



**European Committee
of the Regions**

COTER-VII/021

152nd plenary session, 30 November–1 December 2022

OPINION

The next generation of own resources for the EU budget

THE EUROPEAN COMMITTEE OF THE REGIONS

- notes the Commission's proposal to introduce three new own resources for the EU budget, but remains deeply worried about the lack of credible impact assessment as to incurred costs of these measures for European companies and consumers;
- stresses the need to establish new resources not only to repay the NGEU debt but also to increase the EU budget's financial autonomy in a permanent way and to reduce Member States' incentives to adopt a "just retour" mindset; the own resources should be established in a sustainable way for the Member States' budgets;
- notes that the introduction of a first basket of new own resources in 2023, in line with the roadmap established in the Interinstitutional Agreement of 16 December 2021, will send a positive message to investors on the financial markets and rating agencies; recalls that sufficient proceeds from new own resources are essential to guarantee the repayment of the NGEU debt without jeopardizing EU programmes in the next MFF;
- points out that, overall, the three new own resources proposed will yield up to EUR 17 billion per year from 2026 to 2030 according to European Commission estimates; notes that this amount will be insufficient to cover both the costs of repaying the NGEU debt (EUR 15 billion/year) and finance the Social Climate Fund (EUR 9.7 billion/year); underlines, therefore, that additional new own resources will be needed; Underlines the importance of territorial impact assessments and calls on the Commission to take this into account when presenting new own resources.

Rapporteur

Nathalie Sarrabezolles (FR/PES), Councillor of the Finistère Departmental Council

Reference documents

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – The next generation of own resources for the EU Budget

COM(2021) 566 final

Proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union

COM(2021) 570

Proposal for a Council Regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027

COM(2021) 569

**Opinion of the European Committee of the Regions –
The next generation of own resources for the EU budget**

I. RECOMMENDATIONS FOR AMENDMENTS

Proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union ([COM\(2021\) 570](#))

Amendment 1

Recital 3

<i>Text proposed by the European Commission</i>	<i>CoR amendment</i>
The EU Emissions Trading System, established by Directive 2003/87/EC of the European Parliament and of the Council, is a central part of the climate policy of the Union. Considering the close link of emissions trading to the climate policy objectives of the Union, it <i>is</i> appropriate to allocate a share of the revenues concerned to the Union budget.	The EU Emissions Trading System, established by Directive 2003/87/EC of the European Parliament and of the Council, is a central part of the climate policy of the Union. Considering the close link of emissions trading to the climate policy objectives of the Union as well as the cross-border nature of carbon emissions , it might be appropriate to consider allocating a share of the revenues concerned to the Union budget, under the strict conditions that: (1) it will not affect negatively the financial capacity of national authorities to fulfil the objectives of the Green Deal;

<i>Reason</i>
Shifting revenues from the ETS from Member State to EU level could reduce the capacity of Member States to invest in climate change measures due to smaller revenues.

Amendment 2

Recital 5

<i>Text proposed by the European Commission</i>	<i>CoR amendment</i>
To avoid an excessively regressive impact on contributions from the emissions trading, a maximum contribution should be established for eligible Member States. For the period from 2023 to 2027, Member States are eligible if the gross national income per capita, measured in purchasing power standard and calculated on the basis of Union figures for 2020 is below 90% of the EU average. For the period from 2028 to 2030, the gross national income per capita in 2025 should be used. The maximum contribution	To avoid an excessively regressive impact on contributions from the emissions trading, a maximum contribution should be established for eligible Member States. For the period from 2023 to 2027, Member States are eligible if the gross national income per capita, measured in purchasing power standard and calculated on the basis of Union figures for the period 2018-2020 , is below 90% of the EU average. For the period from 2028 to 2030, the gross national income per capita in the period 2023-2025 should be used.

should be established by comparing Member States' shares in the total emission trading based own resource with the shares of those Member States in the Union gross national income. A minimum contribution should be established for all Member States if their share of the total amount of ETS-based own resources is lower than 75% of their share in the Union gross national income.	The maximum contribution should be established by comparing Member States' shares in the total emission trading based own resource with the shares of those Member States in the Union gross national income. A minimum contribution should be established for all Member States if their share of the total amount of ETS-based own resources is lower than 75% of their share in the Union gross national income.
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<i>Reason</i>
The common practice in cohesion policy is to use GNI figures for an average of three years to classify regions and Member States as more developed, less developed or in transition. We propose adopting this method to calculate the rebate mechanism applied to the ETS-based own resource.

Amendment 3

Recital 6

<i>Text proposed by the European Commission</i>	<i>CoR amendment</i>
Regulation (EU) [XXX] of the European Parliament and of the Council ¹⁵ establishes a carbon border adjustment mechanism to complement the EU Emissions Trading System and to ensure the effectiveness of the climate policy of the Union. Considering the close link of the carbon border adjustment mechanism to the Union's climate policy, a share of the revenues from the sale of certificates should be transferred to the Union budget as an own resource.	Regulation (EU) [XXX] of the European Parliament and of the Council ¹⁵ establishes a carbon border adjustment mechanism to complement the EU Emissions Trading System and to ensure the effectiveness of the climate policy of the Union. Considering the close link of the carbon border adjustment mechanism to the Union's climate policy <i>as well as the cross-border nature of carbon emissions and industrial value chains</i> , a share of the revenues from the sale of certificates should be transferred to the Union budget as an own resource.

<i>Reason</i>
The cross-border nature of carbon emissions and industrial value chains makes it difficult to attribute the revenues from the CBAM to individual Member States and constitutes a strong argument in favour of allocating the revenues at EU level.

Amendment 4

Recital 7

<i>Text proposed by the European Commission</i>	<i>CoR amendment</i>
In October 2021, the Organisation for Economic Co-operation and Development and the G20 Inclusive Framework on Base Erosion and Profit Shifting reached an agreement on the allocation	In October 2021, the Organisation for Economic Co-operation and Development and the G20 Inclusive Framework on Base Erosion and Profit Shifting reached an agreement on the allocation to

to participating market jurisdictions of 25% of residual profits of large multinational enterprises above the profitability threshold of 10% ('OECD/G20 IF Pillar 1 Agreement'). The own resource should consist in applying a uniform call rate to the share of residual profits of the multinational enterprises, re- allocated to Member States [pursuant to the Directive on implementation of the global agreement on re-allocation of taxing rights.]	participating market jurisdictions of 25% of residual profits of large multinational enterprises above the profitability threshold of 10% ('OECD/G20 IF Pillar 1 Agreement'). The own resource should consist in applying a uniform call rate to the share of residual profits of the multinational enterprises, re- allocated to Member States [pursuant to the <i>entry into force of the multilateral convention and the</i> Directive on implementation of the global agreement on re-allocation of taxing rights.]
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<i>Reason</i>
There is a need to specify that the establishment of this new own resource depends on the conclusion of the multilateral convention aimed at operationalising Pillar One of the OECD/G20 agreement.

Amendment 5

Article 1

Amend point (1)(d)

<i>Text proposed by the European Commission</i>	<i>CoR amendment</i>
<p>2a. By way of derogation from paragraph 1, point (e), the following shall apply until the financial year 2030:</p> <p>(a) where a Member State's share in the total amount of revenue resulting from the application of paragraph 1, point (e), is lower than 75% of its share in the Union gross national income, that Member State shall make available an amount that is equal to 75% of that gross national income share, multiplied by the total amount of revenue resulting from the application of paragraph 1, point (e).</p> <p>(b) a Member State's share in the total amount of revenue resulting from the application of paragraph 1, point (e), shall not be higher than 150% of that Member State's share in the Union gross national income for Member States with a gross national income per capita below 90% of the Union's average, measured in purchasing power standard and calculated on the basis of the figures for 2020, for the period from 2023 to 2027, and on the basis of the figures for 2025, for the period from 2028 to 2030.</p>	<p>2a. By way of derogation from paragraph 1, point (e), the following shall apply until the financial year 2030:</p> <p>(a) where a Member State's share in the total amount of revenue resulting from the application of paragraph 1, point (e), is lower than 75% of its share in the Union gross national income, that Member State shall make available an amount that is equal to 75% of that gross national income share, multiplied by the total amount of revenue resulting from the application of paragraph 1, point (e).</p> <p>(b) a Member State's share in the total amount of revenue resulting from the application of paragraph 1, point (e), shall not be higher than 150% of that Member State's share in the Union gross national income for Member States with a gross national income per capita below 90% of the Union's average, measured in purchasing power standard and calculated on the basis of the figures for 2018-2020 , for the period from 2023 to 2027, and on the basis of the figures for 2023-2025, for the period from 2028 to 2030.</p>

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<i>Reason</i>
The common practice in cohesion policy is to use GNI figures for an average of three years to classify regions and Member States as more developed, less developed or in transition. We propose adopting this method to calculate the rebate mechanism applied to the ETS-based own resource.

Proposal for a COUNCIL REGULATION amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 ([COM\(2021\) 569](#))

Amendment 6

Recital 3

<i>Text proposed by the European Commission</i>	<i>CoR amendment</i>
The introduction of EU emissions trading for the buildings and road transport sectors, as set out in Directive 2003/87/EC of the European Parliament and of the Council ¹⁴ , may give rise to short term social impacts. To address this challenge, Regulation (EU) [XXX] final of the European Parliament and of the Council established ¹⁵ a Social Climate Fund, to be financed by the general budget of the Union under the multiannual financial framework. The ceiling for commitment appropriations of heading 3, 'Natural Resources and Environment', and the ceiling for payment appropriations should therefore be adapted <i>for the years 2025, 2026 and 2027</i> .	The introduction of EU emissions trading for the buildings and road transport sectors, as set out in Directive 2003/87/EC of the European Parliament and of the Council ¹⁴ , may give rise to short term social impacts. To address this challenge, Regulation (EU) [XXX] final of the European Parliament and of the Council established ¹⁵ a Social Climate Fund, to be financed by the general budget of the Union under the multiannual financial framework. The ceiling for commitment appropriations of heading 3, 'Natural Resources and Environment', and the ceiling for payment appropriations should therefore be adapted <i>for the years 2024, 2025, 2026 and 2027</i>

<i>Reason</i>
The Social Climate Fund should start a year earlier than the expansion of the ETS to the transport and building sector in order to give vulnerable households, micro and small enterprises and mobility users sufficient time to adapt.

Amendment 7

New recital after recital 3

<i>Text proposed by the European Commission</i>	<i>CoR amendment</i>
	<i>It is appropriate to introduce an automatic 'carbon price fluctuation adjustment' for the ceiling of heading 3 to allow annual reinforcements of appropriations for the Social Climate Fund in the event of higher carbon prices in the mobility and building sectors.</i>

<i>Reason</i>
There is a need to ensure that the budget of the Social Climate Fund is reinforced in the event that the carbon price in the ETS2 sectors is higher than the initial Commission assumptions.

Amendment 8

Article 1, new (3) inserting article 4b

<i>Text proposed by the European Commission</i>	<i>CoR amendment</i>
	<p><i>4b is inserted:</i> <i>'Article 4b Carbon-price adjustment mechanism</i></p> <p><i>1. Starting in 2024, after the submission of the provisional accounts of the year n-1 in accordance with Article 245(3) of the Financial Regulation, an upward adjustment to the expenditure ceiling for commitment appropriations of heading 3 and to the ceiling for payment appropriations for the current year shall be made in the event that the carbon price in the ETS2 sectors is higher than the initial Commission assumptions.</i></p> <p><i>2. The annual adjustment will be calculated on the basis of the EU-27 average level of ETS2 carbon price in year -1.'</i></p>

<i>Reason</i>
There is a need to ensure that the budget of the Social Climate Fund is reinforced in the event that the carbon price in the ETS2 sectors is higher than the initial Commission assumptions.

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. notes the Commission's proposal to introduce three new own resources for the EU budget, but remains deeply worried about the lack of credible impact assessment as to incurred costs of these measures for European companies and consumers;
2. stresses the need to establish new resources not only to repay the NGEU debt but also to increase the EU budget's financial autonomy in a permanent way and to reduce Member States' incentives to adopt a "just retour" mindset; the own resources should be established in a sustainable way for the Member States' budgets;

3. observes that the first own resource on non-recycled packaging waste, in place since 1 January 2021, is not earmarked to be invested directly into the re-use and recycling of plastic waste; calls for increased EU ambitions to reduce the use of plastic and plastic recycling.
4. notes that the introduction of a first basket of new own resources in 2023, in line with the roadmap established in the Interinstitutional Agreement of 16 December 2021, will send a positive message to investors on the financial markets and rating agencies; recalls that sufficient proceeds from new own resources are essential to guarantee the repayment of the NGEU debt without jeopardizing EU programmes in the next MFF.

A Carbon Border Adjustment Mechanism

5. supports the proposal for the establishment of a Carbon Border Adjustment Mechanism (CBAM) to stimulate global climate action. The CBAM should be embedded into a broader EU industrial strategy on transitions;
6. points out that income from the carbon market and from a carbon border levy may decrease over time as the European economy decarbonises and other third countries progressively adopt similar carbon price mechanisms;
7. recognises the mechanism as a useful tool for the EU to help reduce CO₂ emissions globally, however it raises a number of concerns, such as the unforeseeable impact of the mechanism on EU markets, including SMEs and farming. The European Commission has to step up monitoring and reporting to the Parliament and Council on the implementation of the mechanism and its impact on the markets;
8. stresses that the ETS allocations¹ should be abolished gradually for sectors covered by the CBAM and replaced by auctions for all emission allowances to ensure WTO compatibility in the long term;

A new ETS-based own resource

9. supports the proposal to create new own resources based on a reformed EU Emission Trading System (ETS); stresses that the cross-border nature of carbon emissions, which are associated with negative externalities not restricted to the emitting countries, provides a strong rationale for allocating auction revenues from ETS certificates to the EU level; underlines that this must not affect negatively the ability of Member States to finance their national climate change programmes;
10. it is essential to mitigate the social and territorial negative effects of enlarging the ETS to the buildings and transport sector (ETS 2). The CoR believes that the Commission's proposal to set up a Social Climate Fund (SCF) financed by an amount equivalent to 25% of the receipts from

¹ Under the EU Emissions Trading System, companies need to obtain emission allowances covering their carbon emissions. Free allocation is set as a transitional method of allocating allowances in contrast to the default method (auctioning). However, allowances allocated for free continue to represent more than 40% of the total number of available allowances.

ETS2 would be entirely insufficient to compensate for the vast scale of home renovations and road transport electrification. The CoR stresses the importance of having local and regional authorities fully involved in the management of ETS resources and in the management of the Social Climate Fund. The CoR recommends integrating the Social Climate Fund into the Common Provisions Regulation of the cohesion policy in order to simplify its management on the ground for managing authorities and beneficiaries. Priority should be given to making existing investment and cohesion tools work better and faster instead of setting up new funds that duplicate existing mechanisms and objectives with different rules and with the risk of bypassing current rules on the eligibility of energy sources;

11. believes that in order to cope with technological, regulatory and market change, the CBAM should be dynamic and its sectoral scope and emission coverage should be regularly reviewed, taking into account the local and regional impact of the mechanism; stands ready to support the assessment of the territorial impacts of CBAM;
12. supports the idea of financing the SCF through own resources instead of earmarking the proceeds of ETS2 via assigned revenues; notes that an earmarking mechanism would make long-term planning difficult as the annual amounts would be unpredictable and volatile;
13. draws attention to the fact that the ETS-based own resource will constitute 71% of the total proceeds from this first basket of new own resources. Maintaining an ETS-based own resource is therefore key for the credibility of the package.
14. is worried, however, that the volume of resources for the SCF may be insufficient in the event of very high carbon prices. The CoR supports the idea² of creating an automatic 'carbon price fluctuation adjustment' to reinforce the annual SCF budget in the event of higher carbon prices in the ETS2 sectors;
15. considers that the Social Climate Fund should start in 2024, one year before the implementation of the ETS on road transport and the building sectors in order to give vulnerable households, micro and small enterprises and mobility users – especially those facing mobility poverty – sufficient time to adapt;

An own resource based on the OECD/G20 'Pillar One' agreement

16. welcomes the Commission's proposal to create a new own resource based on 'Pillar One' of the OECD/G20 international tax agreement; notes, however, that the establishment of this new own resource depends on the successful finalisation of the OECD/G20 Multilateral Convention in the course of 2022;
17. urges the Commission to prepare for the event that major jurisdictions, and particularly the US, do not ratify the agreement; considers that, in such a case, the EU should move forward and

² Draft Opinion of the Committee on Budgets on the proposal for a regulation of the European Parliament and of the Council establishing a Social Climate Fund (COM(2021)0568 – C9-0324/2021 – 2021/0206(COD), 09.02.2022

propose an EU Digital Service Tax that would work as an interim solution until a more global solution to taxing large multinationals is established;

18. recalls that the 2021 OECD/G20 agreement on global taxation foresaw the conclusion of the preparatory work on the MLC by early 2022; observes that progress in the implementation is stalling as the OECD has not yet finalised the text of the MLC; is worried that a political change in the US mid-term elections could jeopardise the US' capacity to sign and ratify the MLC.

Other possible own resources

19. points out that, overall, the three new own resources proposed will yield up to EUR 17 billion per year from 2026 to 2030 according to European Commission estimates; notes that this amount will be insufficient to cover both the costs of repaying the NGEU debt (EUR 15 billion/year) and finance the Social Climate Fund (EUR 9.7 billion/year); underlines, therefore, that additional new own resources will be needed; underlines the importance of territorial impact assessments and calls on the Commission to take this into account when presenting new own resources;
20. is concerned about the European Commission's proposal that Member States could redirect unspent funds from the European Structural and Investment Funds or the CAP to the REPowerEU plan, because it entails a risk of undermining cohesion in the EU; reaffirms that new policies should be financed by new financial means;
21. notes that the future reform of the EU budget system requires EU own resources that support the just transition to competitive circular economies. Requests the European Commission to consider the Ex-Tax proposals for a shift in taxation from labour to pollution and resource use, as put forward in the European Green Deal. Such a "taxshift" is based on applying the Polluter Pays Principle, as well as the principles of "making work pay" and "leaving no-one behind". Applying such principles would align tax policies with the goals of The European Green Deal and the European Pillar of Social Rights Action Plan, amongst others;
22. urges the Commission to work on proposals for new own resources without delay; sees as very promising the idea of creating an own resource linked to major corporations, building on the 'Business in Europe: Framework for Income Taxation (BEFIT)' proposal planned for 2023; observes that, according to some studies, the implementation of the OECD/G20 agreement could lead to an increase in corporate tax revenue in Europe by more than EUR 80 billion/year³;
23. stresses that the European Commission intends to set up a "RebuildUkraine" Facility, which is supposed to act as the main legal instrument for the EU's support in the reconstruction of Ukraine; highlights that new tasks require new financial sources and welcomes the European Commission's announcement in this respect that the additional needs created by the war are well beyond the means available in the current MFF and the commitment that new financing sources will need to be identified;

³ Barake, Mona et al 2021 Revenue Effects of the Global Minimum Tax: Country-by-Country Estimates, European Tax Observatory, note no 2, October 2021.

24. strongly welcomes that the Commission has accompanied the proposal for a new ETS scheme and the draft regulation establishing a CBAM with subsidiarity grids. The reasoning provided in relation to the European added value of the proposals and the roll-out of measures deriving from EU competencies in the area of climate change as defined in Articles 191 to 193 of the Treaty on the Functioning of the European Union (TFEU) meets the CoR's own assessment of full compatibility of the proposals with the subsidiarity principle.

Brussels, 30 November 2022

The President
of the European Committee of the Regions

Vasco Alves Cordeiro

The Secretary-General
of the European Committee of the Regions

Petr Bližkovský

III. PROCEDURE

Title	The next generation of own resources for the EU budget
Reference(s)	COM(2021) 566 final COM(2021) 569 final COM(2021) 570 final
Legal basis	Article 307 TFEU
Procedural basis	Rule 41(b)(i) of the CoR Rules of Procedure
Date of Council/EP referral/Date of Commission letter	
Date of Bureau/President's decision	28/01/2022
Commission responsible	Commission for Territorial Cohesion Policy and EU Budget
Rapporteur	Nathalie Sarrabezolles (FR/PES) Councillor of the Finistère Departmental Council
Analysis	28/03/2022
Discussed in commission	07/04/2022
Date adopted by commission	12/07/2022
Result of the vote in commission (majority, unanimity)	Majority
Date adopted in plenary	30.11.2022
Previous Committee opinions	Opinion on <i>the Multiannual Financial Framework package for the years 2021-2027</i> , Nikola Dobroslavić (HR, EPP) ⁴
Date of subsidiarity monitoring consultation	n/a

⁴ [OJ C 461, 21.12.2018, p. 70](#)