Tuesday 22 November 2022

I

(Resolutions, recommendations and opinions)

RESOLUTIONS

EUROPEAN PARLIAMENT

P9_TA(2022)0400

Borrowing strategy to finance NextGenerationEU

European Parliament resolution of 22 November 2022 on the implementation of the borrowing strategy to finance NextGenerationEU, the Union's recovery instrument (2021/2076(INI))

(2023/C 167/01)

The European Parliament,

— having regard to Article 5(3) of Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union [1] (Own Resources Decision),

— having regard to Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis [2],

— having regard to the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources [3],

— having regard to Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027 [4], including the joint and unilateral declarations agreed as part of the multiannual financial framework (MFF),

— having regard to the Commission communication of 14 April 2021 on a new funding strategy to finance NextGenerationEU (COM(2021)0250),

— having regard to the Commission proposal for a Council decision amending the Own Resources Decision (COM(2021)0570),

— having regard to the Commission communication of 11 December 2019 on the European Green Deal (COM(2019)0640) and Parliament's resolution of 15 January 2020 thereon [5],

— having regard to Rule 54 of its Rules of Procedure, as well as Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,

— having regard to the report of the Committee on Budgets (A9-0250/2022),

---

[1] OJ L 424, 15.12.2020, p. 1.
[2] OJ L 433 I, 22.12.2020, p. 23.
[3] OJ L 433 I, 22.12.2020, p. 28.
[4] OJ L 433 I, 22.12.2020, p. 11.
[5] OJ C 270, 7.7.2021, p. 2.

A. whereas 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 COVID-19 crisis through NextGenerationEU (NGEU), the EU's recovery instrument; whereas 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;

B. whereas the repayment of the funds borrowed and the related interest is to be borne by the Union budget and scheduled so as to ensure the steady and predictable reduction of liabilities until 31 December 2058 at the latest; whereas the own resources ceilings have been increased by 0,6 % in order to cover all Union liabilities resulting from NGEU borrowing;

C. whereas Parliament, the Council and the Commission adopted a legally binding roadmap towards the introduction of new own resources with a view to generating sufficient funds to cover expected expenditure related to the repayment of NGEU, thereby not reducing funding for Union programmes and policies;

D. whereas under the Own Resources Decision, the Commission must comprehensively inform Parliament and the Council on a regular basis about all aspects of its debt management strategy, including an issuance calendar with expected issuance dates and volumes for the forthcoming year, and a plan setting out the expected principal and interest payments;

E. whereas the total amount programmed for NGEU and the payment of the periodic coupon and redemption at maturity (EURI repayment costs) has been set at EUR 14,7 billion for the 2021-2027 period;

Rationale of the borrowing for NextGenerationEU

1. Stresses that 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; underlines that common Union debt managed by the Commission boosts the size, impact and added value of the Union budget, thereby supporting the post-COVID-19 recovery and delivering on long-term EU priorities, in particular the green and digital transitions;

2. Points out that 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;

3. Underlines that the success of the borrowing strategy will be judged by its ability to raise the funds necessary for the implementation of NGEU on the capital markets in a timely and relatively low-cost manner, and to repay the debt by 2058 on the basis of a profile that is both smooth and predictable, without crowding out established programme expenditure under the MFF ceilings and endangering future EU action; stresses that the Union's issuance should not upset borrowing conditions for other European issuers and should even play a positive role on capital markets, notably by meeting investors' demands for euro-denominated assets and for new products such as green bonds;

Description and assessment of the NextGenerationEU borrowing strategy to date

4. Notes that the Commission has developed and put in place a new and large funding programme and built up its debt management capacities swiftly and efficiently; welcomes the fact that issuances have taken place at a steady pace since the first issuance in 2021 and have all been heavily oversubscribed, revealing strong investor interest and enabling the Commission to meet its funding targets; notes with satisfaction that, as is consistent with the Union's AAA-rating, EU products have been traded at attractive interest rates that are on a par with other large European and supranational issuers;

5. Acknowledges that the funding strategy adopted by the Commission is diversified and offers a wide range of products (bonds and bills) and maturities (from three months to 30 years) through various issuance methods (syndicated transactions and auctions) on a regular schedule;

6. Notes the Commission's decision to rely on a large Primary Dealer Network, which constitute important partners in ensuring well-functioning primary and secondary markets and reporting to the Commission on market conditions; reminds the Commission of the importance of ensuring that banks meet their legal requirements and of seeking a better geographical balance both in terms of membership within the Primary Dealer Network and the leading role of syndicated transactions; calls on the Commission to ensure that members of the Primary Dealer Network have sufficient incentives and obligations in order to play their role;

7. Takes note of the annual borrowing decisions and funding plans published by the Commission thus far; underlines that transparency regarding the Commission's borrowing strategy and operations is key to achieving successful coordination with other market players and ensuring accountability, notably for Parliament, as well as awareness and ownership among decision-makers and the general public; calls on the Commission, in this context, to swiftly and systematically inform Parliament by providing disaggregated data on all charges incurred in issuing EU debt, including the Commission's charges to EURI as administrative costs as well as the costs incurred by Member States when taking on loans under the Recovery and Resilience Facility (RRF);

8. Observes that in line with the annual borrowing decision and the semi-annual funding plans, the Commission had raised more than EUR 113 billion on the financial markets as of June 2021, including EUR 23 billion in the form of green bonds and bonds with short-, medium- and long-term maturities; takes good note of the information provided with regard to the distribution of investor type and geographical distribution; calls for continued transparent communications about the progress of the bond auctions and syndications;

Potential positive effects and challenges of NextGenerationEU borrowing

9. Believes that by making the Union one of largest bond issuers in Europe, NGEU 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; notes that NGEU is legally limited in size and in time, and could play an even more influential role as a source of safe assets and help to integrate EU financial markets and bolster the Union's resilience, provided that lessons are properly heeded; notes, in addition, that both the temporality and the volume of the NGEU borrowing programme limits the potential of EU bonds to become genuine safe assets, to serve the proper functioning of the financial markets and to improve the stability of the economic and monetary union; calls on the Commission to reflect on potential ways to maintain the outstanding volume of NGEU bonds beyond 2027 in order to prevent liquidity decline shortly after the peak is reached at the end of the NGEU spending phase;

10. Notes the high demand for and smooth integration of the EU's debt on capital markets; calls on the Commission to consolidate the standing of EU debt by diversifying the investor profile, stimulating secondary markets and removing technical obstacles;

11. Highlights, in particular, that the Union could set benchmarks for sustainable investment as the largest global issuer of green bonds, as well as by diversifying its investor base and securing lower borrowing costs; stresses the important role of green bonds in financing the assets needed for the low-carbon transition; welcomes the fact that the Commission's green bond framework employs high sustainability standards; urges the Commission to prevent any kind of greenwashing and to ensure high-quality reporting on the use of proceeds so as not to put the green premium at risk; notes that the do-no-significant-harm principle serves as a standard for expenditure financed under NGEU; stresses that by issuing part of the NGEU debt as green bonds, Member States and the Commission have a responsibility to do their utmost to ensure that the commitments made towards investors on climate spending are fulfilled, and expects the Commission to fully live up to its commitment to exclude problematic projects from being financed by green bonds as soon as any duly substantiated concerns of greenwashing are raised; welcomes the NGEU Green Bond Dashboard, an interactive webpage with reporting information on investments financed from the green bonds ([6]);

([6]) https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations/nextgenerationeu-green-bonds/dashboard_en

12. Is of the opinion that the Commission should deploy robust auditing measures to ensure the proper implementation of the RRF, in particular in order to reduce the risk of any kind of greenwashing, and in view of the unique configuration of NGEU, whereby the Commission raises funds in capital markets and is responsible vis-à-vis investors, but the Member States actually spend the money; calls on the Member States, therefore, to stick to the commitments they made in their recovery and resilience plans, implement those commitments properly and in full, and provide thorough reporting to the Commission on the implementation of the milestones and targets;

13. Notes that despite its scale, NGEU has so far successfully mitigated the risk of demand for other European sovereign bonds being crowded out; emphasises that by making the sovereign market of the euro area more attractive, especially to non-EU investors, NGEU issuance may have a positive impact on the demand for securities issued by other European market players; invites the Commission to continue to coordinate closely with the debt agencies of the Member States and with the European Central Bank, the European Investment Bank and the European Stability Mechanism; reiterates the importance of spreading the trading of EU debt through other EU stock exchanges in line with the principles of the capital markets union;

14. Argues, furthermore, that NGEU is having a positive impact on the attractiveness and sustainability of Member State debts by offering AAA-rated borrowing conditions to all Member States through RRF 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;

15. Believes that NGEU shows the merits of a more ambitious, collective and democratic crisis response at EU level; considers that an opportunity for EU citizens to buy EU bonds directly could increase their sense of belonging to the EU; asks the Commission to develop a simple and transparent mechanism in this regard; notes that this practice already exists in several Member States; believes that the economic benefits would be significant and would outweigh the costs of implementation; notes that the substantial crisis support funded by joint debt issuance has strengthened the confidence in the resilience of the EU and its Member States and that financial market participants widely acknowledge that the European financial architecture is more robust; underlines that the successful implementation of NGEU demonstrates that the EU has provided an adequate response to the economic consequences of the COVID-19 crisis; calls on all EU institutions, therefore, to ensure that the EU delivers on its promises, including offering a long-term political vision;

16. Notes with concern the new challenges posed by the lack of security in the global environment as a result of Russia's illegal, unprovoked and unjustified aggression against Ukraine and the sharp rises in inflation and interest rates, which affect sovereign issuers; warns that the costs of funding have increased significantly due to the challenging market conditions and that massive uncertainties are expected in the long-term interest landscape; anticipates that this will affect the EURI repayment line in the EU budget; observes with concern that higher than programmed refinancing costs are already having an impact on availabilities in Heading 2b and are even eating into the limited availabilities of the special instruments in the course of the annual budget procedure; calls on the Commission to closely monitor the situation and regularly inform the budgetary authority; acknowledges that the Commission is having to operate in a very uncertain market beyond the 99 % confidence interval; recalls that all payments of financial contributions to Member States should be made by 31 December 2026, as established under the EURI and RRF Regulations, but that changes to this deadline could be made; underlines that such changes will require both the EURI and RRF Regulations to be amended;

17. Considers that the full potential of NGEU can only be unlocked if all national recovery and resilience plans are implemented effectively and in a timely manner; is concerned by several Member States' lack of financial absorption capacity; regrets the dynamic that has occurred in some Member States whereby the implementation of traditional EU funds has been delayed in order to absorb RRF funds more quickly; encourages the Member States to make full and consistent use of the loans provided under NGEU;

18. Underlines that further investments in EU policies will be necessary to strengthen the EU's competitiveness, resilience and strategic autonomy, particularly with regard to industry and climate action; considers that permanent redeployments are not a viable long-term solution for financing EU priorities and underlines the need for additional resources; recalls that climate change as well as the ongoing war in Ukraine highlight the urgent need to end the Union's dependence on third countries in essential sectors of its economy, such as energy, raw materials, industry and agriculture; considers, in this connection, that the announcement made by 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 ([7]) and the Conference of Presidents' statement of 30 June 2022 on the 2023 Commission Work Programme; calls on the Commission and the Member States, therefore, to give further consideration, in line with the recommendations of the Conference on the Future of Europe, to common borrowing at EU level with a view to creating more favourable borrowing conditions, while maintaining responsible fiscal policies at Member State level; regrets the systematic creation and use of instruments, funds and common borrowing programmes, including NGEU, outside the scope of the EU budget and with no scrutiny or control from the budgetary authority; calls, therefore, for the budgetisation of borrowing and lending operations and of all future EU programmes or instruments; requests that Parliament be fully involved in all cases through co-decision;

Union budget and new own resources

19. Points out that the features of NGEU borrowing will have direct consequences on repayments from the Union budget for decades; insists, therefore, on optimising the debt service and ensuring a smooth debt profile in order to spread out the future burden evenly;

20. Underlines that the EU's borrowing and lending capacity has increased considerably with NGEU; insists on the need to involve the budgetary authority at all stages of the lending and borrowing process; recalls that under the Own Resources Decision, the Commission is required to publish a regularly updated plan of expected principal and interest payments, to be discussed with Parliament and the Council at regular interinstitutional meetings on NGEU;

21. Reiterates its firm demand that the budgetary appropriations for the EURI repayment costs should 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; calls for the relevant modifications to be made to the MFF Regulation during the MFF mid-term revision;

22. Firmly believes that the ultimate success of NGEU, and in particular the credibility and sustainability of its financing, 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;

23. Highlights that new own resources are a key enabler for the Union to implement its policy priorities, due partly to the need for increased investment to address energy independence and help mitigate the social impact of Russia's war of aggression against Ukraine, and in order to speed up the green energy transition; stresses that the introduction of new own resources would avoid cuts having to be made to Union programmes in the future, which would undermine the very purpose and long-term benefits of the recovery plan; believes that introducing new own resources, as agreed in the legally binding Interinstitutional Agreement of 16 December 2020, would achieve lasting benefits, not only in delivering EU policies but also ensuring the Union's standing as a credible and smart debt issuer; calls on the Member States, therefore, to move as swiftly as possible and speed up the negotiations on the first basket of the so-called new generation of EU own resources based on the EU Emissions Trading System, the Carbon Border Adjustment Mechanism and Pillar I of the OECD international agreement on the minimum taxation of multinationals, as outlined by the Commission on 22 December 2021; urges the Council to approve the first basket of own resources before the end of 2022;

([7]) European Parliament resolution of 19 May 2022 on the social and economic consequences for the EU of the Russian war in Ukraine — reinforcing the EU's capacity to act (Texts adopted, P9_TA(2022)0219).

24. Notes, however, that the estimated proceeds from these three own resources would not suffice to cover NGEU borrowing debt; reiterates its demand, therefore, that the Commission put forward 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 NGEU debt repayments; underlines the legally binding roadmap established under the Interinstitutional Agreement; asks the Commission, in view of the recent economic challenges however, to be even more ambitious and not to exclude the possibility of adding own resources that are innovative, new and — preferably — genuine;

o

o o

25. Instructs its President to forward this resolution to the Council and the Commission.