

Adoption by Estonia of the euro on 1 January 2011

2010/0135(NLE) - 12/05/2010 - Legislative proposal

PURPOSE: proposal on the adoption by Estonia of the euro on 1 January 2011.

PROPOSED ACT: Council Decision.

LEGAL BASE: Article 140(2) of the Treaty on the Functioning of the EU. The proposal falls under the exclusive competence of the Union.

IMPACT ASSESSMENT: discussions with Member States on economic policy challenges in Member States are held under various headings on a regular basis in the Economic and Financial Committee and ECOFIN/Eurogroup. These include informal discussions on issues specifically relevant to the preparation of eventual euro area entry (incl. exchange rate policies). Dialogue with academics and other interested groups takes place in the context of conferences/seminars and on an ad-hoc basis. Economic developments in the euro area and the Member States are assessed in the framework of the various procedures of economic policy co-ordination and surveillance (notably under Art. 121 of the Treaty), as well as in the context of the Commission's regular monitoring and analysis of country-specific and area-wide developments (incl. forecasts, regular publication series, input to EFC and ECOFIN/Eurogroup). In accordance with the proportionality principle and in line with past practice, the Commission proposes not to develop a formal impact assessment.

BACKGROUND: Articles 140(1) of the Treaty on the Functioning of the EU provides that at least once every two years or at the request of a Member State with a derogation from, the Commission and the European Central Bank have to report to the Council on the progress made in the fulfilment by Member States with a derogation of their obligations regarding the achievement of economic and monetary union. Based on its own report and that of the ECB, the Commission can submit to the Council a proposal to abrogate the derogation of the Member States fulfilling the necessary conditions. The Convergence Report 2010 covers the following nine Member States with a derogation: Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania and Sweden.

The reports include an examination of the compatibility of the national legislation, in particular the statute of each national central bank, with Articles 130 and 131 of the Treaty and the Statute of the ESCB and of the ECB. The reports also examine the achievement of a high degree of sustainable convergence by reference to the fulfilment of the convergence criteria and take account of several other factors required under the final sub-paragraph of Article 140(1) of the Treaty. In its Convergence Report, the Commission concludes that amongst the assessed Member States only Estonia fulfils the conditions for the adoption of the euro.

CONTENT: the proposal states that Estonia fulfils the necessary conditions for the adoption of the euro. The derogation in favour of Estonia referred to in Article 4 of the 2003 Act of Accession is abrogated with effect from 1 January 2011.

FINANCIAL IMPLICATIONS: the proposal has no implications for the budget of the Union.