



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: Presidency
to: Council

Subject: *European Council (19 and 20 March 2009)*
– *Draft conclusions*

The attached draft conclusions are presented by the Presidency with a view to their adoption by the European Council on 19 and 20 March 2009.

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Having thoroughly assessed the current economic situation, the European Council agreed on the need to rapidly deliver on reforms to ensure responsible and reliable financial markets for the future. It agreed to continue with the swift implementation of the European Economic Recovery Plan on the basis of the coordinated framework adopted last year. [In this context, it reached agreement on the Community part of the Plan.] It defined the Union's position with a view to the G20 Summit in London on 2 April.

The European Council also reverted to the issue of energy security. It specifically agreed on orientations for setting up a crisis mechanism to deal with disruptions of supplies. It took further steps in preparation of the Copenhagen Conference on climate change. Finally, it agreed a Declaration launching the Eastern Partnership.

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The meeting of the European Council was preceded by an exposé by the President of the European Parliament, Mr Hans-Gert Pöttering, followed by an exchange of views.

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I. Economic, financial and social situation

The global economic and financial crisis is one of the most important challenges for the EU since its foundation and deserves permanent attention at all political levels. Its costs are significant but it is possible to lessen them and to shorten the crisis by appropriate means. It is also necessary to prepare the European economies for the opportunities after the crisis.

Building confidence and promoting financial stability

1. Restoring confidence and the proper functioning of the financial market is an indispensable precondition for the way out of the current financial and economic crisis.

2. The guarantee and early recapitalisation measures taken by Member States within the framework of common principles have prevented a financial meltdown. However, further measures are necessary for restoring the functioning of credit markets and facilitating the flow of lending to the real economy. The European Council calls on the Member States to act in a coordinated manner, in line with the guidelines provided by the Commission of 25 February 2009 and in full respect of competition rules.
3. The magnitude and the underlying causes of the ongoing global financial and economic crisis demonstrate the need to reshape macroeconomic global management and the regulatory framework for financial markets. Prudential rules, crisis management arrangements and the supervisory framework must be strengthened at the national, European and global levels.
4. In this connection, the European Council calls on the Council and the European Parliament to rapidly reach agreement on the legislative acts relating to credit rating agencies, the solvency of insurance companies, the capital requirements for banks, and cross-border payments and electronic money, so as allow their adoption before the parliamentary recess.
5. Further efforts are urgently required in order to improve the regulation and supervision of financial institutions. The report from the High Level Group on financial supervision and the Commission communication of 4 March 2009 constitute a good basis for further discussions. The ECOFIN Council is instructed to examine them, as well as further proposals expected soon from the Commission, as a matter of urgency and to report back with a view to first decisions to be taken at the June 2009 European Council. Work should also be taken forward speedily on the forthcoming Commission proposals on hedge funds and private equity, on executive remunerations and on further strengthening capital requirements.

Getting the real economy back on track

6. The European Council expresses confidence in the medium and long term outlook of the EU economy. By continuing to work in a coordinated manner, within the framework of the Single Market and EMU, the EU will overcome the crisis and emerge stronger.

7. Good progress has been made in implementing the European Economic Recovery Plan adopted last December. Although it will take time for the positive effects to work their way through the economy, the size of the fiscal effort (around 3.3% of EU GDP or over €400 billion) will generate new investments, boost demand and create jobs.
8. Regarding the Community contribution to the Plan the European Council welcomes the progress reached on advanced payments from the structural and cohesion funds, the agreement on reduced VAT rates [Community part of the European Economic Recovery Plan p.m.] and calls on Member States to swiftly reach a compromise regarding the revision of the European Globalisation Adjustment Fund.
9. Measures taken by Member States to support the real economy and employment should be implemented in a timely, targeted and temporary manner, while respecting the following guiding principles: promoting openness within the internal market and vis-à-vis third countries; ensuring non-discrimination of products and services from other Member States; ensuring consistency with long-term reform objectives. Structural reforms bolster the credibility and complementary impact of stimulus measures. To that end Member States should share information and best practices and pool their efforts to generate synergies. In particular, the Commission's communication of 25 February 2009 provides important elements for action in support of the automotive sector, including enhanced European coordination of schemes for the renewal of car fleets.
10. Continuing implementation of agreed recovery measures is crucial both at national and Community levels. The Commission and the Council are invited to evaluate and monitor measures undertaken and report back to the June 2009 European Council.

11. The European Council reaffirms its strong commitment to sound public finances and to the Stability and Growth Pact framework. A swift and credible reversal of the fiscal expansion should be ensured keeping pace with the economic recovery and in conformity with the Stability and Growth Pact. The consolidation path and deadlines for correcting the excessive deficits should be sufficiently ambitious and take into account the different starting positions and economic situations of the countries. Ensuring long-term sustainability of public finances remains of the utmost importance.

12. Macro-financial stability is an essential element for the resilience of the European economy as a whole. Stressing the solidarity between Member States as a fundamental value of the EU, the European Council invites the Commission and the Council to take the necessary measures in order to be prepared, if needed, to act on a case-by-case basis and in close cooperation with International Financial Institutions. In particular, the Commission and the Council should rapidly examine the possibility of increasing the ceiling for the Union's support facility for balance-of-payments assistance.

Making full use of the renewed Lisbon Strategy for Growth and Jobs

13. In the current crisis, the renewed Lisbon Strategy, including the current Integrated Guidelines, remains the effective framework for fostering sustainable growth and jobs. The crisis underlines the need to pursue and accelerate structural reforms. The short-term measures taken by the EU and the Member States must be in line with the medium- and long-term objectives of the Strategy.

14. The European Council endorses the updated country-specific integrated recommendations for the economic and employment policies of the Member States and calls for their swift implementation.

15. Work should be speeded up and concrete measures taken urgently in the following areas: removing barriers while preventing the creation of new ones and achieving a fully operational internal market; further reducing administrative burdens; improving framework conditions for industry in order to maintain a strong industrial base and for businesses with a special focus on SMEs and innovation; stepping up and improving the quality of investment in knowledge, education and research. The strategic framework for European cooperation in education and training is of vital importance.
16. Recognising that free and fair trade is a key element for global recovery, the European Council calls for a swift conclusion of bilateral trade negotiations and of the WTO Doha Development Agenda.

Tackling the social impact of the crisis

17. The rapid increase of unemployment is central to our concerns. Timely, temporary, and targeted measures are needed as a matter of priority to stimulate employment and to prevent and limit job losses and negative social impacts. Building on solidarity and allowing social protection systems to fully play their role as automatic stabilisers are key to restoring and strengthening confidence and help pave the way for recovery. Mobility has also proven to significantly contribute to economic growth. Particular attention should be given to the most vulnerable and to new risks of exclusion.
18. The Employment Summit to be held in May 2009 will allow for an exchange of experiences on the extent to which the recovery measures taken have succeeded in supporting employment. It will examine in particular issues such as maintaining employment levels through flexicurity and mobility, upgrading skills and anticipating labour market needs. It will also be an opportunity to look at strengthening and restructuring the labour market so as to prepare it for the future. The Summit will be prepared in cooperation with all relevant stakeholders, including the social partners.

Working together at the global level

19. A global crisis requires global responses. Coordinated and timely action is necessary to put the global economy back on track towards recovery. The efforts undertaken by the EU need to be adequately reflected at the international level.
20. The European Union should take a leading role at the global level in bringing forward the reform of financial markets; strengthening our ability to manage crises; promoting a swift return to sustainable economic growth; and supporting developing countries in order to avoid putting at risk the progress achieved in recent years, thus undermining their economic and political stability. The G20 Summit in London has a crucial role to play in reshaping the global financial system and rebuilding the confidence of economic actors across the world. To that end, the European Council adopts the joint position set out in Annex 1 and stresses the need to ensure appropriate follow-up to the Summit.

II. Energy and climate change

Enhancing the Union's energy security

21. Energy security is a key priority which needs to be enhanced by improving energy efficiency, diversifying energy suppliers, sources and supply routes, and promoting the Union's energy interests vis-à-vis third countries. In order to deliver on energy security, the EU collectively, as well as each Member State, must be prepared to combine solidarity with responsibility. In that light, the European Council endorses the broad initiatives set out in the Second Strategic Energy Review and further refined in the Council (TTE) conclusions of 19 February 2009. In particular, it agrees on the following:

- Energy infrastructures and interconnections must be developed. To that end, the Commission and the Member States are invited to rapidly present the detailed actions required to realise the priority areas identified in the SER¹, it being understood that other projects, such as ongoing TEN-E projects, will continue to be taken forward. Looking to the longer term, the Commission is invited to present early in 2010 its proposal for a new EU Energy Security and Infrastructure Instrument.
- The recent gas crisis has demonstrated the urgent need to establish adequate crisis mechanisms as well as to work to obtain clear guarantees from suppliers and transit partners that supplies will not be interrupted. The Council should examine by the end of 2009 the forthcoming Commission proposals to revise legislation on the security of gas supply. This should include an appropriate crisis mechanism ensuring the preparedness of all actors, including the energy industry, transparency and prior information through the development of plans for security of supply; solidarity among Member States through the development of regional plans; and improved assessment and coordination through the redefinition of the threshold for deciding actions at Community level.
- The promotion of energy efficiency can contribute in a very significant manner to energy security. The European Council therefore calls on the Council to agree, before the end of the year, on the proposals contained in the Energy Efficiency Package and the revision of the energy efficiency Action Plan.
- An efficient, liberalised and well connected internal energy market is a prerequisite for an effective policy on energy security. Therefore the European Council calls on the Council and the European Parliament to conclude an agreement on the third package for the Internal Energy Market before the parliamentary recess.

¹ Southern Gas Corridor, a diverse and adequate LNG supply for Europe, effective interconnection of the Baltic region, the Mediterranean Energy Ring, adequate North-South gas and electricity interconnection within Central and SE Europe and the North Sea and North West Offshore Grid.

- Stressing the importance of diversifying sources, fuels and routes of energy supply, the European Council underlines the increasingly important part played by energy in the EU's external relations. It invites the Commission to propose by mid-2009 a concrete mechanism to facilitate access to Caspian gas. It is of particular importance for the EU and its Member States to continue delivering consistent messages ("speaking with one voice") to supplier and transit countries.
- The European Council also recalls the need to make the best use of its own energy resources, including renewables, fossil fuels and, in countries which choose to do so, nuclear energy.

Preparing the Copenhagen Conference on climate change

22. The European Union remains committed to contribute to bringing about a global and comprehensive climate agreement in Copenhagen in December 2009 designed to limit global warming to below 2°C. To this end, the European Council recalls the EU's commitment to a 30% emission reduction as its contribution to such an agreement provided that other developed countries commit themselves to comparable emission reductions and that advanced developing countries contribute adequately according to their responsibilities and respective capabilities. The Council conclusions of March 2009 set out in more detail the efforts the EU expects from developed and developing countries, including the need for the overall target for developed countries to be distributed in a manner that is fair and ensures the comparability of efforts.
23. Significant domestic and external sources of finance, both private and public, will be required for financing mitigation and adaptation actions, particularly in the most vulnerable developing countries. The European Union will take on its fair share of financing such actions in developing countries. Future discussions on generating financial support should focus on combining different approaches including a contributory approach, market-based approaches, and other potential funding sources and financing mechanisms. In this connection, the European Council emphasises the importance of building a global carbon market, including the Clean Development Mechanism, to generate necessary financial flows.

24. The European Council underlines the need to explore in more detail the practical means and internal EU arrangements for financing mitigation, adaptation, technology support and capacity building and will return to this question at its subsequent meetings, on the basis of further work carried out by the Commission and the Council. In this context, the European Union will pay special attention to the needs of the most vulnerable developing countries.

III. European Neighbourhood Policy

Eastern Partnership

25. Promoting stability, good governance and economic development in its Eastern neighbourhood is of strategic importance for the European Union. In line with the Commission communication of 3 December 2008, the European Council welcomes the establishment of an ambitious Eastern Partnership and adopts the Declaration annexed to these conclusions. It calls for all necessary preparations to be made for the Eastern Partnership Launching Summit with the partner countries in Prague on 7 May 2009.
26. The Eastern Partnership will promote stability and prosperity among the EU's Eastern partners covered by the European Neighbourhood Policy. The European Council agrees on a deeper bilateral engagement and on a new multilateral framework involving the EU, Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine, aiming at accelerating reforms, legislative approximation and economic integration.
27. The European Council further calls on the Commission as well as the current and incoming Presidencies to advance speedily with the practical implementation of the Partnership together with the partners and requests the Commission to submit in due course a report on the first year of implementation of the Eastern Partnership.

Barcelona process: Union for the Mediterranean

28. The European Council reiterates its will to strengthen its partnership with its southern Mediterranean partners. It calls for the resumption of the implementation of the projects identified at the Paris Summit. In this connection it is important to accelerate work on the establishment of the UPM permanent secretariat in Barcelona.

IV. EU – US Relations

29. [Presidency to inform about the informal meeting of EU Heads of State or Government with the US President p.m.]

V. Treaty of Lisbon

30. The European Council was informed of the state of play on implementing its conclusions of December 2008 on the Treaty of Lisbon. It will revert to this issue at its June 2009 meeting.
31. [CZ to inform about ratification process. p. m.]
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AGREED LANGUAGE WITH A VIEW TO THE G20 SUMMIT IN LONDON

Coordinating international action to promote a swift return to sustainable economic growth

- (i) Continue international coordination of fiscal stimulus measures. Implement swiftly planned fiscal stimulus packages. Once the recovery takes hold, an orderly reversal of macroeconomic stimuli is warranted.
- (ii) Give priority to restoring the functioning of credit markets and facilitating the flow of lending to the economy, acting on a timely and coordinated basis and safeguarding the level playing field.
- (iii) Ensure consistency of fiscal measures with longer-term objectives such as improving productivity and addressing the challenges of ageing populations and climate change.
- (iv) Keep markets open and avoid all form of protectionist measures (no new barriers to investment or to trade and no new export restrictions). Strive to swiftly reach agreement on modalities for the Doha Development Agenda with an ambitious and balanced outcome.
- (v) Support efforts to ensure that trade financing reaches all businesses, including small and medium-sized enterprises, in both the developed and the developing world, and that does so quickly and without causing distortions.
- (vi) Support a multilateral initiative on trade finance, as the decline in trade finance contributes to the exacerbation of the decline in world trade.

Strengthening our ability to manage and prevent crises at the global level

- (vii) Charge the IMF with monitoring and promoting the implementation of the Action Plan adopted at the G20 Washington summit in November 2008, in the area of financial regulation in close collaboration with the FSF.
- (viii) Enhance the collaboration between the IMF and the Financial Stability Forum (FSF) aimed to identify systemic risks and weaknesses arising from the financial sector and regulation and ensure that members take corrective action.
- (ix) Double IMF resources so that the Fund can help its members swiftly and flexibly if they experience balance of payments difficulties. The IMF lending framework should be streamlined and adjusted to strengthen the Fund's capacity to prevent and respond to crises. [EU Member States are ready to provide on a voluntary basis a fast temporary support of IMF lending capacity in a form of a loan in the total amount of USD [75 to 100] bn].
- (x) Implement swiftly the IMF quota and voice reform of April 2008. Support the reform of the governance of international financial institutions. In particular, reform the IMF so that it reflects more adequately relative economic weights in the world economy and review the process for the selection of top management for the IMF and the World Bank. Enlarge and strengthen the FSF to include major financial and economic actors, including the European Commission.
- (xi) Work to find consensus on, and adopt, a Global Charter for Sustainable Economic Activity, based on market forces, but preventing excesses, as a first step towards a set of global governance standards.

Better regulating financial markets

- (xii) Strengthen transparency and accountability to avoid pitfalls of the past, in particular by making macro-prudential supervision a standard part of the financial sector oversight.
- (xiii) Ensure appropriate regulation or oversight of all financial markets, products and participants that may present a systemic risk, without exception and regardless of their country of domicile. This is especially true for private pools of capital, including hedge funds and alternative investment vehicles.
- (xiv) Subject credit rating agencies to proper regulation and supervision in an internationally consistent manner, to ensure quality and transparency of ratings and avoid conflicts of interest.
- (xv) Enhance the transparency and resilience of credit derivatives markets, especially by promoting the standardisation of contracts and the use of central clearing counterparties, subject to effective regulation and supervision.
- (xvi) Fight with determination tax evasion, financial crime, money laundering and terrorist financing as well any threat to financial stability and market integrity. Protect the financial system from non-transparent, non-cooperative and loosely regulated jurisdictions, including off-shore centres. Request the listing of such jurisdictions and develop a toolbox of sanctions that permits the application of appropriate and gradual countermeasures. Request proposals from the Financial Action Task Force, the OECD and the FSF.
- (xvii) Adopt sound common principles on corporate governance and remuneration practices, preventing that compensation schemes incentivise excessive risk taking. Compensation schemes should be reviewed by supervisors, backed-up by an effective enforcement regime.

- (xviii) Improve supervisory cooperation, in particular through the rapid establishment of colleges of supervisors for all major cross-border financial institutions before the end of 2009. Supervisors to exchange good practices and promote global convergence of practices.
- (xix) Improve the regulation relating to banks' capital, to ensure that banks build additional buffers of resources in good times, so that they are better equipped to face bad times. Encourage the working groups and institutions active in this field to submit appropriate recommendations as soon as possible, taking into account effectiveness of the existing rules (Basel II).
- (xx) Improve prudential rules and accounting standards to mitigate their pro-cyclical effects and enhance the accountability of the International Accounting Standard Board.
- (xxi) Foresee rigorous enforcement of financial regulation and transparency, backed by effective, proportionate and dissuasive sanctions, in order to promote integrity in financial markets. Review conduct of business rules to protect markets and investors, as appropriate across different sectors and markets.

Supporting developing countries in responding to the effects of the crisis

- (xxii) Promote global development as part of the solution to the global crisis and a basis for peace and stability.
- (xxiii) Honour commitments to increase development assistance. Reaffirm commitment to deliver on the Millennium Development Goals. Meet aid-for-trade pledges and give duty-free and quota free-access to least developed countries.

- (xxiv) Make full use of other official sources of financing, such as export credits and investment guarantees as well as development-oriented support in the areas of research and technology, peace and security, migration and climate change. Enhance the effectiveness and coordination of instruments and resources.
- (xxv) Enable Multilateral Development Banks to help counter the effects of the crisis in developing countries, particularly as regards the poorest and most vulnerable populations. Launch a multilateral initiative on trade finance to reinforce the efforts of the World Bank Group and other agencies.
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DECLARATION BY THE EUROPEAN COUNCIL ON THE EASTERN PARTNERSHIP

1. Promoting stability, good governance and economic development in its Eastern neighbourhood is of strategic importance for the European Union. The EU therefore has a strong interest in developing an increasingly close relationship with its Eastern partners, Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine. The European Union's proposal for an ambitious Eastern Partnership to be established with these countries serves this objective.

The Eastern Partnership will bring about a significant strengthening of EU policy with regard to its Eastern partners by seeking to create the necessary conditions for political association and further economic integration between the European Union and its Eastern partners through the development of a specific Eastern dimension of the European Neighbourhood Policy. To achieve this, the Eastern Partnership seeks to support political and socio-economic reforms, facilitating approximation and convergence towards the European Union. In the same vein, the Eastern Partnership will help to build trust and develop closer ties among the six Eastern partners themselves.

2. Work under the Eastern Partnership will go ahead without prejudice to individual participating countries' aspirations for their future relationship with the European Union. The Eastern Partnership will be governed by the principles of joint ownership, differentiation and conditionality. Shared values including democracy, the rule of law, and respect for human rights will be at its core, as well as the principles of market economy, sustainable development and good governance. Increased European Union engagement will be in line with the main goals of the Eastern Partnership, depending on the progress made by individual partners.

3. There will be effective complementarity between the Eastern Partnership and existing regional initiatives in the EU's neighbourhood, in particular the Black Sea Synergy. The European Council underlines the EU's commitment to strengthen the Black Sea Synergy and to support its implementation, noting that its focus is on regional cooperation in the Black Sea region, whereas the Eastern Partnership focuses on approximation and will strengthen the links of partner countries with the EU. The Eastern Partnership will also be developed in parallel with the bilateral cooperation between the EU and third countries.
4. Bilateral cooperation under the Eastern Partnership should provide the foundation for new Association Agreements between the EU and those partners who have made sufficient progress towards the principles and values set out in paragraph 2 above and who are willing and able to comply with the resulting commitments including the establishment, or the objective of establishing, deep and comprehensive free trade areas. The European Union's Comprehensive Institution-Building Programmes will help the participating countries to improve their administrative capacity. The Eastern Partnership will promote mobility of citizens of partner countries through possible visa facilitation and readmission agreements, once the proper preconditions have been met. The EU, in line with the Global Approach to Migration, should take gradual steps towards visa liberalisation for the individual partner countries as a long-term perspective and on a case-by-case basis provided that conditions for well-managed and secure mobility are in place. The Eastern Partnership aims to strengthen the energy security cooperation of all participants with regard to long-term energy supply and transit, including through better regulation and energy efficiency. It will put at the disposal of partners the EU's expertise in social and economic development policies.
5. The multilateral framework of the Eastern Partnership will provide for cooperation activities and dialogue serving the objectives of the Partnership. It should operate on a basis of joint decisions of EU member states and Eastern partners, without prejudice to the decision making autonomy of the EU.

The European Council proposes to hold regular meetings in principle once every two years at the level of Heads of State or Government of the Eastern Partnership, and once a year at the level of Foreign Ministers. Four thematic platforms should be established according to the main areas of cooperation (Democracy, good governance and stability; Economic integration and convergence with EU policies; Energy security; and Contacts between people). The European Council also supports the launching of Flagship Initiatives in order to give momentum and concrete substance to the Partnership. The EU looks forward to an early discussion with the partners in this regard.

Third countries will be eligible for participation on a case-by-case basis in concrete projects, activities and meetings of thematic platforms, where it contributes to the objectives of particular activities and the general objectives of the Eastern Partnership.

6. The Eastern Partnership will engage a wide range of actors, including government ministries and agencies, parliaments, civil society, international organisations, financial institutions and the private sector.
7. On the basis of this Declaration, the EU will conduct the necessary consultations with Eastern partners with a view to preparing a Joint Declaration on the Eastern Partnership to be adopted at the Eastern Partnership Launching Summit in Prague on 7 May 2009. The European Council looks forward to launching the Eastern Partnership as a common endeavour with partners, being confident that this initiative will advance the cause of good governance, increase prosperity and strengthen stability, bringing lasting and palpable benefits to the citizens of all participating countries.

List of reference documents submitted to the European Council

- Key Messages adopted by the Council (EYC) on youth policy (xxxx/09) and on education and training (xxxx/09) on 16 February 2009
- Conclusions of the Council (Environment) on the preparation of the Spring European Council adopted on 2 March 2009 (xxxx/09)
- Key Issues adopted by the Council (Competitiveness) on 5/6 March 2009 (xxxx/09)
- Key Messages adopted by the Council (EPSCO) on 9 March 2009 (xxxx/09)
- Council conclusions on free movement of workers (EPSCO) on 9 March 2009 (xxxx/2009)
- Council conclusions on new skills for new jobs (EPSCO) on 9 March 2009 (xxxx/2009)
- EPSCO Conclusions adopted 9 March 2009
- Key Issues Paper adopted by the Council (ECOFIN) on 10 March 2009 (xxxx/09)
- Conclusions on the Follow-up to the Single Market Review adopted by the Council (Competitiveness) on 5 March 2009 (xxxx/09)
- Terms of reference to the G20 Summit adopted by the Council (ECOFIN) on 10 March 2009 (xxxx/09)
- Presidency paper on main messages to the G20 summit on developing countries and the global economic crisis (xxxx/09)
- Conclusions on the further development of the EU position on a comprehensive post-2012 climate agreement adopted by the Council (Environment) on 2 March 2009 (xxxx/09)
- Conclusions on international financing of climate change adopted by the Council (ECOFIN) on 10 March 2009 (xxxx/09)
- Conclusions on the development dimension for a comprehensive post-2012 climate change agreement adopted by the Council (General Affairs and External Relations) on 16 March 2009 (xxxx/09)
- Conclusions on the Second Strategic Energy Review adopted by the Council (TTE) on 19 February 2009 (xxxx/09)
- Presidency note on promoting the security of gas supplies (xxxx/09)
- [Conclusions on Afghanistan adopted by the Council (General Affairs and External Relations) on 16 March 2009 (7364/09)]