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REPORT FROM THE COMMISSION

**Monitoring the application of European Union law
2018 Annual Report**

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Foreword

We will deliver where it matters most. These are the words of Europe's 27 leaders in the Sibiu Declaration, signed in May 2019 just ahead of the European Parliament elections. Those words go to the heart of what this Commission has been doing every day since it took office in November 2014.

Indeed, we have delivered where it matters. There are people who say that Europe is too slow or too complicated to move forward. However, in the last five years, more than 354 Commission proposals have been agreed upon by the co-legislators. The results speak for themselves. Unemployment is down - there are more than 240 million Europeans at work and wages are up by 5.7 %. We now have a dedicated European Border and Coast Guard to help protect our borders. We can roam like at home wherever we are in the Union and we can stream using our subscriptions even when in another EU country. Our companies can trade tariff-free in markets as far as Canada or Japan.

This progress is thanks to the many times we agreed on new rules to move Europe forward. But any legislation is only ever as good as its implementation and enforcement. This is what brings the words on the statute book to life. It is what turns laws into benefits for citizens. It is what ensures that political agreements translate into real-life benefits for citizens, small and medium-sized enterprises and businesses. This is why when I came into office I promised to do less – we made 75% less proposals than previous Commissions – but to do it better.

We now work much closer with national authorities to support them in implementing European legislation. This dialogue has helped solve 90% of infringement cases since 2014 without having to go to the Court of Justice of the European Union – saving time and taxpayer money in the process. Where dialogue did not work, we took strong and effective action where EU law was breached.

This report demonstrates how this more strategic, more open but also stronger approach worked in 2018. We supported national and regional authorities in implementing clear air and clean water rules. We took action against Member States who failed to live up to their commitments and implement the EU rules on Passenger Name Records, on combating terrorism and on anti-money laundering. We used our enforcement powers when some countries did not move fast enough to improve access for people with disabilities to websites and other mobile applications. We have strengthened our dialogue with Member States across the board to ensure that we work together on implementation and enforcement. I am delighted to report a strong commitment and engagement by Member States.

All of this shows the real value of work done on implementation and enforcement. It is about upholding decisions taken together. Moreover, it is ultimately about ensuring that citizens truly benefit from new rules. Only a Europe that puts citizens' rights at the core of everything it does, is a Europe that truly delivers. There is no more important task.

As one of my great predecessors, Walter Hallstein, said: Europe is a Community of Law. The law is our way to ensure that we can protect and promote our values and our rights. It is our best asset to fight for social justice, equality and fairness for all. This is why the rule of law can never be optional and this is why the Commission put such an emphasis on enforcement in 2018, as you will see from this report. If we want to deliver where it matters the most, as leaders promised in Sibiu, then we must continue this approach in 2019 and beyond.

President of the European
Commission

Jean-Claude Juncker

1. A new boost for jobs, growth and investment

The Juncker Commission's top priority is to stimulate investment to create jobs and strengthen Europe's competitiveness. However, creating the right regulatory environment to support businesses and job creation is undermined if Member States do not implement EU rules correctly and on time.

Ensuring fair working conditions across EU



All workers in the European Union have the right to fair working conditions. This right is reflected in the [European Pillar of Social rights](#), which was proclaimed jointly by the European Parliament, the Council of the EU and the European Commission in November 2017. The Pillar contains a specific chapter dedicated to fair working conditions.

For the past few years the Commission has paid special attention to working time. Among other things, it has published [guidance documents](#) to help Member States implement the Working Time Directive.

Following efforts by the three Member States, the Commission closed infringement cases against Denmark, Ireland and Greece over the application of the Working Time Directive. The Commission ensured that Denmark respect workers' right to take their annual leave in the same year in which the leave was accrued. As for Ireland and Greece, the necessary measures were taken to comply with EU rules on limits to working time for doctors in public health services.

European Works Councils, which represent the European employees of transnational companies, also contribute to guaranteeing fair work conditions. Through them, management inform and consult workers on the progress of the business and on any significant decision at European level that could affect their employment or working conditions. In 2018, the Commission published [a report](#) on the implementation of the [directive setting up the European Works Councils](#). The report highlights the benefits for both workers and companies of having a transnational social dialogue at company level through European Works Councils.

Enforcing environmental rules



In 2018, the Commission took legal action to address the inadequate implementation of EU environmental legislation.

Following the [fitness check of the directives on protecting nature](#) the Commission's [action plan for nature, people and the economy](#), adopted in 2018, aims to ensure a fully functional, coherent and ecologically representative network of protected sites. For instance, Member States must complete the Natura 2000 network of protected areas, filling in the existing gaps for the marine

environment, and putting in place the necessary conservation measures for all sites. In its [Białowieża judgment](#), the Court clarified the obligations for forest management on Natura 2000 sites. This is key for the conservation of protected habitats and species.

In 2018, the Commission took further legal steps in the infringement procedures against [Ireland](#), [Greece](#) and [Portugal](#) to ensure that the Natura 2000 network is completed. Infringement cases against seven other Member States remain open.

Air pollution continues to be a considerable public health problem and a priority for the Commission. In the Communication entitled '[A Europe that protects: Clean air for all](#)', adopted in 2018, the Commission outlined the measures available to help Member States fight air pollution.

In 2018, the Commission also took [six Member States](#) (Germany, France, Italy, Hungary, Romania and the United Kingdom) to the Court of Justice over excessive levels of particulates (PM₁₀), or nitrogen dioxide (NO₂) in the air. The Commission will pursue the infringement cases against other Member States if they do not make significant progress towards compliance.

In February 2018, the Court of Justice ruled that [Poland](#) had failed to respect EU air quality legislation as it had failed to ensure that air pollution would not exceed the legal limits. Moreover, Poland had not adopted adequate action plans to make sure that the breach of those limits would be for as short a period as possible.

In September 2018, the Commission published an [Early Warning Report for EU waste legislation](#), highlighting where Member States risk not meeting the EU waste targets. In parallel, the Commission took action in 2018 to remedy structural flaws in the waste legislation of Member States, such as the ongoing presence of illegal or substandard landfills or the absence of waste management plans.

The Commission also adopted a nine-point [action plan on compliance assurance](#), looking at issues such as inspections and governance.

Enforcing the agricultural rules



Two of the main objectives of the common agricultural policy are providing support to farmers and ensuring that consumers have a stable supply of affordable food. Other goals include addressing climate change and managing natural resources in a sustainable manner, maintaining rural areas and landscapes across the EU, and keeping the rural economy alive by promoting jobs in farming and related sectors.

In 2018, the Commission's actions to enforce the agricultural rules focused mostly, as in previous years, on monitoring how Member States are correctly implementing the [direct payments](#).

Bilateral discussions continued with Member States that were incorrectly using financial aid under the Voluntary Coupled Support scheme to support types of farming or sectors facing difficulties other than the risk of abandonment or of decline in production. Through dialogue, the Commission persuaded the national authorities of one Member State to amend its national rules and bring them into line with EU law.

Geographical indications protect the name of specific products and promote their unique characteristics, linked to their geographical origin as well as traditional know-how. In 2018, the Commission continued to follow specific situations of incorrect implementation of the EU rules on the protection of Protected Designations of Origin and Protected Geographical Indications.

[Denmark](#) allowed Danish companies to produce and export white cheese to non-EU countries as 'feta' even though this cheese does not comply with the product specification for this Protected Designation of Origin.

[Bulgaria](#) has maintained its own national register of geographical indications for agricultural products and foodstuffs since 2008, disregarding the exclusive character of the EU-wide registers for quality schemes.

In 2018, the Commission closed the infringement procedures against Italy, Cyprus and the United Kingdom as they had implemented the marketing standards for [caseins](#) and [caseinates](#) in their national legislation.

Enforcing the rules on maritime affairs and fisheries



Helping the European fishing industry and coastal areas thrive, while at the same time protecting the maritime environment, are key objectives of the EU's maritime policy.

The sustainability objectives of the EU's common fisheries policy contribute both to conserving stocks and maximising fish supply from fishing. As these objectives are to be met by 2020 at the latest, the Commission's enforcement strategy in 2018 continued to focus on fisheries conservation and control, as well as on

compliance with the EU's exclusive competence in this area.

The national systems for fisheries control and enforcement must be effective and must provide for dissuasive sanctions if the rules are breached.

The Commission launched an infringement procedure against [Ireland](#) to ensure that serious breaches of EU rules on fisheries are met with effective sanctions.

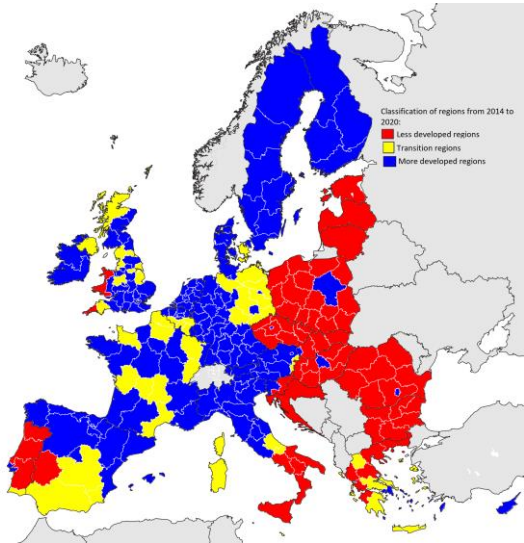
'Control action plans' are a specific compliance tool adopted by the Commission in close cooperation with the Member State concerned in order to promote the correct enforcement of the rules of the [Control Regulation](#) for fisheries. In 2018, the Commission adopted new action plans for a number of Member States and monitored their implementation.

A well-functioning system of fishery producer organisations is crucial for bringing those producers together in order to meet the objectives of the common fisheries policy and of the common organisation of the markets.

The Commission launched an infringement procedure against the [United Kingdom](#) for failing to ensure compliance with the conditions for the [recognition of fishery producer organisations](#).

Maritime spatial planning helps ensure that all human activity at sea takes place in an efficient, safe and sustainable way. The Commission monitored the correct implementation of the [EU common framework for maritime spatial planning](#) across borders and sectors throughout 2018.

Enforcing the rules on regional policy



the Commission's efforts to detect and take corrective action against these kinds of irregularities continued unabated.

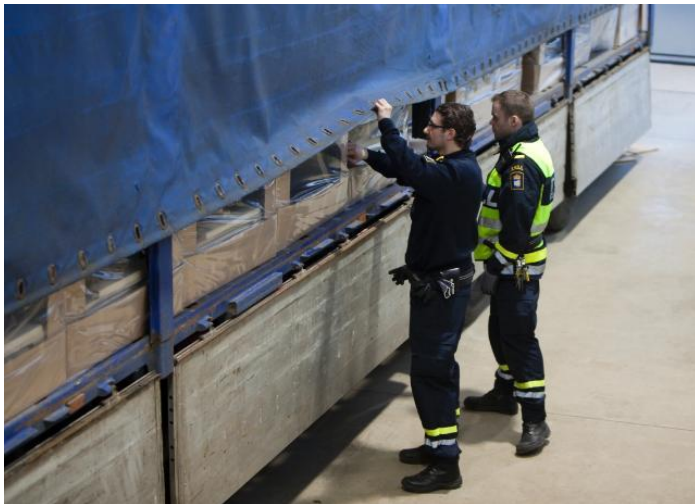
The [European Structural and Investment Funds](#) support investments in key growth-generating policy areas across the EU.

An appropriate framework for investments is needed to make sure that they are as effective as possible. In 2018, the Commission specially focused its efforts on checking compliance with specific [preconditions](#), in particular for the areas of public procurement, State aid, comprehensive plans for transport investments, and in the water and waste sectors.

When an investment fails to meet the standards set out in EU legislation, the Commission addresses these irregularities by suspending payments or applying financial corrections, as necessary. In 2018,

In 2018, a [Commission study](#) assessed whether effective specific systems used by Member States to deal with complaints concerning the European Structural and Investment Funds are in place. It found that in most cases the Member States have standardised complaints-handling arrangements based on national laws or programme documents. The arrangements among the EU Member States are overall effective. Moreover, the complaints-handling arrangements are more developed in the 2014-2020 programming period compared to the arrangements in the 2007-2013 period.

Fighting fraud against the EU budget



The means to combat crime affecting the EU budget have significantly improved with the adoption of the [Directive on the protection of the EU's financial interests](#). The Commission is working closely with the Member States to ensure the directive is implemented properly.

The Commission launched an infringement procedure against the [United Kingdom](#) because it refused to make customs duties available to the EU budget, as required by EU law. A 2017 report by the European Anti-Fraud Office found that importers in the United Kingdom had evaded a large amount of customs duties by using fictitious and false invoices and incorrect customs value declarations at importation. Further Commission inspections brought to light a dramatic increase in the scale of the undervaluation scheme that operated through the UK hub between 2011 and 2017. The UK had failed to take action to prevent the fraud even though it had been warned of such a risk in the importation of textiles and footwear from China since 2007 and notwithstanding that it had been asked to take appropriate risk control measures. The Commission calculated that the UK's infringement of EU legislation resulted in losses to the EU budget of EUR 2.7 billion (minus collection costs) between

November 2011 and October 2017.

2. A connected Digital Single Market

The Digital Single Market strategy aims to remove online barriers preventing EU citizens from gaining access to goods and services.

Improving connectivity



High-speed digital communications foster innovation and better services for the economy and society. The development of 5G connectivity is a priority for the Commission. The aim is to ensure that 5G radio spectrum is available in the whole of the EU by 2020.

The Commission launched infringement procedures against [Belgium](#), [Croatia](#) and [the Netherlands](#) for missing intermediate deadlines for freeing up spectrum for mobile communications. This could delay the development of 5G networks.

Civil engineering work, such as digging up roads to lay high-speed cables, accounts for up to 80 % of the cost of deploying broadband networks. The [Broadband Cost Reduction Directive](#) aims to foster cooperation across sectors such as energy, water and transport providers. This can create the conditions for more efficient deployment of new infrastructure so that the networks can be rolled out at lower cost, thereby benefiting the public.

In 2018, the Commission took action to ensure that high-speed networks can be rolled out more easily. As a result, almost all Member States have now implemented the [Broadband Cost Reduction Directive in their national legislation](#).

Guaranteeing cybersecurity and trust in online transactions



Building trust in the online environment is key to economic and social development. With the entry into force of the Regulation on electronic identification and trust services for electronic transactions in the internal market (the [eIDAS Regulation](#)), a common platform was provided for secure electronic interaction between members of the public, businesses and public authorities. The eIDAS Regulation establishes a general legal framework for the use of trust services in the EU. These include electronic

signatures, electronic seals, electronic time stamps, electronic registered delivery services, and website authentication.

Cybersecurity is an important priority for the Commission. The [Security of Network and Information Systems Directive](#) aims to achieve a uniformly high level of security for network and information systems across the EU.

In 2018, the Commission launched infringement procedures against [17 Member States](#), requiring them to implement fully this first piece of EU-wide legislation on cybersecurity into their national laws.

Better accessibility for citizens with disabilities

People with disabilities, especially vision or hearing impairments, may have difficulty accessing the websites and mobile applications of public sector bodies.



The aim of the [Web Accessibility Directive](#) is to improve access to these information tools for people with disabilities.

The Commission launched infringement procedures against 19 Member States, requiring that they fully transpose the [Web Accessibility Directive](#) into national laws.

To further promote accessibility, the Commission proposed the [Directive on permitted uses of works and other subject matter protected by copyright and related rights for the benefit of persons who are blind, visually impaired or otherwise print-disabled](#), which establishes a mandatory exception to copyright and related rights. Its objective is to allow people who have difficulties reading print to access books and other printed material in formats that are accessible to them.

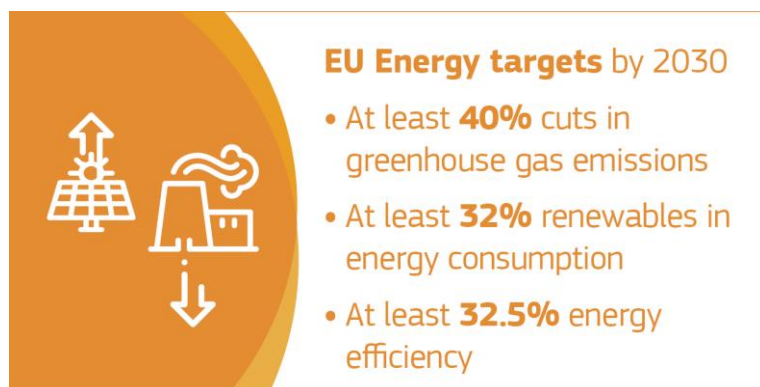
In 2018, the Commission launched infringement procedures against 17 Member States that had failed to implement this [directive](#) in their national legislation on time.

The rules set out in both these directives reflect the Commission's ongoing work to build a social and inclusive European Union, where all Europeans can play a full part in the digital economy and society.

3. A resilient Energy Union with a forward-looking climate change policy

The European [Energy Union](#) ensures secure, affordable and clean energy for households and businesses by making the free flow of energy possible across national borders within the EU. It also stimulates the development of new technologies and renewed infrastructure in order to cut household bills, create jobs and boost growth. The Energy Union will lead to sustainable energy consumption by reducing greenhouse gas emissions, pollution and our dependence on fossil fuels.

Leading the energy transition towards a safe, secure and sustainable energy sector with the consumer at its centre



In 2016, the European Commission proposed the [Clean Energy for All Europeans](#) package. This raised the EU's ambitions in rolling out the clean energy transition and in ensuring that the EU stays competitive as global energy markets undergo change.

In 2018, the European Parliament and the Council reached a political agreement on all of the Commission's proposals in this package.

The Clean Energy for All Europeans package includes a revision of key EU legislation in areas such as the [energy performance of buildings](#), [energy efficiency](#), [renewable energy](#) and [governance of the Energy Union and climate action](#), all of which is already in force. On the energy performance of buildings, the aim is to accelerate the cost-effective renovation of existing buildings, mobilise investments and support smart building systems. The package also aims to raise the share of renewable energy to at least 32 % by 2030. These targets will be reviewed in 2023. Member States must establish integrated national energy and climate plans for 2021 to 2030, setting out how they intend to achieve the 2030 targets.

The Commission monitored Member States' progress towards meeting their energy efficiency targets and towards making buildings sustainable by using infringement procedures, among other things.

The Commission pursued further the infringement procedures against the [Netherlands](#) and [Slovenia](#) for not complying with the [Energy Performance of Buildings Directive](#). It launched infringement procedures against [15 Member States](#) and asked them to correctly implement the [EU rules on energy efficiency](#).

Infringement procedures were also used to protect the public against radiation and ensure safety in the nuclear sector.

The Commission called on [Belgium](#), [Spain](#) and [Poland](#) to implement the [EU nuclear safety rules](#). It launched infringement procedures against 22 Member States for not correctly implementing the [Radioactive Waste Directive](#). The Commission also launched infringement procedures against [nine Member States](#) as they failed to implement the [Basic Safety Standards Directive](#).

Implementing the Paris Agreement on climate change



The 2015 Paris Agreement sets out a global action plan to limit climate change.

The European Union is the first major economy to translate its promises under the Paris Agreement into binding legislation.

In 2018, the European Parliament and the Council adopted the main legislation to implement the [2030 climate and energy framework](#). This sets a target of reducing greenhouse gas emissions by at least 40 % (from 1990 levels) by 2030. The Commission is already looking further ahead, with

the presentation in 2018 of its vision for a prosperous, modern, competitive and climate-neutral economy by [2050](#).

Achieving these targets, as well as the [2020 targets](#), requires legislation that is fully implemented and enforced. In 2018, the enforcement and monitoring measures included infringement procedures and informal dialogues with Member States.

Informal dialogues with Member States focused on the [Carbon Capture and Storage Directive](#), the [F-gas Regulation](#) and the [Regulation on monitoring, reporting and verification of emissions from maritime transport](#).

During 2018, the Commission actively pursued the ongoing infringement procedures over certain Member States' failure to implement the [Directive on fuel quality](#). The majority of cases were closed and only five cases remained open at the end of the year.

In 2018, the EU made important progress towards putting in place strong rules to decarbonise and modernise the transport sector. In May, the Commission presented the first-ever [legislative proposal on carbon dioxide emission standards for heavy-duty vehicles](#). Moreover, the European Parliament and the Council adopted the legislation on [monitoring and reporting carbon dioxide emissions from heavy-duty vehicles](#) and reached a [political agreement](#) on carbon dioxide emission (CO₂) standards for cars and vans for the period after 2020. The full and effective implementation of these measures will be key to tackling CO₂ emissions from road transport, which still account for around one fifth of the EU's total CO₂ emissions.

4. A deeper and fairer internal market with a strengthened industrial base

The EU Single Market remains Europe's most precious asset for individuals and businesses. It provides enormous opportunities for businesses as well as greater choice and lower prices for consumers. It enables people to travel, live, work and study wherever they wish. But these benefits cannot be enjoyed if Single Market rules are not applied or implemented, or if they are undermined by other barriers.

Ensuring undistorted competition

The internal market is stronger when competition is undistorted.



In 2018, the Commission verified that all Member States had completed implementation of the [Antitrust Damages Directive](#) and closed the 18 remaining [infringement procedures](#).

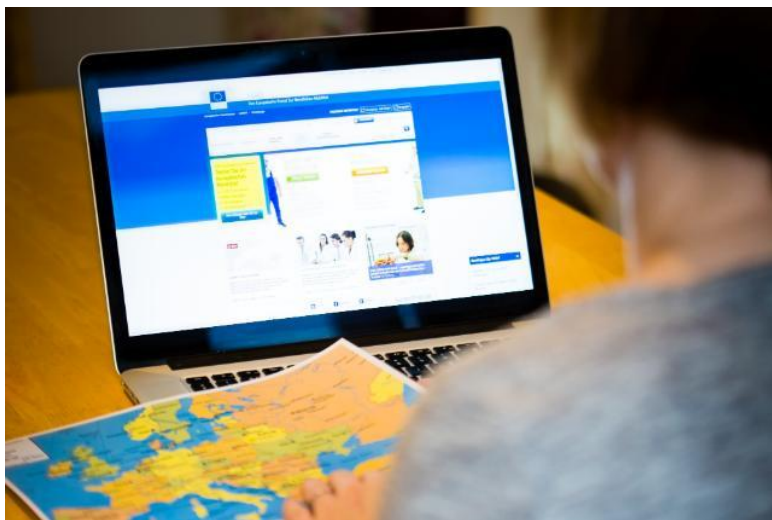
The Commission also accepted the final remedies submitted by Greece in a case concerning the award of exclusive exploitation rights of lignite to the main incumbent on the Greek electricity market, in breach of EU competition rules.

Consistently launching infringement procedures to ensure compliance with Commission State aid decisions is essential for the credibility of the Commission's State aid control regime.

The Commission took [Italy](#) to Court for a second time, as the Italian authorities did not comply with a Court earlier ruling. In that ruling, the Court confirmed that Italy had granted illegal state aid to the hotel industry in Sardinia. The Commission ordered Italy to recover illegal aid amounting to close to EUR 15 million. Still today, almost EUR 13 million have not been recovered.

The Court of Justice imposed financial sanctions in a case against [Greece](#) for failing to implement a Commission decision of 2008 requiring it to recover illegal State aid granted to the company Hellenic Shipyards.

Ensuring the free movement of workers



People in the EU can only benefit from the opportunity to work in other Member States if the rights of workers outside their home Member State are properly protected.

Supplementary pension schemes linked to an employment relationship can discourage workers' mobility. The [EU rules](#) on improving the acquisition and preservation of supplementary pension rights aim to address these obstacles.

In 2018, the Commission initiated legal action against 10 Member States for not implementing the [EU rules on enhancing worker mobility between Member States](#) in their national legislation on time. By the end of 2018, the Commission ended its actions against six Member States (Czechia, Greece, Spain, Luxembourg, the Netherlands and Austria) as they had brought their legislation into line with the EU rules.

The EU has clear rules on the free movement of workers, the posting of workers and the coordination of social security. Failure by Member States to comply with these rules puts trust and fairness in the internal market at risk. In particular, concerns have been voiced that mobile workers may be vulnerable to abuse or may be denied their rights.

In 2018, the Commission proposed the creation of a [European Labour Authority](#) to ensure that EU rules on labour mobility are enforced in a fair, simple and effective way. The European Parliament and the Council have in the meantime reached a [provisional agreement](#) on this proposal.

Ensuring the free movement of goods



In the automotive sector, the Commission concluded that several Member States had failed to establish or apply penalties to deter car manufacturers from violating car emissions legislation. This followed the 2015 revelations that the Volkswagen Group used software to dodge emissions standards for certain air pollutants.

In 2018, the Commission took further steps in the infringement procedures against [Germany, Italy, Luxembourg and the United Kingdom](#) as they failed to meet their obligations under the EU vehicle type-approval legislation.

The Commission is also making sure that Member States do not instate quantitative restrictions on trade within the EU. In 2018, the Commission took action regarding car registrations and pharmaceuticals.

In France, the registration of second-hand vehicles previously registered in other Member States has at times been difficult. Following action by the Commission, France amended its legislation in 2018 to allow for the online registration of imported second-hand vehicles.

The Commission took action against [Latvia](#) for not accepting the registration of right-hand drive vehicles.

'Parallel trade' allows wholesalers to buy medicinal products in one Member State (typically where prices of medicines are also lower), and sell into other Member States (where prices are higher). 'Parallel trade' in pharmaceuticals is a lawful economic activity within the internal market. Parallel imports can benefit patients and public healthcare systems if they result in cheaper prices and lower reimbursement costs. At the same time, there are concerns in certain Member States that parallel exports could result in shortages of medicines for patients, putting their health and even their lives in danger. Member States are therefore allowed to restrict parallel trade in medicinal products if it constitutes a risk to the protection of human health and life or to the protection of industrial and commercial property.

In 2018, the European Commission closed the infringement procedures and complaint-handling procedures against [Poland, Romania and Slovakia](#) over parallel trade in medicines for human use. The Commission decided that it was necessary to look for other ways to address Member States' concerns in this area. To this end, the Commission considered that a structured dialogue should rapidly take place. The Commission remained committed to support Member States in their efforts to ensure that citizens have timely access to affordable, preventive and curative healthcare of good quality. To do so, it decided to gather more information in order to discuss the export restrictions with the Member States in the Commission Working Group on Pharmaceuticals.

Ensuring freedom of establishment



On freedom of establishment and provision of services, the Commission took action against all Member States (except Lithuania) in 2018 for not bringing their legislation in line with the [Professional Qualifications Directive](#). Several national rules do not comply with the directive. These concern the introduction of the European professional card, the alert mechanism, the possibility to have partial access to a professional activity, the proportionality of language requirements, the setting up of assistance centres and the reporting and notification obligations.

Improved information and assistance for citizens and businesses



In 2018, the 25th Anniversary of the Single Market, the Commission focused on ensuring that Single Market rules deliver on the ground. The Commission increased its efforts to make citizens and businesses aware of their rights and obligations via the Your Europe portal, the cornerstone of the future single digital gateway. Individuals and businesses can only enjoy the many benefits of the Single Market if the rules that have been jointly agreed are applied in practice. In line with this political priority, and as a follow-up to the [SOLVIT action plan](#), Member States have used the evidence provided by SOLVIT and Your Europe Advice to address recurrent breaches of EU law. The Your Europe Advice database contains more than 265,000 real-life cases, which provide an excellent overview of the various ways that citizens and businesses can benefit from the Single Market.

The [interconnection of business registers](#), which makes it easier to find company information in the EU via a single [European e-Justice portal](#), was widely used in 2018. There were over 372,000 searches for company information and over 241,000 requests for company details.

Enforcing the Capital Markets Union, financial services rules and the free movement of capital



The directives adopted in the wake of the financial crisis need to be properly implemented to increase the resilience and stability of the financial sector and to improve investor protection. The implementation of some of these directives is also important for achieving the Capital Markets Union. This aims at improving access to finance, in particular for innovative companies, start-ups or small and medium-sized enterprises. It also makes capital markets more attractive for retail and institutional investors, and facilitates cross-border investment.

In 2018, the Commission launched infringement procedures as some Member States had failed to implement the [Insurance Distribution Directive](#) and the [Payment Services Directive](#) in their national legislation on time.

The Commission also further pursued the infringement procedures against Spain and Slovenia as they did not implement the Accounting and Audit Directives and the Payment Accounts Directive on time.

The Markets in Financial Instruments Directive aims to improve investor protection, strengthen the Single Market and create transparent, well-supervised, competitive and stable trading conditions in markets across the whole of the European Economic Area.

The Commission pursued the infringement procedure against [Slovenia](#) for not implementing the Markets in Financial Instruments Directive in its national legislation on time.

EU rules ensure that investors make informed decisions and feel confident that they are adequately protected and entitled to compensation if something goes wrong.

The Commission launched infringement procedure against Cyprus for postponing the payment of compensation indefinitely, in breach of the Investor Compensation Schemes Directive.

On free movement of capital, the Commission had opened infringement procedures in the past against five Member States over the system contained in intra-EU Bilateral Investment Treaties that allow EU investors to bring claims against Member States before arbitration tribunals.

In 2018, the Court of Justice ruled in the [Achmea case](#) that this arbitration system is not compatible with EU law. The Commission closely monitors the follow-up to the Court ruling by Member States.

Enforcing the rules on taxation and customs



The Commission's enforcement strategy in the area of customs focused on ensuring that Member States apply the [Union Customs Code](#) correctly and uniformly, and on detecting charges with equivalent effect to customs duties, even within the EU.

After the Commission had opened an investigation, the Belgian authorities amended their rules to remove a restriction of direct customs representation that was contrary to the [Union Customs Code](#).

The Commission carried out an enquiry to check on postal fees in the Member States. Such fees can be contrary to EU customs law, namely the rules on customs representation and the prohibition on imposing charges for customs formalities.

On indirect taxation, the Commission gave priority in its enforcement efforts to pursuing infringements that distort competition in the internal market or that go against fair taxation.

Following the revelations in the [Paradise Papers](#) of widespread evasion in the yacht and aircraft sectors, the Commission took legal action against [Greece](#), [Italy](#), [Cyprus](#), [Malta](#), and the [United Kingdom](#). These Member States had set up tax measures favourable to the pleasure yacht and aircraft industries that run counter to EU law.

The VAT Directive allows for a special VAT scheme intended for farmers who are likely to encounter administrative difficulties in applying the normal VAT rules. The Commission took action against [Germany](#), which had applied this special scheme by default to all farmers, including owners of large farms who would not encounter any such difficulties.

One of the benefits of the internal market is that individuals and businesses have the freedom to move, operate and invest across national borders. As direct taxation is not harmonised across the EU, this freedom can mean that some taxpayers manage to avoid or evade tax in their country of residence. Tax authorities in the EU have therefore agreed to cooperate more closely to ensure that taxes are paid and to fight tax fraud and tax evasion. This cooperation has been enshrined in the [Directive on administrative cooperation](#). In an increasingly globalised environment, this directive enables Member States to ensure that all their taxpayers pay their fair share of taxes. It is the core transparency tool to combat tax evasion practices brought to light by the cases of LuxLeaks as well as the Panama and Paradise Papers.

The Commission's enforcement action in 2018 focused on ensuring that Member States implemented important amendments to the directive on administrative cooperation concerning [access to anti-money laundering information](#), [the automatic exchange of financial account information](#) and [administrative cooperation on taxation](#).

The European Commission pursued further the infringement procedures against [Ireland](#), [Greece](#), [Cyprus](#), [Luxembourg](#) and [Romania](#) for failing to implement measures on [access to anti-money laundering information](#) on time. The Commission also took action against [Czechia](#) for not correctly implementing EU rules on the [automatic exchange of financial account information](#).

In 2018, the Commission closed infringement procedures against Belgium (over the higher yearly tax rate on foreign professional investment funds) and [Portugal](#) (regarding exit taxes for individuals) after

they aligned their tax rules with the requirements of EU legislation.

Ensuring a high level of protection for consumers



In April 2018, the Commission proposed a [New Deal for Consumers](#) to ensure that all European consumers fully benefit from their rights under EU law. Under the proposed New Deal, qualified entities, such as consumer organisations, will be able to seek compensation, replacement or repair on behalf of a group of consumers that have suffered grievances by illegal commercial practices.

For example, in a Dieselgate-type scenario, victims of [unfair commercial practices](#), such as misleading advertising by car manufacturers that is not in line with type-approval or environmental legislation, would, under the proposed New Deal, be able to obtain remedies collectively through a representative action. At present, EU law does not yet offer the possibility of collective redress.

The New Deal for Consumers will strengthen consumer rights online, tackle dual quality of consumer products and improve conditions for businesses.

In 2018, the Commission also monitored how Member States implemented the [Linked Travel Arrangements Directive](#) into their national laws.

The Commission launched infringement procedures against 14 Member States that failed to comply with their obligations under this directive.

During 2018, the Commission also took measures to improve the application of EU legislation on consumer alternative and online dispute resolution. This included improvements to the European [Online Dispute Resolution](#) platform. The Commission organised the first-ever Assembly of the European [Alternative Dispute Resolution](#) community, with more than 350 participants. It also held workshops with national consumer authorities to prepare for the new [Consumer Protection Cooperation Regulation](#), which will become applicable in 2020.

Ensuring a high level of protection of public health



In 2018, the Commission continued to monitor how Member States implemented the provisions of the [Tobacco Products Directive](#) in their national law. This directive aims to reduce tobacco use, particularly by discouraging young people from taking up smoking, and ensuring that the public is fully aware of the harmful effects of tobacco.

A reduction in tobacco consumption of just 2 % translates into annual healthcare savings of approximately €506 million across the EU.

In 2018, the Commission closed infringement procedures against Bulgaria, France, Latvia, Hungary and Finland as they took measures to implement the Tobacco Products Directive in their national law.

The right of patients to access safe and high-quality healthcare in other EU countries remained a priority for the Commission in 2018. The Commission closely monitored the implementation of the [Cross-border Healthcare Directive](#).

The [European Citizens Initiative in 2017](#) calling for the prohibition of glyphosate showed that there is widespread public interest in the safe and sustainable use of pesticides. For the Commission, this is an important public health and environmental issue. In 2018, the Commission undertook a series of audits of Member States to check on their use of pesticides. The Commission will report to the European Parliament and Council on progress in implementing the [Directive on the sustainable use of pesticides](#) later in 2019.

Enforcing the rules on mobility and transport



In 2018, the Commission focused its enforcement efforts on three areas: transport safety, digitalisation through the development of intelligent transport systems, and completion of the Single Market in transport.

Safety remains of primary concern for any transport system. Creating an environment for safe transport is essential for the public. One of the roles of the Commission is to respond to these expectations by ensuring that satisfactory safety standards are implemented in the entire EU for all

modes of transport. These safety standards help to significantly reduce the number of transport accidents.

In **rail transport**, EU rules require Member States to establish an independent safety authority and an independent accident and incident investigation body. Moreover, Member States are required to define common railway safety principles.

The Commission requested [Germany](#) and [Bulgaria](#) to fully implement EU legislation on rail safety. Germany had failed to ensure that its regional transport networks are subject to the safety requirements set out by EU rules. Bulgarian legislation still does not guarantee that investigations into serious rail accidents and incidents are carried out by an independent investigating body.

In the **maritime sector**, EU rules aim to ensure that seafarers' training standards are respected across the EU and are in line with standards already agreed at international level.

The Commission urged [Spain](#), [Malta](#) and [Latvia](#) to comply with the [EU rules on the minimum level of training of seafarers](#). Latvia did not apply relevant international standards to near-coastal voyages, while Spain presented a number of shortcomings regarding seafarer certification and the design of maritime programmes. In Malta's case, the quality management system implemented by one of its approved maritime training and education institutions did not cover all its maritime training courses.

In the **air transport sector**, the Commission ensured that Member States are correctly implementing the EU rules on aviation standards.

The Commission called on [Hungary](#) to step up its monitoring of the way air operations are carried out. It also took action against [Ireland](#) for failing to comply with some of the European requirements on the reporting, in particular by aviation professionals, of incidents in civil aviation, and on the analysis and follow-up of these incidents.

A Commission inspection of the Greek civil aviation authority revealed that entities responsible for implementing aviation safety standards in Greece were not regularly monitored. The Commission requested [Greece](#) to carry out appropriate monitoring.

In the coming years, the digitalisation of transport is expected to take a leap forward and to make transport safer, more efficient and more sustainable. Intelligent transport systems are gradually being developed. However, the potential of such systems can be achieved only if they are deployed effectively and if travel information and management are coordinated at EU level.

The Commission opened infringement procedures against nine [Member States](#) that failed to provide minimum universal traffic information on road safety to users for free. It also pursued infringement procedures against seven [Member States](#) that failed to fulfil their obligations to provide [EU-wide real-time traffic information services](#). Finally, it called on [six Member States](#) to implement rules on the [Intelligent Transport Systems](#).

The Commission also verified that Member States could effectively exchange information on tachograph cards through the European TACHOnet system. The tachograph is a device that records the driving time, the breaks and rest periods and the periods of other work done by a driver.

The Commission requested [10 Member States](#) to comply with [EU rules on the interconnection of the national electronic registers of tachograph cards](#).

A fully functioning internal transport market can be achieved only if there are no unjustified obstacles to the provision of transport services. In the road sector, the haulier market is crucial for the transport of goods in the EU and is an important sector for small and medium-sized companies.

The Court of Justice confirmed that [Spain](#) discriminated against small hauliers by excluding them from the road transport market. Spain required them to have a fleet of at least three vehicles to obtain a transport licence. Moreover, the Commission took action against [Denmark](#), whose truck-parking rules limit the parking time to 25 hours. These rules make it difficult for truck drivers to respect rest rules. As these rules mainly affect non-resident hauliers, they constitute unjustifiable indirect discrimination on grounds of nationality.

Greater integration of the transport sector is essential to completing the internal market. Railways are a vital part of the EU transport sector and of the move towards sustainable mobility. In 2018, the Commission launched an overall assessment of the conformity of national laws with the EU legal instrument establishing a single European railway area.

5. A deeper and fairer Economic and Monetary Union

A 'deeper and fairer Economic and Monetary Union' is a fundamental part of the Commission's response to the economic and financial crisis. This policy aims to strengthen the EU economy in a way that creates more jobs and improves people's living standards.

Enforcing the Economic and Monetary Union rules



The Economic and Monetary Union is at the core of the EU's integration process. Achieving an Economic and Monetary Union is not an end in itself but a means to provide stability and stronger, sustainable and inclusive growth across the euro area and the EU as a whole.

In 2018, the Commission continued to pay particular attention to the implementation of the [Directive on requirements for budgetary frameworks of the Member States](#).

Moreover, the euro can only be a strong and trustworthy currency in the eyes of the public and businesses if it is adequately protected against counterfeiting.

In 2018, the Commission continued its legal action against Belgium, Bulgaria, Croatia, Ireland, Greece, Luxembourg, Malta, Slovakia and Slovenia for not implementing the [EU rules on the protection of the euro and other currencies against counterfeiting by criminal law](#).

Enforcing the Banking Union rules



Under the Banking Union, the Commission continued to check Member States' implementation of the [Capital Requirements Directive IV](#), the [Deposit Guarantee Schemes Directive](#) and the [Bank Recovery and Resolution Directive](#). These EU instruments aim to ensure that banks are stronger and better supervised and that problems can be resolved more easily without using taxpayers' money.

In July 2018, the Commission decided to refer [Spain](#) to the Court of Justice of the EU for failing to adopt the national measures necessary to fully transpose the [Capital Requirements Directive](#). As the Spanish authorities took steps to ensure full transposition of the directive, the Commission decided that the execution of the referral should be put on hold, pending the adoption of the amending laws.

The Commission also continued to verify that Member States respect the independence and autonomous functioning of central banks.

In 2018, the Commission continued its legal action against [Slovenia](#) for failing to respect the inviolability of the European Central Bank's archives.

6. An area of justice and fundamental rights based on mutual trust

In the area of justice, the Commission makes sure that the rule of law and the Charter of Fundamental Rights are fully respected. It also ensures the respect of specific rights, such as the right of free movement, data protection, gender equality, non-discrimination, victims' rights and the right to a fair trial in criminal proceedings. These topics are high on the Commission's agenda as they directly affect people's lives.

Under the [European Semester](#) exercise, the Commission continued to encourage Member States to improve the effectiveness of their enforcement capacities. This particularly concerns the independence, quality and efficiency of their national justice systems. To this end, the Commission proposed country-specific recommendations for five Member States, then adopted by the Council. Through the [EU Justice Scoreboard](#), the Commission monitors the independence, quality, and efficiency of national justice systems. In May 2018, the Commission also proposed a [Regulation on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law](#) in the Member States. Respect for the rule of law is an essential condition for sound financial management.

Upholding the rule of law and fundamental rights



In 2018, the Commission pursued its efforts to promote and uphold respect for the rule of law across the EU.

In particular, the Commission continued its dialogue with the Polish authorities under the rule of law framework. The General Affairs Council held three hearings with Poland under this framework.

The Commission referred [Poland](#) to the Court of Justice for breaches of the principle of judicial independence caused by the Polish law on the Supreme Court. The Commission asked the Court to order interim measures until it has issued a judgment on the case. The Court granted the requested interim measures.

On 12 September 2018, the European Parliament triggered the 'rule of law' procedure against Hungary under Article 7(1) of the Treaty on European Union (TEU). The Commission shares the concerns expressed in the Parliament's report, in particular over fundamental rights, corruption, treatment of Roma and the independence of the judiciary. Under the Article 7(1) TEU procedure, and at the request of the Council, the Commission provided factual information on the relevant ongoing infringement proceedings against Hungary.

The Commission launched a further infringement procedure against [Hungary](#) over its legislation criminalising activities in support of asylum and residence applications and further restricting the right to request asylum.

Improving data protection



In 2018, the Commission pursued its work to support Member States and stakeholders in applying the new rules of the [General Data Protection Regulation](#), applicable since 25 May 2018. The single set of data protection rules is directly applicable throughout the EU and guarantees the free flow of data, strengthens individuals' trust and security and establishes uniform rules for business.

The Commission organised meetings with national authorities, industry, practitioners and the European Data Protection Board. It also adapted the Internal Market Information system (IMI), which can be used by data protection authorities to assist each other and to coordinate decision making in cross-border cases.

By May 2018, Member States needed to implement the [Directive concerning processing and free movement of personal data](#) for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties. Victims, witnesses and suspects of crimes are duly protected under a criminal investigation or a law enforcement action. At the same time, the new provisions facilitate cross-border cooperation by police or prosecutors in combating crime and terrorism.

In July 2018, the Commission initiated legal action against 19 Member States for not transposing this [directive](#) in their national legislation on time.

Combating discrimination



In June 2018, the Commission adopted a [Recommendation on standards for equality bodies](#). It encourages the Member States to strengthen equality bodies' independence and effectiveness. This should help the bodies in carrying out their key tasks of offering independent assistance to victims of discrimination, promoting equality, conducting independent surveys and issuing independent reports and recommendations.

The Commission closely monitored the application of the [Racial Equality Directive](#), a key EU legal instrument for combating discrimination on grounds of racial or ethnic origin. The Commission focused its efforts on the Roma community's access to education and housing. To this end, it organised fact-finding missions in the Member States and meetings with stakeholders and with the relevant high-level groups of experts (including a subgroup focusing on equality data).

Enforcing the rules in the area of security

In 2018, enforcement work continued under the [European Agenda on Security](#) and the development of the Security Union. The implementation of the EU rules in this area is key to ensuring a high level of security throughout the EU. The regular progress reports on the Security Union refer to ongoing efforts to ensure the full and correct implementation of the rules.



The directives on the [European Investigation Order](#) in criminal matters and the [Fourth Anti-Money Laundering Directive](#) are essential tools for effective cooperation in combating cross-border crime and terrorism. These directives contribute to the goals of the security agenda.

In 2018, the Commission pursued infringement procedures against the [Member States](#) that failed to transpose the [Fourth Anti-Money Laundering Directive](#) in their national legislation. It took [Ireland and Romania](#) to the Court of Justice for this reason.

The [European Investigation Order](#) simplifies the work of judicial authorities when they request evidence located in another EU country.

The Commission took further action in the infringement procedures against [Bulgaria, Spain, Luxembourg and Austria](#) for not implementing the EU rules on the [European Investigation Order](#) in criminal matters.

In 2018, the Commission monitored Member States' implementation of two key directives on security and fighting serious crime: the [Passenger Name Record Directive](#) and the [Directive on combating terrorism](#).

The Commission launched infringement procedures against 14 Member States for not transposing the [Passenger Name Record Directive](#) on time. It also launched procedures against 16 Member States for failing to transpose the [Directive on combating terrorism](#) on time.

7. Towards a new policy on migration



The Commission's migration policy seeks to equip the EU with the tools to better manage migration in the medium and long term. It covers irregular migration, border protection, asylum and legal migration.

In 2018, the Commission continued to monitor Member States' implementation of EU migration and asylum law, in particular the [Asylum Procedures Directive](#), the [Reception Conditions Directive](#) and the [Return Directive](#). These directives

establish rules on processing asylum claims, guarantee a dignified standard of living for asylum seekers in the EU and set common standards and procedures under which non-EU nationals staying illegally may be removed from the territories of EU countries.

The Commission referred [Hungary](#) to the Court of Justice over its 2017 asylum and return legislation. The Commission considers that the Hungarian legislation does not comply with the [Asylum Procedures Directive](#), the [Reception Conditions Directive](#), the [Return Directive](#) and with several provisions of the Charter of Fundamental Rights. The Commission also initiated an [infringement procedure](#) against Bulgaria on the compatibility of Bulgarian asylum legislation with EU law.

On legal migration, the Commission's priority is to improve the EU's ability to attract and retain highly-skilled workers. It is therefore important to ensure that the directives on legal migration are implemented fully and correctly. They establish common conditions for the admission and residence of non-EU nationals.

In 2018, the Commission launched infringement procedures against [17 Member States](#) for failing to implement the [Students and Researchers Directive](#) on time.

The Commission also continued to check that Member States do not charge disproportionate fees for issuing residence permits to non-EU nationals.

The Commission launched an infringement procedure against the [Netherlands](#) for charging excessive and disproportionate fees for residence permits under EU legal migration rules.