

The borrowing strategy to finance Next Generation EU, the Union's Recovery instrument

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The European Parliament adopted by 474 votes to 80, with 78 abstentions, a resolution on the implementation of the borrowing strategy to finance NextGenerationEU, the Union's recovery instrument.

Parliament recalled that the Own Resources Decision empowers the Commission to borrow funds of up to EUR 750 billion in 2018 prices between 2021 and 2026 on the capital markets on behalf of the Union for the sole purpose of addressing the consequences of the COVID19 crisis through NextGenerationEU (NGEU), the EU's recovery instrument. EUR 360 billion in 2018 prices may be used to provide loans to Member States and EUR 390 billion may be used directly for EU expenditure.

Description and assessment of Next Generation EU's borrowing strategy to date

NGEU is the largest EU common borrowing programme and the first that not only grants loans to Member States, but also provides direct Union budget expenditure embedded in genuine EU programmes and policies. With average annual borrowing volumes of EUR 150 billion until 2026, the NGEU borrowing programme makes the Union a key player on the financial markets, puts it on a par with other major European sovereign issuers, and makes it the largest supranational issuer and the largest green bond issuer.

Members note that the Commission has developed and implemented a new and extensive funding programme and has rapidly and effectively strengthened its debt management capabilities. They welcome the fact that issuance has proceeded at a **steady pace since the first one in 2021** and that all of them have been largely oversubscribed, revealing strong investor interest.

The resolution stresses that **transparency of the Commission's borrowing strategy and operations** is key to achieving successful coordination with other market players and to ensure accountability, awareness and ownership among decision-makers and the general public. It calls on the Commission to swiftly and systematically inform Parliament by providing disaggregated data on all charges incurred in issuing EU debt.

Parliament also notes that the Commission had raised more than EUR 113 billion on the financial markets by June 2021, of which EUR 23 billion was in the form of green bonds and short, medium and long maturities.

Potential positive effects and challenges of NextGeneration EU borrowing

Members believe that by making the EU one of the largest bond issuers in Europe, Next Generation EU can have a positive impact on the stability and liquidity of EU capital markets, improve the EU's economic outlook, complement the macroeconomic architecture of the euro area and strengthen the international role of the euro.

The resolution stresses that the EU could set **benchmarks for sustainable investments** as the world's largest issuer of green bonds, while diversifying its investor base and ensuring lower borrowing costs. While welcoming the fact that the Commission's green bond framework provides for high sustainability

standards, Members urged the Commission to prevent any form of greenwashing and to exclude problematic projects from green bond financing as soon as there is a well-founded suspicion of greenwashing.

Parliament further argued that Next Generation EU has a positive effect on the attractiveness and sustainability of Member States' debts by offering AAA-rated borrowing conditions to all Member States through the Recovery and Resilience Facility loans, helping to significantly lower sovereign yields and discounting grants from the calculation of national debt, as well as conveying a strong message to financial markets about the resilience and cohesion of the euro area and the EU.

Members believe that giving **EU citizens the possibility to buy EU bonds directly** could strengthen their sense of belonging to the Union. The Commission is invited to develop a simple and transparent mechanism for this purpose.

New challenges

Parliament noted with concern the **new challenges** arising from the lack of security in the global environment as a result of Russia's aggression against Ukraine, as well as the sharp rise in inflation and interest rates, which is affecting sovereign issuers. It expects this increase to be reflected in the repayment line of the EU recovery instrument in the EU budget. The Commission is asked to monitor the situation closely and to provide regular information to the budgetary authority.

The resolution stresses that **new investment in EU policies will be needed** to strengthen the EU's competitiveness, resilience and strategic autonomy, especially in industry and climate action. Members believe that permanent redeployment is not a viable long-term solution for financing the EU's priorities and stress the need for additional resources.

In view of climate change and the ongoing war in Ukraine, Members stress the need to **rapidly end the EU's dependence on third countries** in key sectors of its economy, such as energy, raw materials, industry and agriculture. In this respect, they consider that the statement of Commission President Ursula von der Leyen on the creation of a European Sovereignty Fund is in line with Parliament's resolution of 19 May 2022.

The Commission and the Member States are invited to further examine, in line with the recommendations of the Conference on the Future of Europe, **the possibility of common borrowing at European level**, with a view to creating more favourable borrowing conditions, while maintaining responsible fiscal policies at Member State level.

The EU budget and new own resources

Stressing that the Union's borrowing and lending capacity has increased considerably with Next Generation EU, Parliament insists on the need to involve the budgetary authority in all stages of the lending and borrowing process. It urged that budgetary appropriations for the repayment costs of the EU Recovery Instrument be entered in the EU budget over and above the MFF ceilings, in order to safeguard the margins and flexibility mechanisms for their intended purposes.

Members are convinced that the ultimate success of Next Generation will also be assessed against the Union's ability to repay the common debt with new own resources in the environmental and corporate sector, rather than with increased gross national income-based contributions from the Member States. They therefore invite the Council to approve the first basket of new own resources based on the EU Emissions Trading Scheme, the Carbon Border Adjustment Mechanism and Pillar I of the OECD International Agreement on Minimum Taxation of Multinationals, before the end of 2022.

The Commission is invited to present a proposal for the **second basket** of new own resources before December 2023, including a proposal for a financial transaction tax, in order to ensure sufficient resources for Next Generation EU debt repayments.