Multiannual financial framework for the years 2021 to 2027

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PURPOSE: to amend Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework (MFF) for the years 2021 to 2027 in order to support a socially fair green transition and to implement the next generation of own resources for the EU budget.

PROPOSED ACT: Council Regulation.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: in the framework of the Interinstitutional Agreement of 16 December 2020, the European Parliament, the Council and the Commission committed to a **roadmap for the introduction of new own resources** over the duration of the multiannual financial framework for the years 2021 to 2027 and to working towards introducing sufficient new own resources with a view to covering an amount corresponding to the expected expenditure related to the repayment of NextGenerationEU.

The Commission considers it necessary to establish a **mechanism to reimburse the costs of financing NextGenerationEU** during the period of the MFF for the years 2024 to 2027 with amounts equivalent to the new own resources collected in accordance with Council Decision (EU, Euratom) 2020/2053 on own resources and entered in the provisional accounts, without reducing expenditure for Union programmes.

To help mitigate the short-term social impacts of the introduction of the EU Emissions Trading Scheme for the construction and road transport sectors, the Commission presented a new initiative: the **Social Climate Fund**. This will be financed from the general budget of the Union in accordance with the MFF. It is therefore necessary to adjust the ceiling for commitment appropriations under heading 3 ‘Natural resources and environment’ and the ceiling for payment appropriations for the years 2025, 2026 and 2027.

CONTENT: the Commission is proposing a **targeted revision** of Council Regulation (EU, Euratom) 2020 /2093 for the following purposes:

- an increase of the Multiannual Financial Framework ceilings for the proposed **Social Climate Fund**;

- the introduction of an **automatic adjustment of the Multiannual Financial Framework** ceilings based on new own resources which would allow for the repayment of NextGenerationEU borrowing.

The **adjustment mechanism** provides for:

- an adjustment of the Multiannual Financial Framework ceiling for sub-heading 2b (Resilience and values) in commitment appropriations, and of the ceiling for payment appropriations, to be made annually, commensurate to actual revenue stemming from new own resources collected in the previous year, as entered in the provisional accounts of the Commission in accordance with article 245(3) of the Financial Regulation;

- the mechanism for the annual adjustment will be implemented from 2024 based on the envisaged introduction of the new own resources by 1 January 2023;

- the amount of the adjustment will be capped at an annual amount of EUR 15 billion in 2018 prices. For the year 2027, the amount of the adjustment will be reduced by an amount of **EUR 8 billion** (in 2018 prices).

- the adjustment will be communicated by the Commission to the European Parliament and the Council shortly after the adoption of the provisional accounts and thus by mid-April.

Budgetary implications

The budgetary impact of the specific annual adjustment based on new own resources **will take effect as of 2024**. The amount will be equivalent to the actual amount of revenue stemming from new own resources collected in the previous year, as entered in the provisional accounts, and will be capped at an annual amount of EUR 15 billion in 2018 prices. This amount corresponds to a linear repayment profile from the Union budget for non-repayable support based on the Commission's issuance planning for NextGenerationEU, including the maturity structure.

In the year 2027, the calculation of the adjustment will feature a reduction of a fixed amount of EUR 8 billion (2018 prices). This fixed amount corresponds to the annual average expenditure for the Social Climate Fund from 2026, when revenues from road transport and building ETS will start, to 2032.

Regarding the Social Climate Fund, the Commission proposes to increase the ceiling in commitment appropriations of heading 3 'Natural Resources and Environment' by an amount of EUR 2 176 million in 2025, EUR 9 132 million in 2026 and EUR 8 786 million in 2027, in 2018 prices.

The proposed increases in the ceiling in commitments will result in an increase of payment needs. The Commission thus proposes to revise the payment ceiling for the years 2025, 2026 and 2027 by EUR 2 176 million, EUR 9 132 million and EUR 8 786 million respectively, in 2018 prices.