European Commission

The next generation of EU OWN RESOURCES

#EUbudget #NextGenerationEU #RecoveryEurope

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EMISSIONS TRADING SYSTEM OWN RESOURCE

The EU Emissions Trading System (ETS) is the EU carbon market through which companies buy or receive emission allowances.

The Commission has recently proposed to strengthen the existing Emissions Trading System, extending it to maritime transport, as well as gradually to full auctioning of aviation allowances. A proposal to introduce a new emissions trading system for buildings and road transport is also on the table.

Under the proposal, 25% of the revenues from emissions trading in the EU should go to the EU budget, which is estimated to generate about €12 billion on average in 2026-30 for the EU budget.

Several sectors **need to buy allowances** to compensate for **greenhouse gas emissions**, including:
- *Power plants and industries*
- *Aviation*
- *Maritime transport (new)*
- *Buildings (new)*
- *Road transport (new)*

Part of the allowances are **auctioned** through a platform or otherwise **used** by Member States

CARBON BORDER ADJUSTMENT MECHANISM OWN RESOURCE

The carbon border adjustment mechanism (CBAM) – proposed in July – is an innovative tool to defend the EU climate ambition by addressing carbon leakage and help cut down global carbon emissions. To that end, it puts a carbon price on imports to the EU, corresponding to what would have been paid, had the goods been produced in the Single Market.

The Commission proposes that 75% of the revenues collected by Member States under CBAM go to the EU budget. This is estimated to generate about €1 billion on average in 2026-30 for the EU budget. The measure will start to generate revenues after the end of a transitional period without financial consequences (2023-2025).

OWN RESOURCE BASED ON THE REALLOCATED PROFITS OF VERY LARGE MULTINATIONAL COMPANIES

In October 2021, more than 130 members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting agreed on a reform of the international tax framework. Pillar One of this agreement will reallocate the right to tax a share of profits from the world's largest multinational enterprises to participating countries.

Member States would contribute to the EU budget 15% of the share of the taxable profits of multinational enterprises reallocated to EU Member States under 'Pillar One'. Pending the finalisation of agreement on the Multilateral Convention, revenues for the EU budget are estimated to amount to between €2.5 and €4 billion per year.

What will the new revenue be used for?

They will diversify the sources of revenue for the EU budget and help the Union repay the borrowing to finance the grant part of NextGenerationEU, without reducing the funding for existing EU programmes. These revenues will also contribute to the financing of the Social Climate Fund.

Next steps

The Commission will now work with the European Parliament and with the Member States in the Council towards a swift approval of the new sources of revenue for the EU budget in view of their swift introduction. The Commission will propose additional new own resources by the end of 2023.

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