Euro: adoption by Slovenia of the single currency on 1 January 2007 (Article 122(2), Treaty TEC)

2006/0077(CNS) - 07/06/2006

The Council held a debate on:

- reports by the Commission and the European Central Bank on fulfillment by Slovenia and Lithuania of convergence criteria and their obligations regarding economic and monetary union;
- a proposal aimed at allowing Slovenia to join the euro area as from 1 January 2007.

The presidency will report on the outcome of the Council's discussion to Heads of State/Government at a meeting in the margins of the European Council on 15 and 16 June.

In its reports, the Commission finds that:

- Slovenia has achieved a high degree of sustainable convergence. The proposal for a Council decision would allow Slovenia to adopt the euro as its currency by abrogating what is considered as a derogation as from 1 January 2007;

- Lithuania has made significant progress towards reaching a high degree of sustainable convergence by meeting the criteria on public finances, exchange rate stability and long-term interest rates, but does not, as yet, meet the criterion on price stability. The Commission finds that the 12-month inflation average in Lithuania has been above the reference value since April 2005 and is likely to stay above it in the months ahead.

The Commission and the ECB are due to present in October their two-yearly convergence reports, as required by Article 122(2) of the Treaty. The requests by Slovenia and Lithuania for an earlier assessment are intended to allow sufficient time for preparations for introduction of the euro on 1 January 2007, should a decision be taken allowing them to do so.

The proposal aimed at allowing Slovenia to join the euro area, also based on Article 122(2), will require a decision by the Council, by qualified majority if necessary, after consulting the European Parliament and discussion at a Council meeting in the composition of Heads of State/Government.

Twelve out of the EU's 25 Member States currently use the euro as their currency: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Austria and Finland. Euro notes and coins were introduced in all twelve countries on 1 January 2002.

Under the Commission's proposal, Slovenia would be the first to join the euro area out of the ten member states that joined the EU on 1 May 2004.