

EUROPEAN ECONOMIC AREA
JOINT PARLIAMENTARY COMMITTEE

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DRAFT REPORT
on
the Annual Report on
the Functioning of the EEA Agreement in 2005

Co-rapporteurs: *Mr Franz HEEB (Progressive Citizens Party, Liechtenstein)*
Ms Ewa HEDKVIST PETERSEN (PES, Sweden)

*The deadline for tabling amendments to the draft
resolution has been set for*

16 May 2006 at 12.00

***Amendments shall be tabled in English only and sent
to the JPC secretariat:***

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JOINT COMMITTEE

I INTRODUCTION

1. The EEA Joint Parliamentary Committee (EEA JPC) shall according to the EEA Agreement (Article 95, paragraph 4) examine the annual report of the EEA Joint Committee on the functioning and development of the EEA Agreement. The present report examines the Annual Report of the EEA Joint Committee for 2005. As has been done in previous years, the report assesses the functioning of the Agreement and general developments within the EEA, focusing on a number of important areas where progress has in the past been lacking.

II THE EEA ANNUAL REPORT - SUMMARY

General remarks

2. The Joint Committee Annual Report for 2005 is similar in structure and content to the Annual Reports between 1996 and 2004; its form, structure and content has indeed become institutionalised. It provides, as did the previous ones, a good factual overview, listing areas where progress has been made and decisions taken. The Report states that, overall, the EEA agreement functions well. This has become the catchword of this Annual Report as with previous reports. The Report concludes that the enlargement of the EU and the EEA has gone relatively smoothly and did not cause substantial problems. It furthermore concludes that businesses and citizens are able to enjoy the benefits of an enlarged Internal Market and that the EEA Agreement forms a viable framework for continued EEA EFTA participation in the Internal Market. Regarding EU developments which have or might affect the functioning of the Agreement, the Report highlights the enlargement of the EU and the EEA, the Financial Mechanism 2004-2009, as well as the Lisbon Strategy and Better regulation.

Adopted decisions and backlog

3. The rate of *decision-making* remains at a high level. The Report notes that the Joint Committee in 2005 adopted 156 decisions (compared to 181 in 2004, 179 in 2003, 168 in 2002, 165 in 2001, 114 in 2000, 192 in 1999, 122 in 1998 and 107 in 1997). The 156 decisions incorporated 314 acts, of which 105 were veterinary acts. In 2004, 309 acts were incorporated, of which 36 were veterinary acts. An average of 16 decisions were adopted per working month (compared to 18 in 2004, 18 in 2003, 17 in 2002, 16 in 2001, 11 in 2000, 17 in 1999, 11 in 1998 and 9 in 1997). In other words, the number of decisions incorporated monthly into the Agreement is sustained at a high level. Moreover, the Report shows that 107 EU acts outside the veterinary field were under consideration of the EEA EFTA States by the end of 2005 compared to 116 at the same time in 2004.

4. The report notes that the number of EU acts under consideration on the EFTA side (the so-called backlog) is sustained at a relatively low level, and that it is slightly lower than the previous year.

5. In general, it seems that most EEA relevant acts are processed in an efficient manner and that the procedures for the integration of acts in EFTA capitals, the substructures and the Joint Committee function to the satisfaction of the contracting

parties. The backlog is still relatively low although it had slightly increased from the previous year. The Report specifically lists eleven significant decisions adopted in 2005 which concern: the EEA EFTA participation in the European Centre for Disease Prevention and Control; the Community action programme in the field of civil protection; EEA EFTA participation in the European Railway Agency (ERA); EEA EFTA participation in the European Network and Information Security Agency (ENISA); the revision of Protocol 4 of the EEA Agreement on rules of origin on the basis of the Pan-Euro Mediterranean partnership, extending the European cumulation system to several Mediterranean partner; certain special provisions in the field of competition for liner shipping companies and technology transfer agreements; The second Internal Energy Market package covering electricity and gas, and cross-border trade in electricity; EEA EFTA participation in the eContentplus Programme; EEA participation in the Sixth Environmental Action Programme; key priority act in the European Commission's Financial Services Action Plan; and, regulations on international accounting standards and directive on takeover bids in the field of company law.

6. The Report states that a number of policy initiatives and proposals related to maritime safety and security were considered. The Report also highlights that the Joint Committee was briefed by the Commission on the European Neighbourhood Policy, the Lisbon Process and negotiations on international air transport agreement/Open skies. Three important issues are nevertheless outstanding. The EEA EFTA side expressed concern in the Joint Committee over the EU ban on the use of fishmeal in ruminant feed, which was introduced as a measure to fight BSE and also expressed concern over the Commission's decision to open safeguard investigations on farmed salmon. Secondly, although good progress is reported to have been made on EEA participation in the European Food Safety Authority (EFSA), it is still not concluded. And thirdly, the Report notes that the Directive on the Greenhouse Gas Emission Trading Scheme had not been incorporated into the EEA Agreement. The EEA EFTA States have informally met with the Commission jointly and bilaterally to discuss the EEA relevance of the act and possible modalities for its incorporation.

Transposition

7. Regarding transposition i.e. timely incorporation of new EEA legislation into national law, the Report notes that the EEA EFTA States match the average for the 25 EU States, although their transposition deficit has increased to 1.6% from 1.4% last July. The Report states that Norway succeeded in reducing the number of overdue directives, bringing the deficit to 0.8% and ranking number 4 out of the 28 EEA States. Iceland's deficit has however increased slightly from 1.4% to 1.9% and Liechtenstein's from 1.7% to 2.1% during 2005.

Agencies and programmes

8. The Report notes that Joint Committee Decisions on EEA EFTA participation in the European Centre for Disease Prevention and Control, the European Railway Agency (ERA) and the European Network and Information Security Agency (ENISA) were taken in 2005. No decision on participation in the European Food Safety Authority was taken during 2005. The Report notes that, given the broad range of issues, involving food, feed and veterinary aspects, as well as the technical nature, the process has taken longer than originally expected. The Report notes the participation the Sixth Environmental Action

Programme which entered into force in 2003 and is the largest programme with EEA EFTA participation. It also notes that in 2005 the Joint Committee adopted decisions on EEA EFTA participation in the eContentplus Programme, Europass and participation in the Community action programme in the field of civil protection. Any further information regarding EEA EFTA participation in EU programmes is however scarce. The Report states that the EEA EFTA States continue to participate in a wide range of EU programmes and as a consequence, the financial contribution by the EEA EFTA States to the EU budget 2005 was 100.2 million euros in actual payments and commitments amounting to 136 million euros. The Report seems to suggest that participation in general runs smoothly but on the other hand the rapporteurs recall that in the past, incorporation of new programmes or the continuation of existing programmes has sometimes been delayed for procedural reasons.

Decision shaping - comments

9. Regarding *decision shaping*, the Report lists the issues on which EFTA comments were transmitted to the EU side in 2005, 9 in all (compared to 13 in 2004, 12 in 2003, 22 in 2002, 18 in 2001, 15 in 2000, 16 in 1999, 20 in 1998 and 22 in 1997). After a steady decrease from 1997, the number of transmitted comments had picked up during 2001-02. In 2005, the number of comments transmitted reached an all time low. The comments in 2005 covered a wide range of subjects; media and audio-visual, education, culture, transport, energy, and consumer protection, to name some major areas. The Report notes how EFTA comments are elaborated and disseminated but neither analysis nor evaluation of the effect of EFTA participation in decision shaping is provided in the Report. Furthermore, the Report does not explain why the number of comments transmitted during 2005 was significantly lower than in 2004 and the rapporteurs ask for a further elaboration of this in next years Report.

EEA enlargement

10. The Report notes the enlargement of the EEA which took place on 1 May 2004. In order to ensure the parallel entering into force of the EU and EEA Enlargement Treaties on 1 May, the parties agreed that the EEA Enlargement Agreement should be applied provisionally until all Contracting Parties had ratified it. The Report states that the objective of simultaneous enlargement of the EU and the EEA was thus fulfilled. The EEA Enlargement Agreement which had been applied provisionally from 1 May 2004 entered into force on the 6 December when all Contracting Parties had ratified the Agreement.

The Financial Mechanisms

11. The Report discusses the establishment of the Financial Mechanisms 2004-2009 in May 2004 and notes that through the EEA Financial Mechanism and the Norwegian Financial Mechanism, the EEA EFTA States make substantial contributions towards the reduction of social and economic disparities in the enlarged Internal Market. The Report also notes that the two Financial Mechanisms will make close to 1.2 billion euros available to 13 beneficiary states over a five-year period until 2009. The beneficiary states are the 10 countries that joined the EU in May 2004, and Greece, Portugal and Spain. By mid 2005, MoUs had been concluded with all the beneficiary states and the Financial Mechanisms are now firmly in the implementation phase. The Report states that the first

open calls for proposals were announced in the Czech Republic, Slovenia, Malta, Poland, Slovakia and Hungary. These calls made around 275 million euros available to potential applicants. Poland, which is the biggest recipient by far under the Financial Mechanisms, announced a 176 million euro open call for proposals in August 2005. The Report notes that the Financial Mechanism Office has already started to receive applications from beneficiary states after their national assessment and prioritisation process. The European Commission (DG Regional Policy) has been forwarded the first applications for screening. The first two commitments were made in February for technical assistance to Slovakia and Poland and many more will follow this spring. The rapporteurs welcome the EEA EFTA States' substantial contributions to the reduction of social and economic disparities but at the same time reiterate its previous calls on further analysis and evaluation of the effects of the contribution to the 10 new EU Member States.

Lisbon Strategy

12. The Report includes a section on the EEA EFTA States and the Lisbon Strategy, as seen in the 2003 and 2004 reports. The Report states that the Lisbon Strategy is of great importance for the EEA EFTA States due to the high level of economic interdependence between the EEA EFTA States and the EU Member States. In the spring of 2005, the EU undertook an extensive mid-term review of its five-year-old strategy. The Report notes that the Norwegian Prime Minister (then chair of the Standing Committee) signed a letter on behalf of the EEA EFTA States to EU President Jean-Claude Juncker providing input to this mid-term review, which the rapporteurs welcome.

EEA JPC resolutions

13. The report notes that the President-in-office of the Joint Committee responded to the EEA JPC at its 24th and 25th meeting on the functioning of the EEA Agreement in 2004 and on other resolutions adopted by the JPC.

III THE FUNCTIONING OF THE AGREEMENT – EVALUATION AND CONSIDERATIONS

General assessment

14. The Annual Report of the EEA Joint Committee gives, as usual, a good factual overview of developments during 2005. The rapporteurs agree to the Report's assessment that, in general, the EEA Agreement functions well in the sense that it lives up to its original function of securing the extension of the internal market to the whole of the EEA. The rapporteurs are pleased to see particular sections dedicated to horizontal policy issues such as the Lisbon Strategy and a new section on the highly important topic of Better regulation. The rapporteurs welcome the monitoring of the EEA EFTA States on highly important topics such as the European Neighbourhood Policy, the Lisbon Process and negotiations on international air transport agreement/Open skies but at the same time regret that fuller elaboration on the EEA EFTA States' position on these topics is lacking from the Report. The current Report is, as in previous years, technical and scarce on background information, thus limiting the number of readers who would readily understand or embrace it. When implementation of certain directives is delayed, or participation in agencies or programmes is problematic, the Report does not provide

enough background information for the uninformed reader. It does not go into substance or to the core of the (potential) problem. This might not be the purpose of this Report, but a more analytical report could open the functioning of the EEA Agreement to a wider audience, which from a democratic point of view would have been an asset. The rapporteurs would like to recall that these views were also expressed in the EEA JPC's previous reports of 2002, 2003 and 2004 and call on the Joint Committee to address these concerns.

Homogeneity

15. Major problems in maintaining the homogeneity of the Area have been avoided in 2005. The backlog has been sustained at a low level, as the number of acts under consideration by EFTA has decreased slightly from 116 in 2004 to 107 in 2005. The rapporteurs welcome the fact that the backlog has been kept at a relatively low level, however recall previous resolutions adopted by the EEA JPC in which the committee has stressed the importance of reducing the backlog to a minimum. The rapporteurs question whether the number 107 in fact can be described as a "relatively low level." Furthermore, the rapporteurs would like to reiterate its calls for a clarification with regards to what exactly constitutes an acceptable timeframe for the consideration of acts, to be included in next year's report.

16. The number of acts integrated into the Agreement was high thus ensuring the overall aim of homogeneity in the EEA. Timely implementation of EEA relevant acts into the Agreement is essential in keeping the homogeneity of the Area. A great concern in previous reports has been the backlog i.e. the slow integration of new legal acts into the Agreement. The rapporteurs are pleased to see that delays due to administrative and technical procedures are kept at a low level as a slight decrease in the backlog can be discerned from the previous year. The transposition of EEA legislation in the EEA EFTA States in 2005 has thus been impressive.

Homogeneity and Unresolved issues

17. There still are some unresolved issues regarding the integration of EEA legislation. The Report notes that the contracting parties have agreed not to pursue for the time being the incorporation of Regulation 733/2002 on .eu Top Level Domain and Regulation 2062/94 on the European Agency for Safety and Health at Work into the EEA Agreement. The rapporteurs regret the lack of information as to why the finalisation of the Regulations have not been pursued and emphasise that the Report should have been more informative as to the underlying reasons behind these decisions.

18. The Report notes that the EEA EFTA side expressed concern in the Joint Committee over the EU ban on the use of fishmeal in ruminant feed, which was introduced as a measure to fight BSE and states that the issue was also actively pursued on a bilateral basis. The rapporteurs take note of that this is still an outstanding issue and that substantial economic interests involved. The rapporteurs therefore express their wish that the issue can be resolved in a timely manner.

19. The Report also notes that the EEA EFTA States expressed concern in the Joint Committee over the European Commission's decision to open safeguard investigations on farmed salmon as was the case in 2004. These measures, which have great economic

consequence for the EEA EFTA states, could be detrimental to the Icelandic and Norwegian fish farming industries. As a consequence, the rapporteurs call on the Joint Committee to provide more background for the Commission's decision in next year's Report.

20. The Report notes that the European Union Greenhouse Gas Emission Trading Scheme (based on Directive 2003/87/EC), which entered into force on 25 October 2003 and came into effect in January 2005, has not been incorporated into the EEA Agreement. The Report furthermore notes that the EEA EFTA States have informally met with the Commission jointly and bilaterally to discuss the EEA relevance of the act. The rapporteurs express their concerns on this and regret that the Report provides no further explanation or information on the EEA EFTA States' position on this highly important issue. The rapporteurs recall previous statements that the Emission Trading Scheme can be seen in parallel to the ambitious goals of the Lisbon Strategy, a wide policy area that the EEA EFTA States have vested interests in and are monitoring closely and call on the Joint Committee to provide further explanations as to why the directive has not been incorporated into the EEA Agreement.

21. The Report notes the good progress made on EEA participation in the European Food Safety Authority, which the rapporteurs welcome. The rapporteurs also take duly note of that this process has taken some time as participation is linked to the review of Chapter I of Annex I Veterinary Issues for Iceland but ask also for further elaboration on this.

Decision shaping

22. The EEA JPC has throughout the years repeatedly emphasised that the EEA EFTA States are as much part of the Internal Market as EU member states and as such must use their ability to participate in the shaping of common rules. This has become even more important after the EU was enlarged to 10 new members on 1 May 2004. Participation of the EEA EFTA States in decision shaping is important at all levels, from the expert level to exchanges of views in the Joint Committee. The Report notes that the EFTA pillar continued in 2005 to contribute to the EU decision shaping process. The rapporteurs welcome the early stage at which comments have been transmitted in 2005, as this is traditionally the stage in the decision-making procedure where the EEA EFTA States have the best prospect of shaping the outcome. Mindful of that decision-shaping is also pursued via different channels than merely with transmitting official comments, the rapporteurs are on the other hand very concerned that the number of comments transmitted in 2005 was just 9, which is an all-time low. At the same time the number of adopted decisions was lower compared to previous years. The rapporteurs stress that explanations to this could have been given in the Report. Repeating what previous observations the rapporteurs ask if EEA EFTA comments have little impact. Has the impact diminished in recent years? Are EFTA administrations too inactive in submitting comments? Has it proved to be difficult to elaborate and agree on joint EEA EFTA positions? Or is most of the adopted legislation just a refinement of already existing legislation? The rapporteurs question the very significant reduction in EFTA comments and emphasise the importance of maintaining a high level of comments in order to take full advantage of the ability to shape decisions and common rules. The rapporteurs urge the relevant parties to address these pertinent issues.

23. The rapporteurs note with satisfaction that, although too few, comments are also addressed directly to Heads of States and Governments as was the case for the extensive mid-term review of the Lisbon strategy in 2005 in the form of a letter from the EEA EFTA States to the Luxembourgish Presidency. The rapporteurs welcome comments on general policy developments such as the Lisbon Strategy, and encourage the EEA EFTA States to submit more policy comments on horizontal issues to the EU side. EEA EFTA comments should receive a wider and targeted distribution, including the relevant committees of the European Parliament. The rapporteurs would have liked to see in the Report how EEA EFTA comments are pursued or followed up.

Impact of decision shaping

24. The EEA JPC has during the past years repeatedly discussed possible effects of the EEA EFTA States' contribution to the EU decision-shaping process. The rapporteurs would in this regard like once again to highlight the resolution adopted by the EEA JPC on 26 November 2002 where it called on the EEA EFTA States to ensure a better quantitative and qualitative input in the various stages of EEA decision shaping, while emphasising the need for appropriate training and co-ordination at national level. The rapporteurs would also like to highlight the EEA JPC resolution adopted on 25 April 2005 where it urges the EEA EFTA States to take actions with a view to enhanced participation in the EEA decision-shaping process at the earliest possible stage in the legislative process. Even though the impact of the EEA EFTA States' contribution to the decision shaping process is difficult to assess, it is nevertheless vital to be prepared and to contribute in the most active and comprehensive way possible. In this context, the rapporteurs also note that the EFTA Secretariat organised a seminar on decision-shaping in November 2005 to discuss ways in which the EEA EFTA States could better influence proposals for acquis which would be incorporated into the EEA Agreement. The rapporteurs welcome this initiative and encourage further expansion of such important activities.

Participation in EC committees, programmes and agencies

25. Articles 81b, 99, 100 and 101 of the EEA Agreement address the EEA EFTA States' legal right to participate in various EC committees. There is a long-standing tradition for the participation of the EEA EFTA States in a large amount of EC committees, be it in comitology committees, programme committees, expert committees or non-comitology committees. The rapporteurs stress that these committees are also important in the EU decision-shaping process and will encourage the EEA EFTA States to make use of the committees to their fullest and to make the adequate preparations and follow-up of the work in their respective countries. This is equally important for the EU Member States, but unlike the EEA EFTA States, they do take part in the final decision-making process. The rapporteurs welcome the fact that in 2005 the EEA EFTA States made an overview of the actual participation of EEA EFTA experts in the Commission's committees and working groups. The Report notes that according to the survey, experts from the EEA EFTA States participated in almost 400 and working groups of EEA relevance. The rapporteurs welcome these findings and consider this survey to have been very important in providing information of this important aspect of the EU decision-shaping process. The rapporteurs suggest that the survey be updated annually hereafter.

26. EEA EFTA participation in EU programmes plays an important part in maintaining homogeneity of the EEA. The EEA JPC has previously been concerned with the legal procedures ensuring full EEA EFTA participation from the outset of the programme. In 2002 the rapporteurs noted that no legal obstacles were reported to this, and assumed that the commencements of new programmes were running smoothly from an EFTA point of view. The rapporteurs recall that in the past the continuation of existing programmes and incorporation of new programmes has been delayed for procedural reasons. The rapporteurs stress that it is vital for the EEA EFTA States to participate in the management of new programmes from the outset as terms of conditions etc. are then defined.

27. The rapporteurs recall the resolutions adopted in 2002 concerning EEA EFTA participation in three EU agencies: the European Railway Agency (ERA), the European Network and Information Security Agency (ENISA) and the European Food Safety Authority (EFSA). The EEA JPC strongly supported EEA EFTA participation in ERA, ENISA and EFSA as the important issues they would cover were of a cross-border nature and in the interest of all European citizens. EU agencies play an important role in determining policies, rules and regulations in most areas covered by the EEA Agreement. The rapporteurs now welcome the participation of the EEA EFTA States in ERA and ENISA but regret that no decisions have been made regarding participation in EFSA. The rapporteurs reiterate that this issue has previously been raised in the 2002, 2003 and 2004 reports. The Report notes that, as there are outstanding issues concerning the veterinary issues for Iceland with regards to participation, the process has taken longer time than originally expected. The rapporteurs ask for fuller explanations of this prolonged delay.

28. With an ever-growing number of EU agencies, it is the view of the rapporteurs that the EEA EFTA States should participate in all agencies dealing with matters covered by the EEA Agreement.

EEA enlargement

29. The rapporteurs welcome the successful enlargement of the EU and the EEA which took place on 1 May 2004. In order to ensure the parallel entering into force of the EU and EEA Enlargement Treaties on 1 May, the EEA States agreed that the EEA Enlargement Agreement should be applied provisionally until all Contracting Parties had ratified it. The rapporteurs note that the objective of simultaneous enlargement of the EU and the EEA was thus fulfilled and welcome that the EEA Enlargement Agreement which had been applied provisionally from 1 May 2004, entered into force on the 6 December 2005 when all Contracting Parties had ratified the Agreement.

30. The rapporteurs note that the EU and EEA enlargement process went relatively smoothly and did not cause substantial problems. The enlarged Internal Market provides great benefits to businesses and citizens alike. On the other hand, being inside the Internal Market but outside the EU, the EEA EFTA States face new challenges as 25 countries are now members of the EU, notably in the field of decision-shaping and lobbying. The rapporteurs also reiterate their concerns about the EEA EFTA States' voice in the 'new' Europe and emphasise the importance of focusing on how the EEA EFTA States can best influence EU decision-making in a Union with 25 members.

31. The rapporteurs welcome the fact that the EEA EFTA States will contribute substantially towards the reduction of social and economic disparities in the enlarged

Internal Market with the Financial Mechanisms 2004-2009. The rapporteurs note that by mid 2005, MoUs had been concluded with all the beneficiary states and the Financial Mechanisms are now firmly in the implementation phase. The rapporteurs welcome the high interest in the EEA Financial Mechanism and the Norwegian Financial Mechanism but state that they would have welcomed more information with regards to the administration of the Financial Mechanisms.

Future enlargement

32. The rapporteurs note that the EEA is expected to expand further with Bulgaria and Romania joining the EU, which is anticipated in 2007. In July 2005, the EEA EFTA States received requests from Romania and Bulgaria to start negotiations for their accession to the EEA Agreement, but a decision as to when the negotiations will start has not been made yet. Simultaneous accession of new members to the EU and to the EEA is a common objective in order to secure the homogeneity and the good functioning of the European Economic Area. The rapporteurs underline the importance of Romania's and Bulgaria's timely accession to the EEA Agreement and stress the need to reach a quick decision on when negotiations will commence.

EFTA and the Lisbon Strategy

33. The Lisbon Strategy, which is intrinsically linked to the development of the Internal Market, is equally important to the EEA EFTA States as it is for the EU Member States. The rapporteurs welcome that the EU undertook an extensive mid-term review of its five-year-old strategy and that the EEA EFTA States provided important input to the mid-term review. The rapporteurs regret however that the Report does not elaborate on the EEA EFTA input and calls on the Joint Committee to inform the EEA JPC accordingly.

Better Regulation

34. The rapporteurs welcome the close monitoring by the EEA EFTA States of the Better Regulation Initiative, the cornerstone of the Strategy for Growth and Jobs. The rapporteurs echo the EEA EFTA States' hope that simplifying legislation will have a positive effect on the competitiveness and the conditions for more growth and jobs in the EEA as a whole. The rapporteurs note that the EEA EFTA States have participated in a Better Regulation Experts Group which meets under the auspices of the EU's Internal Market Advisory Committee and welcome that EFTA representatives were invited to a ministerial conference on better regulation hosted by the UK Presidency in Edinburgh in September 2005.

EU developments

35. The EEA JPC has spent considerable time to assess developments in the EU and their impact on the functioning of the EEA Agreement, notably enlargement, justice and home affairs, the Amsterdam and Nice Treaties, the Lisbon Strategy, EMU and the Euro and the new working methods of soft law and the open method of co-ordination, and lately new environmental legislation, regional aid guidelines, the Convention on the Future of Europe, the Constitution for Europe and the European Neighbourhood Policy.

The rapporteurs note that these developments might in the medium and long-term affect the functioning of the EEA Agreement, and point out that EEA EFTA participation is limited in a number of such areas of great significance in today's EU. The Annual Report largely deals with the EEA Agreement as it was designed in 1992 and possible shortcomings of the Agreement as a result of the developments in the past decade have not been addressed. The EEA JPC will, and must, continue to scrutinise the EEA Agreement and its functioning, in the context of a new, larger and more comprehensive EU. From the EEA EFTA side the functioning of the EEA Agreement and the Internal Market will continue to be a topic of great importance.

IV THE EEA JPC AND ITS RESOLUTIONS

36. The EEA JPC's institutional relationship with the EEA Joint Committee and the EEA Council has been good. The rapporteurs note however that the distribution of written Joint Committee statements on JPC resolutions before JPC meetings would make it possible for members to prepare themselves for a fruitful dialogue with Joint Committee representatives. The oral responses provided by the President-in-Office of the EEA Joint Committee and by the representatives of the EEA Council have been comprehensive, allowing ample time for discussion and an exchange of views.

37. The EEA JPC is mindful of its role as a contributor to a better understanding between the Community and the EFTA States in the fields covered by the EEA Agreement. It has a democratic parliamentary control function and has the right to scrutinise all EC legislation applying to the EEA as well as its implementation. The EEA JPC welcomes progress made on many of its resolutions during 2005, in particular on the rapidity of processing new EEA legislation. The rapporteurs highlight that the EU is constantly evolving both the scope of issues covered and its working methods. This potentially influences the functioning of the EEA Agreement and the EEA EFTA role in EU decision-shaping, certainly from a political point of view and from the perspective of an enlarged Internal Market, comprising over 400 million citizens, which is expected to see further expansion by 2007 with the accession of Bulgaria and Romania.

38. The rapporteurs note that the Report does not seem to address the prospective membership of Turkey and Croatia and would like to see further information on this in the next Annual Report.

39. The EEA JPC adopted a resolution on EEA and Wider Europe at its 21st meeting, and the rapporteurs note with satisfaction that the EEA EFTA Foreign Ministers had the opportunity to meet the Foreign Affairs Committee and the European Parliament delegation to the EEA JPC for the very first time in March 2004, to discuss the Wider Europe concept and other topical issues. The rapporteurs welcome a follow-up to a meeting between the EEA EFTA Foreign Ministers and the EP Foreign Affairs Committee, and hope to see a similar event take place in 2006.

DRAFT RESOLUTION

ON THE ANNUAL REPORT ON THE FUNCTIONING OF THE EEA AGREEMENT IN 2005

The Joint Parliamentary Committee of the European Economic Area:

- A. in accordance with its task laid out by the EEA Agreement (Article 95, paragraph 4),
- B. emphasising that the EEA EFTA States are not third countries in matters concerning the Internal Market, but full participants,
- C. mindful of the importance of maintaining homogeneity within the EEA,
- D. noting that the information and consultation process provided for by the EEA Agreement is an essential tool for the EFTA States for the shaping of common rules,
- E. recalling its resolution on the functioning of the EEA in 1994 (adopted 29 May 1995), in 1995 (adopted 3 June 1996), in 1996 (adopted 14 April 1997) in 1997 (adopted 25 May 1998), in 1999 (adopted 16 March 2000), in 2000 (adopted 24 May 2001), in 2001 (adopted 20 June 2002), in 2002 (adopted 20 May 2003), in 2003 (adopted 27 April 2004), and in 2004 (adopted 25 April 2005),
 1. welcomes the Annual Report of the EEA Joint Committee for 2005 and agrees with the general assessment that the EEA is functioning well;
 2. encourages the EEA Joint Committee to draft a more comprehensive and analytical report for 2006 taking major EU developments and horizontal policy issues into account when assessing the functioning of the Agreement, enabling the Report to be understood by a wider audience, which could enhance the democratic scrutiny of the functioning of the Agreement;
 3. appreciates the statement delivered by the President-in-office of the EEA Joint Committee at the 25th EEA JPC, following the JPC resolutions adopted at the 24th meeting of the EEA JPC concerning the functioning of the EEA Agreement in 2004;
 4. welcomes the relatively high number of Joint Committee Decisions incorporated into the EEA Agreement during 2005;
 5. welcomes the ratification of the EEA Enlargement Agreement of all Contracting Parties in 2005;
 6. welcomes the relatively low number of EU acts under consideration on the EFTA side, notes that it is slightly lower than in previous year, and calls on the relevant parties to explain what exactly constitute an acceptable timeframe for considering EU acts;

7. welcomes the Joint Committee's decisions adopted in 2005 on: the EEA EFTA participation in the European Centre for Disease Prevention and Control; the Community action programme in the field of civil protection; EEA EFTA participation in the European Railway Agency (ERA); EEA EFTA participation in the European Network and Information Security Agency (ENISA); the revision of Protocol 4 regarding the inclusion of several Mediterranean partner countries in the European cumulation system; certain special provisions in the field of competition for liner shipping companies and technology transfer agreements; the second Internal Energy Market package covering electricity and gas, and cross-border trade in electricity; EEA EFTA participation in the eContentplus Programme; EEA participation in the Sixth Environmental Action Programme; key priority act in the European Commission's Financial Services Action Plan; and, regulations on international accounting standards and directive on takeover bids in the field of company law.
8. regrets that the contracting parties have agreed not to pursue for the time being the incorporation of Regulation 733/2002 on .eu Top Level Domain and the incorporation of Regulation 2062/94 on the European Agency for Safety and Health at Work into the EEA Agreement and asks for explanations as to these decisions;
9. welcomes that Norway ranked number 4 out of the 28 EEA States when it comes to transposing EU legislation into national legal order and that EEA EFTA States in general match the average for the 25 EU States;
10. expresses concern over the decrease in the number of EFTA comments on EC legislation which have been submitted to the EU side, and urges the EEA EFTA States to take actions with a view to enhanced participation in the EEA decision-shaping process at the earliest possible stage in the legislative process;
11. welcomes EEA EFTA comments submitted on general, horizontal policy issues to Heads of States and Governments and EU presidencies;
12. notes that the EEA EFTA side has expressed concern over the EU ban on the use of fishmeal in ruminant feed, is aware of the substantial economic interests involved and expresses its wish that the issue can be resolved in a timely manner;
13. notes that the EEA EFTA side has expressed concern over the European Commission's decision to open safeguard investigations on farmed salmon and calls on the relevant authorities to provide more information on this decision;
14. welcomes that good progress was made on EEA EFTA participation in the European Food Safety Authority (EFSA), takes note of that this process has taken some time as participation is linked to the review of Chapter I of Annex I Veterinary Issues for Iceland, and urges the contracting parties to make provisions for an early EEA EFTA participation in EFSA;
15. expresses its concern over that the European Union Greenhouse Gas Emission Trading Scheme has still not been incorporated into the EEA Agreement, calls on

the Joint Committee to provide further explanations on the reasoning behind this and urges the contracting parties to come to a solution on the matter shortly;

16. notes the increased role of agencies in the EU, underlines the need for EEA EFTA participation in EU agencies dealing with all matters covered by the EEA Agreement and welcomes the participation of the EEA EFTA States in the European Railway Agency (ERA) and in the European Network and Information Security Agency (ENISA);
 17. welcomes the findings of the EEA EFTA States' overview of the actual participation of EEA EFTA experts in the European Commission's committees and working groups and suggests that the survey be updated annually hereafter;
 18. welcomes the substantial contribution of the EEA EFTA States to the reduction of social and economic disparities and the high interest in the EEA Grants in beneficiary states;
 19. calls on the EEA EFTA States to pursue the Lisbon Strategy in line with the EU Member States;
 20. calls on the EEA EFTA States to continue to pursue close monitoring of the Better Regulation Initiative as this policy could have important repercussions for the EEA EFTA States.
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ANNUAL REPORT OF THE JOINT COMMITTEE 2005 FUNCTIONING OF THE EEA AGREEMENT

(ARTICLE 94(4))

General overview

1. This report assesses the work of the EEA Joint Committee in 2005. In line with previous years, it firstly looks at decision-making procedures, and then at the decision-shaping-process and finally at horizontal issues. A review of the activities of the Subcommittees under the EEA Joint Committee, with particular reference to new legislation incorporated into the EEA Agreement, is in Annex I. Annex II contains an overview of the state of decision-making in 2005 and Annex III a list of Joint Committee Decisions adopted by the EEA Joint Committee.

Decision-making

2. The EEA Joint Committee met 8 times in 2005 and adopted 156 decisions incorporating 314 legal acts: 105 in the veterinary field and 209 in the non-veterinary field. This figure is comparable to that of 2004, where 181 decisions incorporating 309 legal acts were adopted. The Committee also had consultations on a number of issues.

3. Annex II - state of decision-making 2005 - shows that 107 EU acts outside the veterinary field were under the consideration of the EEA EFTA States by the end of the year. This figure is only slightly lower than the figure for 2004, when the number was 116.

4. The Joint Committee adopted several significant Decisions in 2005 concerning:

- EEA EFTA participation in the European Centre for Disease Prevention and Control;
- The Community action programme in the field of civil protection;
- EEA EFTA participation in the European Railway Agency (ERA);
- EEA EFTA participation in the European Network and Information Security Agency (ENISA);
- The revision of Protocol 4 of the EEA Agreement on rules of origin on the basis of the Pan-Euro-Mediterranean partnership, extending the European cumulation system to several Mediterranean partner countries; i.e. Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the West Bank and Gaza Strip, Syria, Tunisia and Turkey;
- Certain special provisions in the field of competition for liner shipping companies and technology transfer agreements;

- The second Internal Energy Market package covering electricity and gas, and cross-border trade in electricity;
- EEA EFTA participation in the eContentplus Programme;
- EEA EFTA participation in the Sixth Environmental Action Programme;
- Key priority acts in the European Commission's Financial Services Action Plan;
- Regulations on international accounting standards and directive on takeover bids in the field of company law.

5. A number of policy initiatives and proposals related to maritime safety and security were considered Enhancing ship and port facility security and on maritime safety.

6. The Commission briefed the Joint Committee on the European Neighbourhood Policy, the Lisbon Process and negotiations on international air transport agreement/open skies.

7. The following issues were outstanding in 2005:

- Fishmeal: The EEA EFTA side expressed concern in the Joint Committee over the EU ban on the use of fishmeal in ruminant feed, which was introduced as a measure to fight BSE. The EEA EFTA States also expressed concern over the European Commission's decision to open safeguard investigations on farmed salmon.
- EFSA: Good progress was made on EEA participation in the European Food Safety Authority (EFSA). This process has taken some time as participation is linked to the review of Chapter I of Annex I Veterinary Issues for Iceland.
- The Greenhouse Gas Emission Trading Scheme: the European Union Greenhouse Gas Emission Trading Scheme is based on Directive 2003/87/EC, which entered into force on 25 October 2003 and came into effect in January 2005. The directive has not been incorporated into the EEA Agreement. The EEA EFTA States have informally met with the Commission jointly and bilaterally to discuss the EEA relevance of the act and possible modalities for its incorporation. Bilateral discussions are on-going.

8. The contracting parties have agreed not to pursue for the time being the incorporation of Regulation 733/2002 on .EU Top Level Domain and Regulation 2062/94 on the European Agency for Safety and Health at Work into the EEA Agreement.

9. The Internal Market Scoreboard published by the EFTA Surveillance Authority in February 2006 showed that the EEA EFTA States match the average for the 25 EU States, although their transposition deficit has increased to 1.6% from 1.4% last July. Norway succeeded in reducing the number of overdue directives, bringing the deficit to 0.8% and ranking number 4 out of the 28 EEA States. Iceland's deficit has however increased slightly from 1.4% to 1.9% and Liechtenstein's from 1.7% to 2.1% during 2005.

EEA EFTA participation in EU agencies and programmes

10. All the principal issues relating to EEA co-operation in new EU agencies have been concluded. In February 2005, the EEA Joint Committee adopted the decision on EEA EFTA participation in the European Centre for Disease Prevention and Control. The Committee adopted the decision on EEA EFTA participation in the European Railway Agency in June 2005 and the decision on EEA EFTA participation in the European Network and Information Security Agency in July 2005.

11. Regarding participation in the European Food Safety Authority (EFSA), the parties are actively working towards the preparation of the draft EEA Joint Committee Decision. Participation in this authority is also linked to the adoption of a general food law establishing an integrated approach to food safety issues. The law examines the whole food chain from farm to fork. Given the broad range of issues, involving food, feed and veterinary aspects, as well as the technical nature, the process has taken longer than originally expected. In return, the outcome should provide a solid basis for the future incorporation of new general food law acquis into the EEA Agreement.

12. The EEA EFTA States participate in a wide range of EU programmes. As a consequence, the financial contribution by the EEA EFTA States to the EU budget 2005 was in payments approximately €100 million and in total commitments approximately €136 million. The biggest programme is the Sixth Framework Programme on Research, which entered into force in 2003. In 2005, the Joint Committee adopted decisions on EEA EFTA participation in the eContentplus Programme, Europass and the Community action programme in the field of civil protection.

Decision-shaping

13. As part of the EEA EFTA States' possibility to participate in shaping EC legislation, i.e., when the Commission draws up legislative proposals, EFTA submits a number of comments on important policy issues. The comments are elaborated by working groups, cleared by the relevant subcommittees, endorsed by the Standing Committee and officially noted by the Joint Committee, after they have been sent to the relevant services in the Commission and in the European Parliament.

14. In 2005, 9 EEA EFTA Comments were submitted, while 13 were submitted the year before. The comments from the EEA EFTA States were on:

- the proposal concerning Media 2007;
- the issue papers for the Liverpool audio-visual 21-22 September 2005 conference;
- the proposal for Quality Assurance in Higher Education;
- the proposal for a regulation on nutrition and health claims made on foods;
- the proposal for a regulation on the addition of vitamins and minerals and of certain other substances to food;
- the Youth in Action Programme 2007-2013;
- the proposal for a regulation concerning the registration, evaluation, authorisation and restriction of chemicals;
- the proposal for the Culture 2007 programme;
- the proposal for a directive on end use energy efficiency and energy services.

15. Contribution to the work of a large number of the European Commission's committees and working groups is an important channel for taking part in the shaping of EU decisions. In 2005, the EEA EFTA States made an overview of the actual participation of EEA EFTA experts in the Commission's committees and working groups. According to this survey, EEA EFTA experts participate in almost 400 committees and working groups of EEA relevance.

Advisory bodies under the EEA

16. The EEA Consultative Committee (EEA CC) held its annual meeting on 30-31 May 2005 in Tallinn, Estonia. Two resolutions were adopted at the meeting: one on the Lisbon Strategy – role and expectations of economic and social partners in the EEA and the other on the instruments for increased economic and social cohesion in Europe. The Committee also debated EEA developments as well as the European Neighbourhood Policy. Outside the framework of the EEA CC, members from the EFTA side took an active part in a number of European Economic and Social Committee (EESC) meetings with civil society in the EU/EEA accession countries, through the Osmosis procedure.

17. In 2005, the EEA CC was co-chaired by Mr Jon Vea (Chairman of the EFTA Consultative Committee) from the EFTA side and Mr Leif E. Nielsen (various interest groups, DK) from the EESC side.

18. The EEA Joint Parliamentary Committee (EEA JPC) held 2 meetings in 2005: in Reykjavik on 25 April and in Brussels on 22 and 23 November. As at previous meetings, the EEA JPC engaged in a dialogue with the EEA Council, the EEA Joint Committee and the EFTA Surveillance Authority on the functioning of the EEA and on the progress of previous resolutions of the JPC. The EEA JPC discussed and adopted resolutions on the following topics, which were forwarded to the EEA Council:

- The functioning of the EEA Agreement during 2004
- The review of the Regional Aid Guidelines
- The resolutions of the EEA JPC 2000 – 2005
- New environmental legislation and the EEA

19. The President of the EEA JPC for the first part of 2005 was Mr Morten Høglund, (Progressive Party, Norway) and for the second part Mr Svein Roald Hansen (Labour Party, Norway). Ms Diana Wallis, MEP (Liberal Democrats, UK) was the Vice-President.

The EEA Enlargement Agreement

20. The EEA was enlarged on 1 May 2004. In order to ensure the parallel entering into force of the EU and EEA Enlargement Treaties on 1 May, the parties agreed that the EEA Enlargement Agreement should be applied provisionally until all Contracting Parties had ratified it. The objective of simultaneous enlargement of the EU and the EEA was thus fulfilled. The EEA Enlargement Agreement which had been applied provisionally from 1 May 2004 entered into force on the 6 December when all Contracting Parties had ratified the Agreement.

The Financial Mechanisms (2004-2009)

21. Through the EEA Enlargement Agreement, the EEA Financial Mechanism and a Norwegian Financial Mechanism were established in May 2004, through which the EEA EFTA States make substantial contributions towards the reduction of social and economic disparities in the enlarged Internal Market. The Financial Mechanisms will make close to €1.2 billion euros available to 13 beneficiary states over a five-year period until 2009. The beneficiary states are the 10 countries that joined the EU in May 2004, and Greece, Portugal and Spain. By mid 2005, MoUs had been concluded with all the beneficiary states and the Financial Mechanisms are now firmly in the implementation phase.

22. The first open calls for proposals were announced in the Czech Republic, Slovenia, Malta, Poland, Slovakia and Hungary. These calls made around 275 million euros available to potential applicants. Poland, which is the biggest recipient by far under the Financial Mechanisms, announced a 176 million euro open call for proposals in August 2005.

23. The Financial Mechanism Office has already started to receive applications from beneficiary states after their national assessment and prioritisation process. The first applications have been forwarded to the European Commission (DG Regional Policy) for screening. The first two commitments were made in February for technical assistance to Slovakia and Poland and many more will follow this spring.

Future enlargement

24. The EEA is expected to expand further with Bulgaria and Romania joining the EU, which is anticipated in 2007. In July 2005, the President of the EEA Council received applications from Romania and Bulgaria to start negotiations for their accession to the EEA Agreement, but a decision as to when the negotiations will start has not been made yet. Simultaneous accession of new members to the EU and to the EEA is a common objective of all parties concerned in order to secure the homogeneity and the good functioning of the European Economic Area.

The Lisbon Strategy – Strategy for Growth and Jobs

25. The Lisbon Strategy – Strategy for Growth and Jobs - is of great importance for the EEA EFTA States due to the high level of economic interdependence between the EEA EFTA States and the EU Member States. In the spring of 2005, the EU undertook an extensive mid-term review of its five-year-old strategy. The Norwegian Prime Minister (then chair of the Standing Committee) signed a letter on behalf of the EEA EFTA States to EU President Jean-Claude Juncker providing input to this mid-term review.

Better regulation

26. The EEA EFTA States closely followed the Better Regulation Initiative, the cornerstone of the Strategy for Growth and Jobs. The EEA EFTA States hope that simplifying legislation will have a positive effect on the competitiveness and the conditions for more growth and jobs in the EEA as a whole.

27. The EEA EFTA States have participated in a Better Regulation Experts Group which meets under the auspices of the EU's Internal Market Advisory Committee. Furthermore, EFTA representatives were invited to a ministerial conference on better regulation hosted by the UK Presidency in Edinburgh in September 2005. The EFTA Secretariat organised a seminar on decision-shaping in November to discuss ways in which the EEA EFTA States could better influence proposals for *acquis* which would be incorporated into the EEA Agreement.

E U R O P E A N E C O N O M I C A R E A

J O I N T C O M M I T T E E **A C T I V I T I E S O F S U B C O M M I T T E E S I N 2 0 0 5**

FREE MOVEMENT OF GOODS

General

1. In 2005, 216 EC legal acts in the area of Subcommittee I were incorporated into the annexes and protocols of the EEA Agreement through 85 Joint Committee Decisions. The Subcommittee sent 4 EEA EFTA Comments to the Commission and registered positive results with the inclusion in the EEA Agreement of:

- A revision of Protocol 4 on origin, due to the inclusion of several Mediterranean partner countries – Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the West Bank and Gaza Strip, Syria, Tunisia and Turkey – in the Pan Euro-Med cumulation system;
- A Joint Committee Decision in the field of competition concerning special provisions for liner shipping companies and technology transfer agreements;
- The second Internal Energy Market package covering electricity and gas, and cross-border trade in electricity; and a directive setting indicative targets for renewable energy production.

Veterinary, feedingstuffs and phytosanitary matters

2. In the veterinary field, 105 legal acts from 2003, 2004 and 2005 were incorporated into the Agreement. Among these was legislation on the movement of pet animals within the EEA based on a model pet passport and health certificate. Harmonised rules on the monitoring of zoonoses and the control of salmonella and other food-borne zoonotic agents were also incorporated into the Agreement. The regulation establishing a system for the identification and registration of ovine and caprine animals was incorporated into the Agreement. Finally, the integration of the hygiene package and a regulation on official food and feed control was initiated.

3. Each year, a number of acts are subject to simplified procedures implying that certain acts are applicable to the EEA EFTA States without first being incorporated into the Agreement. Instead, the EEA Joint Committee takes note of the acts for transparency purposes. During 2005, 79 acts falling under simplified procedures were identified.

4. Concerning feedingstuffs, 27 acts from 2003, 2004 and 2005 were incorporated into the Agreement. One of the most important was the new legislative framework for the

authorisation of additives in feedingstuffs, through which the continuation of derogations from the provisions on the use of antibiotics in feedingstuffs for Iceland and Norway was granted. Most of the other incorporated acts concern the authorisation of additives under the new legal framework for additives.

5. In the phytosanitary field, 11 acts from 2004 and 2005 were incorporated into the Agreement. These mainly concern marketing and comparative trials and tests on seeds.

Technical regulations, standards, testing and certification

6. The EEA Joint Committee incorporated a total of 63 acts into Annex II of the EEA Agreement. Most of the new acts relate to foodstuffs (23), dangerous substances (13) and medicinal products (8).

7. Key issues that were discussed during 2005, but which need follow-up in 2006 are:

- Food safety: integration of the regulation on general principles and requirements of food law and the establishment of the European Food Safety Authority (EFSA). The EEA EFTA States also continued discussions on the incorporation of the novel foods regulation from 1997, the regulations on GM food and feed, and the traceability and labelling of GMOs.
- Medicinal products: integration of the reform of the Community pharmaceuticals legislation.
- Chemicals: the Commission's proposal for a new chemicals framework (REACH), and the establishment of a European Chemicals Agency (ECA).
- Trade in wine: integration into the Agreement of the revision of Protocol 47 to the EEA Agreement including 18 acts.

8. Thirteen new mandates were considered for presentation to the European Standards Organisations. The mandates approved mainly concerned consumer product safety, telecommunications, construction products and environmental issues. The mandates are followed by grant agreements relating to standardisation activities, financed on the EFTA side by all 4 States. In addition to the 3 Annual Performance Contracts signed between EFTA and the ESOs in parallel to the EC, 43 grant agreements were signed in 2005. EFTA's 5% financial commitment to standardisation activities amounted to almost one million euros.

Competition

9. Two major new legislative acts or compilation of acts were introduced into the EEA Agreement during 2005:

- Three regulations on the application of Article 81 (3) of the EU Treaty, granting an exception from the competition rules to certain categories of agreements, decisions and concerted practices;
- A regulation on air transport between the EU and third countries.

10. An Agreement amending Protocol 4 of the Surveillance and Court Agreement was concluded to give the EFTA Surveillance Authority competence with regard to air transport to third countries, based on the EU regulation on air transport between the EU and third countries.

Public procurement

11. The EEA EFTA States continued following up work on the 2004 legislative reform package. The aim is to update and simplify the basic rules governing public procurement by introducing more flexibility for the contracting authority and wider use of electronic means. A draft EEA Joint Committee Decision on this issue was submitted to the Commission in September 2005.

12. In its Communication on Public-Private Partnerships and EU Law released on 15 November 2005, the Commission indicated that it would propose legislative initiatives relating to concessions. This work will be followed closely.

State aid

13. The EEA EFTA States followed up the State Aid Action Plan and attended the multilateral meeting on the subject on 11 and 12 July, and the UK Presidency meeting on 14 July 2005. The State Aid Action Plan for 2005-2009, "Less and Better Targeted Aid", was launched by the Commission in July 2005. During 2005, the Commission revised the Regional Aid Guidelines and the Communication on short-term credit insurance. During 2006, the Commission will revise the current system of granting exemptions from the state aid rules by introducing a general block exemption with extended scope, and increase the threshold values for granting state aid (de minimis). The guidelines for the environment and R&D will also be revised. The EEA EFTA States will continue to follow this process closely.

Energy

14. The second Internal Energy Market package was incorporated into the EEA Agreement. It includes 2 directives on the Internal Market in electricity and in natural gas, the Commission's Decision establishing the European Regulators Group for electricity and gas, a Regulation on cross-border trade in electricity, and a Joint Declaration.

15. Furthermore, the directive on the promotion of electricity produced from renewable energy sources was incorporated into the EEA Agreement in 2005. The decision allowed for derogation from the directive for Liechtenstein, but set indicative targets for Iceland and Norway on renewable energy production.

16. The issues of energy security of supply, energy efficiency measures, the framework directive on eco-design, and a regulation on conditions for access to the natural gas transmission networks were also addressed.

Intellectual property

17. The EEA EFTA States followed the developments of the proposal for a regulation on the legal protection of designs and on EU patents. They also monitored the

proposal for a directive on the patentability of software, which the European Parliament rejected in July. Finally, the EEA EFTA States continued considering the directive on the enforcement of intellectual property rights, which aims to bolster the fight against counterfeiting and piracy.

Internal Market Advisory Committee (IMAC)

18. The EEA EFTA States continued to closely monitor the follow-up of the individual actions identified in the 2003-2006 Internal Market Strategy, as well as possible input to the new Internal Market Strategy for 2007-2010. Special attention was given to issues such as better regulation, impact assessment and the simplification of the regulatory environment and the new Commission's initiatives (the Commission's Communication on "A strategy for the simplification of the regulatory environment" of 25 October 2005). The EEA EFTA's co-financing of the Commission's budget for Internal Market issues took effect from 2005 and ensured EEA EFTA participation in Commission Internal Market surveys in fields such as public procurement and intellectual property.

Protocol 3 – Trade in processed agricultural products

19. Bilateral negotiations started in March 2005 between Iceland and the Community regarding trade in agricultural products according to Article 19 of the EEA Agreement. These negotiations were finalised at the end of 2005.

Protocol 4 – Customs matters and rules of origin

20. The Commission's proposal for pre-arrival/pre-departure declarations was a central issue during 2005. The proposal requires that a set of security data be submitted to the EU customs authorities before goods physically arrive on or leave the customs territory of the EU. EFTA and the Commission met several times to discuss ways of preventing the requirement from impacting negatively on trade between the EFTA countries and the EU. Proof that the security level in the EFTA countries is equal to that in the EU Member States should allow for import/export procedures to continue without the required advance information. Consultations with the Commission will continue in 2006.

21. Another important topic in 2005 was the implementation of the system of Pan-Euro-Med cumulation to include the Mediterranean partner countries, i.e., Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the PLO, Syria, Tunisia and Turkey. This led to an update of the origin protocols under the various Free Trade Agreements, including Protocol 4 to the EEA Agreement on rules of origin.

Protocol 12 – Extension of the Internal Market to third countries – Mutual Recognition Agreements for industrial products

22. On 17 October 2005, the EEA EFTA States and the United States signed 2 Mutual Recognition Agreements (MRAs) covering 4 product sectors, telecommunications equipment, electromagnetic compatibility, recreational crafts and marine equipment.

FREE MOVEMENT OF CAPITAL AND SERVICES

23. In 2005, 45 EC legal acts in the area of Subcommittee II were incorporated into the annexes and protocols of the EEA Agreement through 33 Joint Committee Decisions. The acts relate to the fields of financial services, transport, information and telecommunications services, audio-visual services, postal services, company law and data protection.

Financial services and company law

24. Six new legislative acts were integrated into Annex IX (financial services) and 9 into Annex XXII (company law) in 2005.

25. In 2005, key priority acts in the European Commission's Financial Services Action Plan were included in the EEA Agreement. They are: Directive 2004/39/EC on markets in financial instruments, Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and Directive 2004/25/EC on takeover bids and thereby enhancing the integration of the European capital market and more effective supervision and regulation of the sector throughout the EEA.

26. EEA EFTA experts continued to participate in a number of experts groups, which assist the Commission in the preparation of new legislative proposals. EEA EFTA experts also attended meetings of the European Securities Committee, the Banking Advisory Committee and the Insurance Committee as observers.

Information and telecommunications services and postal services

27. Seven new legislative acts were integrated into Annex XI (Telecommunications services) in 2005.

28. The Joint Committee adopted a decision allowing the EEA EFTA States to participate in the European Network Security Agency (ENISA) and thereby contribute to intensified European co-ordination to achieve a high level of information security and to respond to network and information security problems.

29. The Joint Committee adopted a decision incorporating Decision 456/2005/EC establishing a multiannual Community programme to make digital content in Europe more accessible, usable and exploitable (e-Content plus programme) into Protocol 31 of the EEA Agreement.

Audio-visual services

30. No new legislative acts were integrated into Annex X (audio-visual services).

31. The EEA EFTA States continued their participation in the Contact Committee of the Television without Frontiers Directive and participated actively in the discussion on a possible review of the directive initiated by the Commission in 2003. They submitted EEA EFTA Comments on the issue papers preparing the Liverpool audio-visual conference in October 2005 to which experts from the EEA EFTA States were also invited.

32. The Joint Committee adopted a decision incorporating Decision 845 /2004/EC on the implementation of a training programme for professionals in the European audio-visual programme industry (MEDIA-Training) (2001-2005) and Decision 846/2004/EC on the implementation of a programme to encourage the development, distribution and promotion of European audio-visual works (MEDIA Plus Development, Distribution and Promotion) (2001-2005) and thereby allowing for a continued participation in the MEDIA Plus and MEDIA Training in 2006. The EEA EFTA States also submitted EEA EFTA Comments on the Commission's proposal for a new MEDIA 2007-2013 programme which is to follow the existing MEDIA Plus and the MEDIA Training programmes.

Transport

33. In the field of transport, 23 legal acts were incorporated into Annex XIII (Transport). EEA EFTA experts participated actively in the various EU experts meetings as well as numerous committees (chaired by the Commission) in this field.

34. A significant event in the field of land transport in 2005 was the adoption of a Joint Committee Decision to include Regulation 881/2004 establishing the European Railway Agency into the EEA Agreement. The EFTA States actively participated in the various preparatory EU working groups in the land transport field.

35. In the field of maritime transport, a number of policy initiatives and proposals related to maritime safety and security were considered. Regulation 725/2004 on enhancing ship and port facility security was incorporated into the EEA Agreement along with directives on maritime safety namely Commission Directive 2005/12/EC on specific stability requirements for ro-ro passenger ships and Commission Directive 2005/23/EC on the minimum level of training of seafarers.

36. Several regulations concerning aviation safety and security were incorporated into the EEA Agreement, along with a legislative act concerning the safety of third country aircraft.

FREE MOVEMENT OF PERSONS

37. In the field of the free movement of persons, including the mutual recognition of professional qualifications and social security, 7 acts were incorporated into the EEA Agreement in 2005.

Social security

38. The EEA Joint Committee adopted 4 decisions in the field of social security. These Joint Committee Decisions incorporated 2 regulations of the Commission amending Regulation 574/72 laying down the procedure for implementing Regulation 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community and 5 decisions of the Administrative Commission on Social Security for Migrant Workers.

Recognition of professional qualifications

39. The EEA EFTA States closely followed the discussions leading to the adoption of the Directive on the recognition of professional qualifications.

Free movement of workers and employment

40. A key issue that was discussed during 2005 and that will to be followed up in 2006 was the directive of the European Parliament and the Council on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States.

HORIZONTAL AND FLANKING POLICIES

41. In 2005, in the field of horizontal and flanking policies, the Joint Committee integrated 41 acts into the EEA Agreement.

Budgetary matters

42. The EEA EFTA budget 2005 contained 2 types of contributions: for new commitments and to cover payments resulting from old and new commitments. The EEA EFTA commitments were €136.0 million in 2005, an increase from €130.7 million in 2004. The EEA EFTA payments were €100.2 million in 2005, a slight decrease from €100.4 million in 2004.

Social policy

43. Social policy covers the fields of health and safety at work and labour law, gender equality and family policy, the disabled, the elderly and social exclusion. One new act, i.e., Directive 2004/37/EC of the European Parliament and of the Council of 29 April 2004 on the protection of workers from the risk related to exposure to carcinogens or

mutagens at work was integrated into Annex XVIII (Health and safety at work, labour law, and equal treatment for men and women) of the EEA Agreement.

44. Discussions with the Commission at Subcommittee IV level on the full participation of the EEA EFTA States in the European Agency for Safety and Health at Work were concluded by the temporary agreement not to include the legal basis for EEA EFTA participation in the EEA Agreement.

Public health

45. The Joint Committee allowed for EEA EFTA participation in the European Centre for Disease Prevention and Control, by adopting a decision incorporating Regulation 851/2004 establishing a European Centre for Disease Prevention and Control.

Consumer protection

46. The EEA Joint Committee did not include any acts in the EEA Agreement in the field of consumer protection.

47. The EEA EFTA experts carefully followed discussions on the EU side on the Directive on Unfair Commercial Practices and took part in the co-operation between the Commission and its Member States in the implementation of the Directive.

48. The EEA EFTA States also closely followed the developments of the contract law initiative, an amended proposal for a revised Consumer Credit Directive, and continued their active participation in the European Extra-Judicial Network under the European Consumer Centres Network (ECC).

Research and development

49. The EEA EFTA States carefully followed the preparations on the Seventh Framework programme (FP7) for Research and Technological Development (2007-2013) in the European Commission and in the European Parliament.

Education, training and youth

50. The EEA EFTA States participate in the Socrates, Leonardo da Vinci, and Youth (2000-2006) programmes, the Erasmus Mundus programme and the e-Learning programme (2004-2006).

51. The EEA EFTA States submitted 2 EEA EFTA Comments on the proposed Youth in Action Programme and on the Recommendation on European co-operation in quality assurance in higher education the European Commission and European Parliament Committee on Education and Culture.

Culture

52. The EEA EFTA States submitted EEA EFTA Comments on the proposal for the next framework programme for culture, Culture 2007 (2007-2013).

The environment

53. The EEA Joint Committee integrated one legal act in the area of the environment into the EEA Agreement allowing for EEA EFTA participation in the Sixth Environmental Action Programme. The EEA EFTA States followed developments on the thematic strategies in the fields of air quality and the marine environment and related proposals for legislation and the better regulation initiative and its application in the environment sector.

Enterprises and entrepreneurship

54. The Joint Committee allowed for the participation of the EEA EFTA States in the project “Implementation and Development of the Internal Market”, which has several sub-projects such as Dialogue with Citizens, Dialogue with Business and the SOLVIT on-line problem-solving network without legal proceedings. In 2005, the SOLVIT portal was launched in both Icelandic and Norwegian.

Tourism

55. The EEA EFTA States contributed to the work of the EU Tourism Advisory Committee and participated in the European Tourism Forum.

Civil protection

56. The EEA EFTA States participated actively in 2 programmes in the field of civil protection: the Community Mechanism and the second Community action programme in the field of civil protection. In 2005, the Working Group followed the Commission’s preparation of a rapid response and preparedness instrument for major emergencies (2007-2013).

Statistics

57. The Joint Committee incorporated 24 acts in the field of statistics into the EEA Agreement in 2005. The good level of EEA co-operation in the field of statistics was maintained. EEA EFTA participants attended Eurostat meetings and several national seconded experts continued to work in Eurostat. The EEA EFTA States participated in the operation of a number of joint projects with the EU.

Annex II	1062308
Annex III	1051