Adoption by Lithuania of the euro on 1 January 2015

2014/0170(NLE) - 04/06/2014 - Legislative proposal

PURPOSE: proposal that Lithuania joins the euro area in 2015.

PROMPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to take account of Parliaments opinion.

BACKGROUND: Lithuania is one of the countries with a derogation in regard to the adoption of the euro.

Article 140(1) of the Treaty on the Functioning of the European Union 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.

Both the Commission and the ECB Convergence Reports were released on 4 June 2014. In its Convergence Report, the Commission concludes that Lithuania fulfils the conditions for the adoption of the euro.

CONTENT: the proposed Council decision seeks to abrogate the derogation of Lithuania with effect from 1 January 2015.

On the basis of the Commission and ECB reports on the progress made in the fulfilment by Lithuania in meeting its obligations regarding the achievement of economic and monetary union (EMU), the Commission reached the following conclusions:

1. Lithuania's **national legislation**, including the statutes of its national central bank, is compatible with Articles 130 and 131 of the Treaty and the Statute of the ESCB and of the ECB;

2. regarding the fulfillment by Lithuania of the **convergence criteria** mentioned in the four indents of Article 140(1) of the Treaty:

- the **average inflation rate** in Lithuania in the year ending in April 2014 stood at 0.6 percent, which is well below the reference value, and it is likely to remain below the reference value in the months ahead;

- Lithuania is **not the subject of a Council decision on the existence of an excessive deficit**, with a budget deficit of 2.1 percent of GDP in 2013;

- Lithuania has been a **member of the exchange rate mechanism** (ERM II) since 28 June 2004. Upon ERM II entry, the authorities unilaterally committed to maintain the prevailing Currency Board within the mechanism. During the two years preceding this assessment, the litas exchange rate did not deviate from its central rate and it did not experience tensions;

- in the year ending April 2014, the long-term interest rate in Lithuania was, on average, 3.6 percent which is **well below the reference value**.

As a result, the Commission considers that **Lithuania fulfils the necessary conditions for the adoption of the euro effective as of 1 January 2015**.