or more Member States of the euro area. The events of 2010 have shown the risks of contagion that can arise if one Member State of the euro area falls prey to serious financial difficulties. Although it proved possible to find swift interim solutions by setting up the European Financial Stabilisation Mechanism and the European Financial Stability Fund, the Commission fully supports the principle of a permanent mechanism.

HAS DELIVERED A FAVOURABLE OPINION

on the draft European Council Decision amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro.

This opinion is addressed to the European Council.