

## Brussels

Dear colleagues,

We will meet in Brussels on 22 May to discuss two important and topical issues – energy and tax fraud and evasion. Since time for debate will be limited I felt it would be useful to send you some background information on both topics in advance of our meeting.

As you will see from the enclosed information, although the energy mix differs considerably from one Member State to another, all are facing similar challenges. We can tackle these challenges better together. Energy prices differ considerably across the EU, because our market is fragmented. Failure to tap into the benefits of energy efficiency means businesses and consumers pay more than they need for their energy supplies. We have part of the solution to high energy prices in our hands – if we complete our internal energy market and implement existing legislation. Our discussion should build on February 2011 conclusions and take our policy forward. I will suggest some policy orientations at our meeting.

Absolutely crucial to this is the completion of a fully-functioning, interconnected and integrated internal energy market which is central to Europe's competitiveness and must not be fragmented.

It is now urgent to complete the transposition and implementation of the third energy package. In the same vein, we must take urgent steps to facilitate sustainable private and public investment, including on EU-level, in our energy infrastructure, the internal energy market's backbone across borders. Furthermore, we must continue to strengthen our internal and external diversification of supplies. This includes tapping new international sources and speaking with one European voice on global energy matters. It also requires a more coordinated approach between Member States on the positive rise of renewables, and a balanced, Union-wide approach on using the potential of unconventional hydrocarbons.

All of this is critical to enhance the competitiveness of our business, boost sustainable growth, respond to the shifts in the global energy landscape and keep rising energy prices in check. We need to act urgently, in line with previous European Council conclusions, and give a political push at the highest level.

A second issue - tax fraud and evasion - is rapidly gaining importance in public debate and for good reason. At a time of fiscal consolidation Member States are not maximising the tax revenue they could have and the issue of fairness is squarely on the agenda. The enclosed background note illustrates the need for Member States to decide on key proposals on the Council table such as the Savings Tax Directive and to make more intensive use of the policy instruments that are already available including an ambitious implementation of the Commission's Action Plan on strengthening the fight against tax fraud and tax evasion and the two Recommendations on tax havens and aggressive tax planning.

Over several years, the EU has put the principle of automatic exchange of information at the heart of its approach. It is important to extend this to all forms of income. Therefore I am pleased to announce that the European Commission will present a legislative proposal to extend the scope of automatic exchange under the Administrative Cooperation Directive. This will ensure the full and consistent coverage of all relevant types of income across all Member States. And building on EU arrangements, collectively we should agree on a strong

and coordinated EU position in the G8, G20 and OECD so that automatic exchange of information becomes the new global standard.

I look forward to discussing these important issues with you at our meeting.

José Manuel BARROSO

To the Members of the European Council