

EU own resources

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I/ Context

The **Next Generation EU (NGEU)** plan [was proposed](#) by the European Commission on 27 May 2020, during the COVID-19 crisis, to promote the economy's recovery but also to reconstruct a **greener, more resilient and more digital Europe**. Benefiting from a budget of roughly **806 billion euros (equivalent to 750 billion euros in 2018 prices)**, this recovery plan is the most ambitious ever adopted. This plan is a **temporary instrument designed to simulate the recovery**, that [takes place](#) within **the EU total budget of 2 018 billion euros** (with 806,9 billion euros coming from the NGEU plan and 1 210,9 from the long-term budget)¹, adopted on 17 December 2020, for the 2021-2027 period.

The temporary [Next Generation EU plan](#) will finance:

- **723,8 billion euros to the [recovery and resilience facility instrument](#)**;
- **50,6 billion euros for [React-EU](#)**, to support European territory's cohesion. The funds will be put at the disposition of:
 - The [European Regional Development Fund \(ERDF\)](#),
 - The [European Social Fund](#),
 - The [Employment, Social Affairs and Inclusion Fund](#).
- **5,4 billion euros for [Horizon Europe](#)** to finance research and innovation until 2027;
- **6,1 billion euros for [InvestEU](#)** to support EU investments,
- **8,1 billion euros for [European Agricultural Fund for Rural Development](#)** per Member State;
- **10,9 billion euros for the [Just Transition Fund \(JTF\)](#)** to alleviate the social-economic costs of communities relying on fossil fuels or on industries producing heavy CO2 emissions;
- **2 billion euros for [RescEU](#)**, a reserve of EU Civil Protection Mechanism capacities, dedicated to various missions such as firefighting assistance or medicine research.

II/ Interinstitutional agreement regarding the EU own resources to repay the Next Generation EU plan (16 December 2020)

In 2018, the European Commission proposed three proposals for a Council regulation concerning the [EU own resources implementation measures](#), the [provision of the new own resource linked to](#)

¹ Within the long-term budget of the EU for the period of 2021-2027 there is the NGEU which is a recovery instrument created in reaction to the COVID-19 crisis and the long-term budget will support investment in the digital and green transitions.

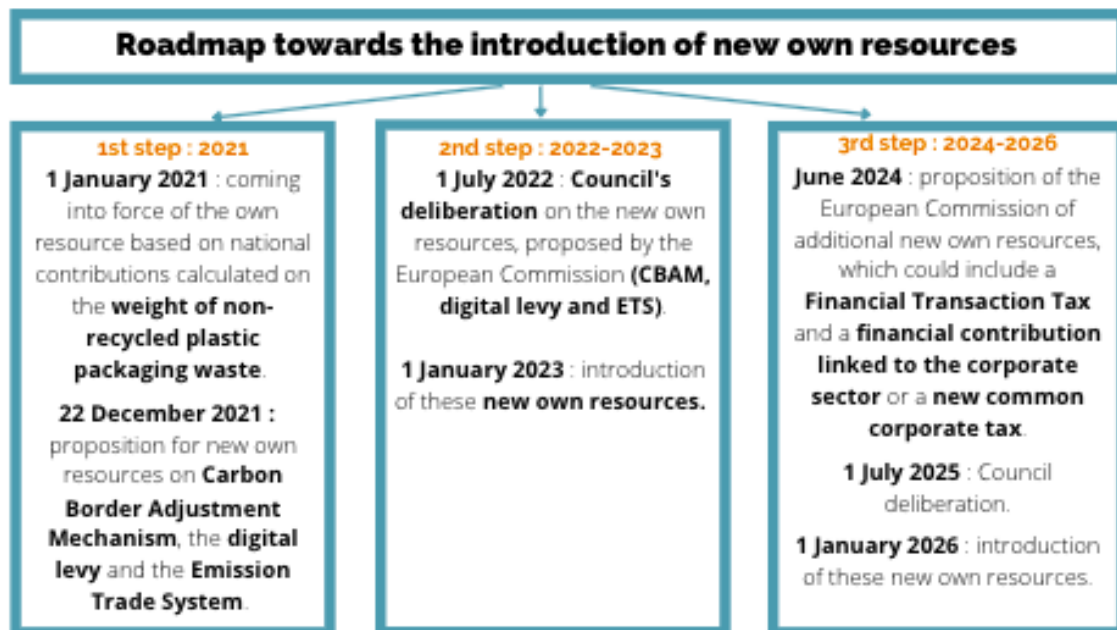


[non-recycled packaging waste](#) and the [collection of own resources from value added tax \(VAT\)](#) for the finances of the EU after 2020.

On 14 December 2020, the Council [adopted](#) the decision on the EU's own resources to set the recovery plan and the multiannual financial framework for the period 2021-2027. The European Parliament, the Council and the European Commission then [adopted](#) the interinstitutional agreement on 16 December 2020 on cooperation in budgetary matters and sound financial management, as well as on new own resources, including a roadmap for the establishment of new own resources.

The Council [received](#) the formal notification concerning the approval of the own resources decision on 31 May 2021, allowing the entry into force of the decision and empowering the European Commission to borrow on behalf of the EU to finance the Next Generation Plan EU.

In a communication to the European Parliament, the Council and the Court of Auditors, published on 28 October 2021, the European Commission [supported](#) **the financing of Next Generation EU had to be carried out by borrowing on the markets**, with the EU budget serving as guarantee. To finance the Next Generation EU plan, the European Commission has a borrowing capacity on behalf of member states, benefiting from more favorable rates than the States would have benefited from. The **repayment of the loans will be carried out until 2058**, to avoid immediate pressure on the national finances of the member states. One of the solutions to repay this loan will be to **develop new own resources**, on which the European institutions [have agreed](#) upon in the interinstitutional agreements:





The **contribution based on the weight of non-recycled plastic packaging waste** is a **national contribution**, which entered into force in January 2021, encouraging Member States to reduce packaging waste while leaving to them the possibility of defining their most appropriate policy to do it. This contribution will be **adjusted after July 2023**, when the final data will be available.

The **Carbon Border Adjustment Mechanism (CBAM)** provides for a **tax on any product imported** from a country outside the EU that does not have a carbon pricing system, to adjust the price of imported goods and guarantee fairness for European businesses. The European Parliament [adopted](#) a resolution on 10 March 2021, in favor of integrating the CBAM into the EU's own resources. The European Commission introduced the CBAM within the climate package presented on 14 July 2021. The Parliamentary committee for the environment, public health and food safety is the associated main committee and the rapporteur is Mohammed Chahim. The CBAM is expected to be **introduced during the period 2023-2025** for the sectors of **fertilizer, aluminum, steel, cement and power generation**. By **2026**, the CBAM is expected to be **fully implemented** and the European Commission will determine whether it should be **extended to other sectors**.

The **EU Emissions Trading System (ETS)** allows companies to buy or receive emission allowances. The ETS was introduced in the climate package presented by the European Commission on 14 July 2021. The Parliamentary Committee for the Environment, Public Health and Food Safety is the associated main committee and its rapporteur is Peter Liese. MEP Sunčana Glavak is the rapporteur for the aviation ETS. From **2023 to 2025**, the ETS will impose the **gradual introduction of the obligation to surrender allowances in the maritime transport sector**. From **2025**, a new ETS will be put in place for the **construction and road transport sectors**. From **2026**, the **free quotas** contained in the ETS will be **phased out** for the sectors included in the CBAM. By the **end of 2026**, the ETS will impose the **total phase-out of the free allocation** of allowances to aircraft operators. On **1 January 2027**, it will impose the **full auctioning of aviation allowances**. From **2027**, the **Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)** will be fully implemented.

The **digital levy** would arise from **digital business activities** and would be a solution to the current inadequacy of corporate tax rules for the digital economy.

The **Common Consolidated Corporate Tax Base (CCCTB)** is a unique set of rules requiring **companies with cross-border activities to comply with a single European system** for determining their taxable income, rather than different national regimes in which the activity is carried out.

The **financial transaction tax** helps **harmonize uncoordinated financial tax initiatives of Member States**, which could otherwise lead to fragmentation of the single market in financial services and double taxation.

[III/ The European Commission proposition for the next generation of new own resources for the EU budget \(22 december 2021\)](#)



The **new own resources package** was originally due to be presented by the **European Commission** in June 2021, but has been postponed to **22 December 2021**.

On 22 December 2021, the **European Commission** published a communication to the other EU institutions "The next generation of own resources for the EU Budget". The communication [proposes](#) three new EU own resources:

- **25%** of the revenues generated by **EU emissions trading system (ETS)** could fuel the EU budget
 - With the extension of the ETS to the maritime sector, its increase of aviation allowances' auctioning and the establishment of a new ETS for building and road transport.
 - Revenues for the EU budget are estimated at around **9 billion euros per year** over the **period 2023-2030**, a share of which will enable the financing of the Social Climate Fund. Ultimately, these revenues are expected to reach around **12 billion euros per year on average over the period 2026-2030**.
- **75%** of the revenues generated by a **Carbon border adjustment mechanism (CBAM)** could fuel the EU budget
 - The affected sectors that will be the first to have to buy allowances to offset their greenhouse gas emissions are **cement, steel and iron, aluminum, fertilizers and electricity**.
 - Revenues for the EU budget are estimated at around **0.5 billion euros per year over the period 2023-2030 and one billion euros per year on average over the period 2026-2030**.
- **15%** of the share of the **residual profits of the largest and most profitable multinational enterprises** that are reallocated to EU Member States under the agreement on a reform of the international tax framework (**Pillar I of the international agreement of the OECD**) could fuel the EU budget
 - Revenues for the EU budget could amount to up to **2.5-4 billion euros per year over the period 2023-2030**.

IV/ Next steps

According to the Commission's proposal, the new resources will be **introduced gradually as of 1 January 2023**. The **Commission** will now work with the **European Parliament** and with the **Council** towards the approval of the EU new own resources. The Council committed to deliberate on the first basket of new own resources by **1 July 2022**.

For the new own resources to be effective, two European texts have to be modified :

- The decision relative to EU own resources - revision to be adopted at the unanimity by the Council, after the consultation of the European Parliament;
- The regulation laying down the **multiannual financial framework for the years 2021-2027**, revision to be adopted at the unanimity by the Council, after the approbation of the European Parliament

The Commission will propose **additional new own resources** by the **end of 2023** : the **Business in Europe: Framework for Income Taxation (BEFIT)**.



The **French Presidency of the EU Council**, which will begin on **1 January 2022 for six months**, is expected to prioritize the texts containing the climate package, which was previously presented on 14 July 2021 by the European Commission, in particular the conclusion of an agreement between the EU Member States to establish the **Carbon Border Adjustment Mechanism**. For more information on the French Presidency of the EU Council please consult [our commercial offer](#).

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