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*Plenary sitting*

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**A7-0305/2010**

03.11.2010

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## **REPORT**

on the proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 (Single CMO Regulation) as regards the aid granted in the framework of the German Alcohol Monopoly (COM(2010)0336 – C7-0157/2010 – 2010/0183(COD))

Committee on Agriculture and Rural Development

Rapporteur: Paolo De Castro

### ***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

### ***Amendments to a draft act***

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: [...].

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 (Single CMO Regulation) as regards the aid granted in the framework of the German Alcohol Monopoly (COM(2010)0336 – C7-0157/2010 – 2010/0183(COD))**

**(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2010)0336),
  - having regard to Article 294(2) and Articles 42 and 43(2) of the Treaty on the Functioning of the European Union,
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to the opinion of the European Economic and Social Committee,<sup>1</sup>
  - having regard to Rule 55 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development (A7-0305/2010),
1. Adopts its position at first reading hereinafter set out;
  2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
  3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

### **Amendment 1**

#### **Proposal for a regulation – amending act**

##### **Article 1**

Regulation (EC) No 1234/2007

Article 182 – paragraph 4 – point e

#### *Text proposed by the Commission*

(e) before 30 June each year Germany shall submit a report to the Commission on the functioning of the Monopoly and the aid

#### *Amendment*

(e) before 30 June each year Germany shall submit a report to the Commission on the functioning of the Monopoly and the aid

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<sup>1</sup> Opinion of 15 September 2010 (not yet published in the Official Journal).

granted in the framework thereof in the previous year. Moreover, the annual reports to be submitted in 2013 to 2016 shall include an annual phasing-out plan for the following year concerning the small-scale flat-rate distilleries, distillery users and fruit cooperative distilleries.

granted in the framework thereof in the previous year. ***The Commission shall forward that report to the European Parliament and the Council.*** Moreover, the annual reports to be submitted in the years 2013 to 2016 shall include an annual phasing-out plan for the following year concerning the small-scale flat-rate distilleries, distillery users and fruit cooperative distilleries.

## **EXPLANATORY STATEMENT**

Your rapporteur is in favour of the proposal presented, while considering that several points need to be taken into account for the implementation of the regulation. The rapporteur considers a regular impact assessment should have been carried out and that the period of extension of the Monopoly should not have surpassed 2013, the date of the entry into force of the new CAP. However given the importance for the small scale distilleries of their participation in the Monopoly and the need for further transition towards the market and given the fact that reports presented do not demonstrate an infringement of competition in the single market, your rapporteur is ready to grant support for the proposal.

### **Presentation of legislative proposal**

Under Article 182 (4) of the Single CMO Regulation and as an exception to State aid rules, Germany may grant state aid under the German Alcohol Monopoly for products marketed, after further transformation, by the monopoly, as ethyl alcohol of agricultural origin.

The total sum allowed to be granted as state aid is limited to EUR 110 million per year and mainly goes to farmers supplying the raw material and distilleries using it. However, the actual budget used has been smaller than that amount and has been steadily decreasing since 2003 (from 110 million to 80 million euros). Moreover, a large number of distilleries have already made efforts to prepare for their entry into the free market by creating cooperatives, investing into more energy efficient equipments and increasingly marketing their alcohol directly. As it now stands, the derogation should expire on December 31<sup>st</sup> 2010.

Nevertheless, more time is needed to facilitate the adaptation process, and to allow distillers to survive on the free market. The Commission deems an extension of a few more years as necessary to complete the process of abolishing the Monopoly as well as the aid and allow for its definitive phasing-out.

The Commission proposal is accompanied by a schedule of reduction in the quantities of alcohol produced under the monopoly until the total abolition on January 1<sup>st</sup> 2018. Also, the total sums used are capped, provisions for compensations are made for leaving the monopoly and an obligation to report yearly to the Commission on the phasing-out is provided for.

### **Position**

Your rapporteur is in favour of the proposal, as the reports presented to the Commission do not show any infringement of internal market competition through the Monopoly. Your rapporteur further highlights the importance for the German rural economy of such provisions, particularly with regards to the small scale distilleries.

The talks carried out so far with Council have shown a broad support for the proposal of the Commission. Also, the opinion submitted by the European Economic and Social Committee

has granted support for the proposal<sup>1</sup>.

However, your rapporteur believes several points need to be taken into consideration by the Commission with regards to implementation.

First of all, we need to be assured that this practice of extending special arrangements within the Single CMO Regulation does not become the rule, rather than the exception. We need to be further reassured that the extension of the application of the German Alcohol Monopoly does not go beyond the proposed dates (2013 for agricultural bonded distilleries and 2017 for the small-scale flat-rate distilleries). An extension beyond 2013 is regrettable, in the sense that the new CAP should not start off with "existing baggage", but given the economic needs of the German rural economy, particularly in some of the Bundesländer where small scale distilleries are widely present, your rapporteur decided to support this extension.

As regards the presentation of the report, your rapporteur deplores the fact that no regular impact assessment of the effects of the proposal has been conducted and wishes to see this addressed by means of a study on the thorough effects on the internal market of the proposal.

Moreover, Parliament needs to be kept informed about the phasing-out process and any other developments with regards to this dossier. That is why your rapporteur deems it necessary that Parliament be kept informed through regular reporting.

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<sup>1</sup> Opinion of the Section for Agriculture, Rural Development and the Environment on the Proposal for a regulation (EU) No xxxx/2010 of the European Parliament and of the Council of ... amending Council Regulation (EC) No 1234/2007 (Single CMO Regulation) as regards the aid granted in the framework of the German Alcohol Monopoly, NAT 478 Aid/Alcohol monopoly



## PROCEDURE

<b>Title</b>	Aid granted in the framework of the German alcohol monopoly
<b>References</b>	COM(2010)0336 – C7-0157/2010 – 2010/0183(COD)
<b>Date submitted to Parliament</b>	24.6.2010
<b>Committee responsible</b> Date announced in plenary	AGRI 6.7.2010
<b>Rapporteur(s)</b> Date appointed	Paolo De Castro 28.6.2010
<b>Discussed in committee</b>	29.9.2010
<b>Date adopted</b>	27.10.2010
<b>Result of final vote</b>	+: 39 -: 0 0: 1
<b>Members present for the final vote</b>	John Stuart Agnew, Richard Ashworth, Liam Aylward, Christophe Béchu, José Bové, Luis Manuel Capoulas Santos, Michel Dantin, Paolo De Castro, Albert Deß, Hynek Fajmon, Lorenzo Fontana, Iratxe García Pérez, Béla Glattfelder, Sergio Gutiérrez Prieto, Martin Häusling, Esther Herranz García, Peter Jahr, Elisabeth Jeggle, Jarosław Kalinowski, Elisabeth Köstinger, George Lyon, Mairead McGuinness, Krisztina Morvai, Mariya Nedelcheva, James Nicholson, Rareş-Lucian Niculescu, Georgios Papastamkos, Marit Paulsen, Britta Reimers, Giancarlo Scottà, Czesław Adam Siekierski, Sergio Paolo Francesco Silvestris, Alyn Smith, Csaba Sándor Tabajdi, Marc Tarabella
<b>Substitute(s) present for the final vote</b>	Luís Paulo Alves, Salvatore Caronna, Spyros Danellis, Filip Kaczmarek, Sandra Kalniete, Christa Klač, Giovanni La Via, Astrid Lulling, Daciana Octavia Sârbu, Dimitar Stoyanov, Artur Zasada
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Julie Girling, Toine Manders
<b>Date tabled</b>	3.11.2010