

Adoption by Estonia of the euro on 1 January 2011

2010/0135(NLE) - 13/07/2010 - Final act

PURPOSE: to abrogate the derogation in favour of Estonia referred to in the 2003 Act of Accession with effect from 1 January 2011 following Estonia's adoption of the euro.

LEGISLATIVE ACT: Council Decision 2010/416/EU in accordance with Article 140(2) of the Treaty on the adoption by Estonia of the euro on 1 January 2011.

CONTENT: in accordance with Article 4 of the 2003 Act of Accession, several Member States, and Estonia amongst them, have a derogation from adopting the single currency. Article 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, 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. Article 140(2) of the Treaty lays down the procedures for abrogation of the derogation of the Member States concerned. On the basis of reports presented by the Commission and the ECB on the progress made in the fulfilment by Estonia of its obligations regarding the achievement of the EMU, the Commission concluded that:

(i) in Estonia, **national legislation**, including the Statute of the national central bank, is compatible with Articles 130 and 131 of the Treaty and with the Statute of the ESCB and of the ECB;

(ii) regarding the fulfilment by Estonia of the **convergence criteria** mentioned in the four indents of Article 140(1) of the Treaty:

- the average inflation rate in Estonia in the year ending March 2010 stood at 0.7 percent, which is well below the reference value, and it is likely to remain below the reference value in the months ahead;
- Estonia is not the subject of a Council decision on the existence of an excessive deficit, with a budget deficit of 1.7 % of GDP in 2009;
- Estonia has been a member of the ERM II since 28 June 2004; in the two-year period ending 23 April 2010, the Estonian kroon has not been subject to severe tensions and there has been no deviation from the ERM II central rate since the kroon's participation;
- as a result of Estonia's very low level of gross public debt, no benchmark long-term government bonds or other appropriate securities are available to assess the durability of convergence as reflected in long-term interest rates. While financial market risk perceptions vis-à-vis Estonia increased at the height of the crisis, their development during the reference period, as well as a broader assessment on the durability of convergence, including Estonia's fiscal policy track record and comparatively flexible economy, would support a positive assessment of Estonia's fulfilment of the long-term interest rate criterion;

(iii) in the light of the assessment on legal compatibility and on the fulfilment of the convergence criteria as well as the additional factors, Estonia fulfils the necessary conditions for the adoption of the euro,

Accordingly, this Decision provides that 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.

ENTRY INTO FORCE: 28/07/2010.

