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Other Revenue for the EU Budget – Status Quo and Potential

Against the backdrop of ongoing debates on EU financing – such as how to strengthen the link between EU revenues and policies, reduce national contributions, make the EU budget more flexible, and expand the revenue base with sources that support the EU's financial autonomy and policies – other revenue, which represents a minor financing source for EU expenditures besides own resources, has received increasing attention recently. This paper provides an overview of other revenue and its current and potential future relevance in the EU revenue system. After presenting the conceptual foundations and important definitions related to other revenue, the article maps different categories of other revenue and presents their long-term development. Finally, the article explores several options to strengthen the role of other revenue, considering both existing and potential new other revenue sources.

"Other revenue" has long been neglected in the academic and policy debate on reform needs and options for the EU revenue system. Only recently, against the backdrop of the ongoing debates on how to strengthen the link between EU revenues and policies, how to create space to reduce national contributions and particularly the GNI-based own resource, and how to expand the EU's revenue base (especially with regard to revenue sources that strengthen the EU's financial autonomy), other revenue has received more attention.[1] In addition, several new other revenue sources have been implemented in the last few years, for example, the sizeable borrowing related to the EU's emergency COVID-19 Recovery Instrument NextGenerationEU (NGEU) or the revenue generated through the immobilisation of Russian assets. Not least, several other revenue sources have generated some public attention recently, e.g. fines imposed on large US tech firms or excess emission premiums levied on European automotive firms.

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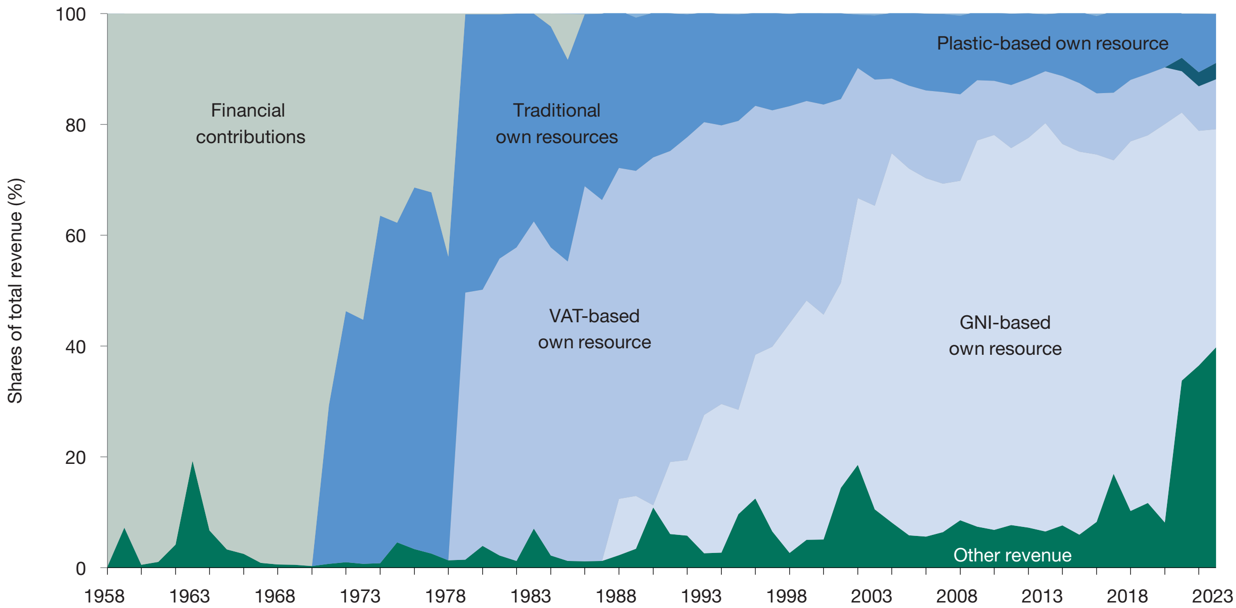
Other revenue: An overview

The EU budget is financed from own resources and other revenue, which add up to total EU revenue (see Figure 1). Own resources are the EU's main revenue source, based on the guiding principle anchored in Article 311 TFEU: "Without prejudice to other revenue, the [EU] budget shall be financed by own resources." Own resources comprise traditional own resources, i.e. customs, and national contributions that consist of value added tax (VAT), gross national income (GNI) and plastic-based own resources. Other revenue is all revenue accruing to the EU that does not constitute own resources. In principle, it results from the EU's normal activities (Mathis, 2017) and comprises several very heterogeneous revenue categories related to action taken by the EU and the implementation of the EU

1 See, in particular, the Final Report of the High Level Group on Own Resources (2016), the Reflection Paper on the Future of EU Finances by the European Commission (2017), and Schratzenstaller et al. (2022).

Figure 1
Composition of EU total revenue, 1958-2023



Source: European Commission (2024); authors' calculations.

budget. Other revenue can be assigned or non-assigned. Non-assigned (or general) other revenue is not used to finance specific expenditures, but – like own resources – serves as a general financial resource for the EU budget, while assigned other revenue is dedicated for specific EU expenditures via the EU budget.

Since 1958, the year of the creation of the European Economic Community (EEC), the lion's share of EU revenues has been based on member states' financial contributions and own resources (see Figure 1).[2] The weight of other revenue has been increasing in the decades since. Since 2021, the share of other revenue in total EU revenue has been rising markedly, with debt incurred by the EU to finance the grants and loans provided to member states from 2021 to 2026 through NGEU also representing other revenue. Accordingly, the share of other revenue in total EU revenue reached 39.8% in 2023, causing the share of own resources to drop to 60.2%.

Figure 2 provides an overview of how other revenue is embedded in the EU revenue system. It also shows the key features of other revenue: its sources, the titles under which it is recorded, the distribution between assigned and non-assigned other revenue, and the use of assigned other revenue.

Non-assigned other revenue counts as general revenue, as do own resources, and thus decreases member states' own resource payments – specifically GNI-based contributions – accordingly (Mathis, 2017). Therefore, an increase in non-assigned other revenue does not increase budgetary space in the sense of enabling more EU spending. Only an increase of assigned other revenue, which has a revenue-raising purpose, allows additional spending above the agreed Multiannual Financial Framework (MFF) expenditure lines.

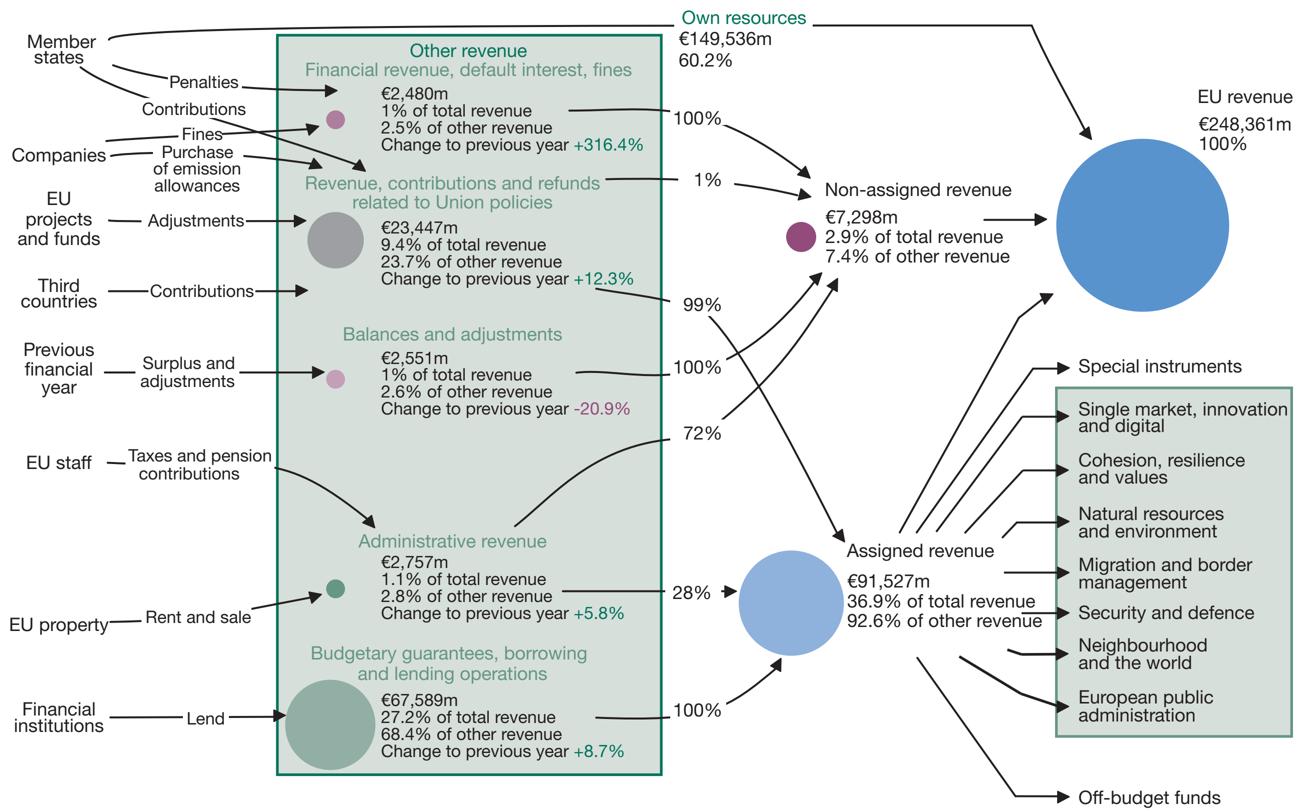
Role of existing other revenue sources

Although the overall budgetary significance of other revenue has somewhat increased during the last two and a half decades compared to the decades before, the share of other revenue in total EU revenue has remained limited overall. The observable marked increase in other revenue since 2021 is solely caused by the temporary and exceptional borrowing and lending operations related to NGEU. Nevertheless, specific categories of other revenue can be useful elements of the EU revenue system.

Very generally, other revenue offers flexibility for the provision of EU programmes and activities and their financing beyond the rather rigid MFF and own resources framework in several respects. It may thus serve as one element in a strategy to increase the adaptability of the EU budget to react to crises and unforeseen events, which

2 See Schwarcz (2021, 2023) and D'Alfonso (2021) for overviews of the EU system of own resources.

Figure 2
Other revenue in the EU revenue system



Source: Authors' elaboration.

has long been called for (see, for example, European Commission, 2017). This is evident in the additional initiatives to respond to short-term challenges that arise during the ongoing implementation of the MFF but cannot be addressed by the flexibility mechanisms (whose budgetary volumes are very limited, see Marzinotto, 2024), such as NGEU or the Ukraine Facility (financed by relying strongly on other revenue resulting from EU borrowing and from returns on immobilised Russian sovereign assets).[3] Another example is the participation of third countries in certain MFF programmes in exchange for contributions by these countries. As they are participating in certain programmes only, third countries cannot be integrated in the own resources framework. This is because national contributions cover all MFF programmes as a whole (principle of universality). Therefore, although other revenue must not permanently constitute a significant share of total EU revenue, it is well suited to complement own resources as the primary revenue source for EU programmes and initiatives based on medium-term planning in the MFF.

Budgetary significance varies considerably between individual other revenue categories. Some are of very minor budgetary significance (administrative revenue; financial revenue, including fines and penalties; balances and adjustments), while others include considerable revenue that finances important EU interventions (guarantees and borrowing and lending operations, mainly related to NGEU) and European public goods provided for third countries (contributions by third countries to various EU programmes and initiatives).

Several other revenue categories (i.e. those arising from the normal administrative and financial operations related to the regular operations to implement the EU budget) provide a rather steady income stream. This is true also for specific contributions by third countries to EU programmes. In contrast, other revenue from fines and penalties, EU budgetary guarantees and lending and borrowing operations and some contributions to EU programmes

3 For details on the financing scheme of the Ukraine Facility, see https://epthinktank.eu/2024/07/17/ukraine-facility-state-of-play/.

(specifically those linked to the withdrawal of the UK from the EU) are rather volatile, sometimes one-off and limited in time, and in some cases, hard to predict. As the long-term development of other revenue also shows (see Figure 1), it is volatile and hard to forecast, so that it does not constitute a reliable revenue source.

It is interesting to note that an increasing share of other revenue directly originates from and/or supports EU policies. Specifically, other revenue directly resulting from and contributing to EU policies comprises fines and penalties, as well as contributions by third countries to EU programmes. Also, other revenue in connection with borrowing and lending operations related to NGEU and other temporary off-budget instruments belongs to this category, albeit on an exceptional and temporary basis. Moreover, other revenue currently is only used to a rather limited extent as a steering instrument for EU policies and strategies, namely in the form of fines, penalties and infringement payments in the context of implementing and complying with EU law.

Fines imposed on firms violating EU competition rules and excess emissions premium payments play a minor role in budgetary terms; the same is true for infringement payments. In the past, infringement payments by member states have been used particularly sparingly, and fines for member states that do not comply with EU fiscal rules have not been imposed thus far.

Furthermore, other revenue items that constitute a kind of fee paid for the use of public goods provided by the EU are sparse. Currently, such fee-like payments exist only in the form of contributions paid by third countries to EU programmes. Thus, compared to national budgets, the EU budget uses fees as a financial source to cover specific expenditures for certain beneficiaries to a very limited extent only.

Options to strengthen the role of other revenue sources

While the design of the EU revenue system has been the subject of discussions for several decades now, the debate on the reform needs and options to make the EU revenue system future-proof has gained momentum during the last decade in academia (see, e.g. Buettner & Thöne, 2016; Schratzenstaller et al., 2016; Fuest & Pisani-Ferry, 2020; Schratzenstaller et al., 2022) as well as among EU policymakers. Most recently, the mission letter from Commission President Ursula von der Leyen (2024) to the new Commissioner for Budget, Anti-fraud and Public Administration Piotr Serafin implicitly mentions other revenue: "You will also lead the work to introduce new own resources and explore all sources of financing to ensure sufficient and sustainable funding for our common priorities as part of a modernised and strengthened revenue system."

Notwithstanding the minor budgetary role assigned to other revenue within the EU revenue system, their potential in terms of budgetary significance, as well as in supporting EU policies, is currently underused.

There are several reasons to increase the weight of other revenue within the EU revenue system. Other revenue can support EU policies (particularly fines, penalties and infringement payments imposed on member states and firms for non-compliance with EU law). They can thus strengthen overall budget coherence. Furthermore, in comparison to current national contributions from member states, other revenue is more "genuine". As such, if it is non-assigned, other revenue strengthens the EU's financial autonomy and loosens the link between national contributions to the EU budget and payments received by member states. It may therefore somewhat alleviate member states' "juste-retour" thinking, which is one reason for their unwillingness to expand the EU budget to a size that is appropriate to cope with current and future challenges (Bachtrögler et al., 2020).

In addition, other revenue assigned for specific purposes can make the EU budget more responsive to unexpected challenges (HLGOR, 2016; European Commission, 2017).[4] It can also widen the scope and visibility of European public goods beyond EU member states (for example, by offering third countries the option to participate in certain EU programmes), thus creating positive network effects both for member states and third countries. Within the current financial framework, non-assigned other revenue allows a decrease of GNI-based own resource payments by member states, which reduces the financial burden associated with EU membership.

At the same time, efforts to strengthen the role of other revenue carry several risks. They could compromise the unity of the budget, erode the principle of universality, and make the EU revenue system less transparent and more complex. Such efforts could also result in distortions and inequitable financial burdens on an individual, firm and regional level if they are primarily guided by a revenue-maximising objective. Finally, they could lead to tensions with the corporate sector, member states or third countries, and fail to respect equity considerations regarding the distribution of the financial burden associated with

4 Notable recent examples include the common debt incurred for SURE, NGEU, and the Ukraine Facility.

the EU budget across member states (HLGOR, 2016). It should also be kept in mind that notwithstanding the necessity and the opportunities to reinforce the financial contribution of other revenue to overall EU revenue, the leeway to do so on a permanent basis is rather limited due to the general provision in Article 311 TFEU mentioned above. Thus, with regard to this article, but also because many other revenue items are volatile and challenging to predict, and because their long-term revenue potential is often uncertain, initiatives to reinforce other revenue can deliver only a very limited contribution to efforts directed at broadening the financial basis and enhancing the size of the EU budget.

In what follows, we briefly present and discuss options to strengthen the role of other revenue, placing a particular focus on options that are connected to and will support EU policies.

Common EU debt

Since NGEU and its centrepiece, the Recovery and Resilience Facility (RRF), will only operate until the end of 2026, discussions about whether there should be a successor programme are currently underway. Both policymakers, including from the European Commission, and academic scholars have named the RRF (initially designed as a one-off instrument) an important blueprint for how future programmes could be financed by issuing EU bonds (e.g. Bakker et al., 2024; Abraham et al., 2023; Heimberger & Lichtenberger, 2023; Grund & Steinbach, 2023; Felbermayr & Pekanov, 2024).

Studies suggest that meeting major policy challenges related to climate change, energy security and geopolitical risks will require substantial additional spending (e.g. Steinbach & Wolff, 2024; Institut Rousseau, 2024; Baccianti, 2022). An important option for meeting future financing needs could be common EU debt, which would hold a significant long-term revenue potential.

However, critics have argued that additional joint borrowing programmes backed by an EU budgetary guarantee may in the future lead to problems in meeting payment obligations linked to the EU bonds issued. Most importantly, it is questionable whether permanent EU borrowing would be compatible with Article 311 TFEU, according to which the EU budget "shall be financed wholly from own resources" (Begg et al., 2023; Grund & Steinbach, 2023). There is also an interest rate risk as illustrated by the rapidly rising interest payments for NGEU debt following the tightening of monetary policy in the euro area during the recent inflation shock (Claeys et al., 2023).

Fines and penalties

Other revenue resulting from fines and penalties is subject to large fluctuations (European Commission, 2024a). On average over the last 20 years,[5] fines and penalties reached €1,720 million per year. The future significance of penalties and fines may be influenced by opposing potential developments, which are hard to predict.

On the one hand, fines and penalties related to the implementation of EU climate policy could gain significance, for example, excess emission premiums for carmakers or possible infringement payments related to the implementation of ETS2 or the lack of fulfilment of member states' climate goals. Moreover, new regulations – most recently the Digital Services Act package – have been adopted that may result in financial sanctions in the case of noncompliance by firms. "Intentional" violations of or noncompliance with EU law in the area of asylum and migration could also increase further.

On the other hand, penalties are sometimes rather moderate, particularly in competition law. In addition, fines that are imposed as lump sums are not regularly adjusted for inflation and therefore lose real value (e.g. the excess emission premiums for automotive firms). Furthermore, the recent revision of EU fiscal rules foresees lower fines in the case of non-compliance.[6] Finally, if fines and penalties succeed in incentivising compliance with EU rules (e.g. excess emission premiums or infringement payments), their revenue potential decreases accordingly.

A more stringent use of fines and penalties could support EU policies and raise additional other revenue at the same time. For the most part revenue is non-assigned, thus decreasing GNI-based own resource payments of member states. With a view to supporting EU policies, three kinds of fines and penalties are of particular interest: financial sanctions in infringement procedures, cartel and competition fines, and excess emission premiums. Fines imposed for fraud and irregularities that are damaging to the Union's financial interests (Article 422) have played only a marginal role over the past 20 years, generating revenue in just a few years. Fines in the framework of the Union's governance (Article 423) are irrelevant from a budgetary point of view.

5 No data are included for 2010, as no entries were recorded in the general budget.

6 It should be noted that so far, such fines directly related to a violation of EU fiscal rules have never been imposed. Past payments recorded under Item 423 are quantitatively negligible and caused by manipulations of debt data.

Revenue from the European Travel Information and Authorisation System

After its implementation, which is foreseen for the fourth quarter of 2026, the European Travel Information and Authorisation System (ETIAS) will have to be applied for by non-EU nationals from about 60 visa-exempt countries entering those European countries that require ETIAS.[7] For applicants between 18 and 70 years of age, an application fee of €7 will be charged. Thus, the ETIAS fee is almost the lowest among relevant comparable systems worldwide.[8]

ETIAS revenue has a direct link to EU policies and represents a genuine EU revenue source. It may also support EU policies, as ETIAS is intended to mitigate security risks resulting from trafficking or terrorism. ETIAS revenue has been estimated at €200 million for the introduction year and constitutes assigned other revenue used to cover the average annual operations costs that have been estimated at €85 million by the Commission.[9] In the longer run, ETIAS annual revenue should increase, following the expected growth of global tourism and the corresponding increased number of travellers. At the same time, the long-term revenue potential will be eroded, as no automatic inflation adjustment of the ETIAS fee is foreseen. Considering that ETIAS fees are at the lower end compared to existing travel authorisation systems, there is room for a stepwise increase exceeding the inflation rate to thus strengthen its (altogether modest) long-term revenue potential.

New other revenue sources

Overall, the range of options for new other revenue sources is rather narrow. This has primarily to do with the decisive difference between own resources and other revenue identified above: revenue needs to be collected by an EU collection infrastructure to qualify as other revenue. If revenue is collected through national authorities and transferred to the EU budget, it is to be classified as own resource and regulated by the Own Resources Decision. Thus, several existing and potential future revenue sources discussed in the literature (see, e.g. HLGOR, 2016; European Commission, 2017; Schratzenstaller et al., 2022) do not qualify as other revenue. This is the case, for example, for revenue from the auctioning of EU ETS emission allowances that are sold by national authorities (e.g. the German Emissions Trading Authority (DEHSt) at the German Environment Agency (UBA)) and for revenue from aviation taxes collected by national tax authorities. A few options that have been put forward in the sparse recent literature are briefly explored in what follows. The aim of this initial exploration is to provide suggestions for further in-depth analyses.

Revenue accruing from the conservation of marine biological resources

According to Article 3(d) TFEU, the EU has exclusive competences in the area of the conservation of marine biological resources. On this legal basis, the EU could collect revenue through granting licences to mining companies for the mining of raw materials in the deep sea (e.g. polymetallic nodules) or by imposing penalties on mining companies for the violation of rules protecting marine biological resources. The resulting revenue would directly be linked to EU policies.

From an environmental perspective, deep sea mining (DSM) of raw materials is heavily disputed. Recent research points to serious negative environmental consequences of DSM, such as damage to biodiversity or fish stocks (see, e.g. Stratmann et al., 2021; Stenvers et al., 2023; Washburn et al., 2023). Manhart and McLennan (2023) point out that the future potential of DSM to secure the supply of critical raw materials is very limited. Considering the existing environmental concerns, other revenue resulting from selling licenses to mining companies could counteract EU environmental policies. In contrast, other revenue accruing to the EU in the form of fines resulting from the violation of (not yet existing) marine biological resource conservation laws would support EU environmental policies. However, while constituting an interesting theoretical option, the implementation of other revenue related to the conservation of marine biological resources does not appear to be realistic in the near future, as the establishment of rules allowing DSM by mining companies could still take a long time.

Revenue from “measures of fiscal nature” in the areas of energy and environment

Revenue raised through “measures of fiscal nature” in the areas of energy and environment based on Articles 192 and 194 TFEU can be used as other revenue if they are primarily motivated by environmental and energy-related objectives and the fiscal motives are secondary (Waldhoff, 2016). However, such revenue would have to be collected through an EU-level collection framework and

7 All current EU Schengen States, EFTA countries and European microstates with open borders.

8 The US Electronic System for Travel Authorization fee amounts to US $21, the Canadian electronic travel authorization fee to CA $7, and the UK electronic travel authorisation fee to £16.

9 See https://ec.europa.eu/commission/presscorner/detail/en/memo_18_4362 and https://etias.com/etias-frequently-asked-questions.

not by member states, as otherwise it would be classified as own resources. While it would go beyond the scope of this paper to comprehensively explore options for relevant "measures of fiscal nature", it appears worthwhile to explore their potential in future research.

Revenue accruing from the European space strategy

One element of the European space strategy[10] is Europe's Global Navigation Satellite System (GNSS) Galileo, which came into operation in December 2016.[11] Galileo consists of 24 satellites that freely transmit signals to users. Thus, Galileo provides most of its services free of charge.

Should the EU decide to commercialise the services provided by Galileo, potential revenue accruing from charging market providers (e.g. service providers in the field of navigation) would constitute other revenue and would be directly linked to an EU policy, thus representing genuine EU revenue which could be used to cover part of EU expenditure for Galileo.

Revenue from assets frozen and confiscated under EU sanctions following Russia's invasion of Ukraine

So far, more than €27 billion in Russian private assets have been frozen and more than €200 billion in Russian sovereign assets have been immobilised in the EU (European Commission, 2024b). In principle, several options to make use of these assets are conceivable to mitigate the huge financial burden Russia's military aggression entails for Ukraine (European Commission, 2022; Haase & Schwarcz, 2023).

A first option would be to transfer private as well as sovereign assets confiscated in member states to Ukraine to cover the financial costs of the war. As the corresponding revenue would be collected by member states, such transfers – if made mandatory – would require their inclusion in the ORD. Although this option would cover part of the financial costs of the war, and despite the Commission's proposal to strengthen the EU rules on confiscation and asset recovery, at the moment there is no legal framework for such confiscation of assets and transfer to Ukraine (Haase & Schwarcz, 2023).

Another option would be to use the returns on immobilised assets for Ukraine support measures. Currently, these assets generate annual revenue of almost €3 billion. In the longer run, a rather stable revenue stream can be expected.

Seigniorage

Seigniorage is revenue accruing to central banks and governments from issuing money. In its reflection paper on the future of the EU budget, the European Commission (2017) suggested channeling part of the seigniorage received by euro area countries into the EU budget, arguing that this revenue is linked to EU policy (the use of a common currency and the economic and monetary union) and thus constitutes "genuine" EU revenue. An older estimate by the European Commission (2018) quantifies potential revenue from seigniorage for the period 2021-2027 in a range between €10.5 billion (for a share of 10%) and €56 billion (for a share of 50%).

The European Central Bank (ECB) is accruing losses because of the recent rapid increase of interest rates, which has significantly reduced the prices of older bonds in its portfolio. To cover these losses, central banks will not issue seigniorage in the foreseeable future. Distributions to governments (i.e. owners) have been suspended across Europe and will so remain for the foreseeable future.[12] Therefore, seigniorage does not currently constitute a productive revenue source nor will it for the years to come. Moreover, as this revenue is collected by member states that would transfer a share or all of it to the EU, seigniorage would constitute own resources rather than other revenue. Seigniorage would also only apply to the euro area.

Table 1 provides an overview of the proposals discussed to strengthen the role of other revenue in the EU revenue system. Overall, common EU debt, taken up to generate assigned revenue financing off-budget policy initiatives besides the MFF, bears the largest revenue potential. All options considered here to strengthen existing other revenue sources or to implement new ones that could generate additional non-assigned revenue would yield only modest amounts. Therefore, there is only a very limited scope to substitute GNI-based own resources through non-assigned other revenue.

Recommendations

Overall, a central conclusion of this paper is that the role of other revenue to finance the EU budget will have to remain limited also in the future. However, there are various

10 See Evroux (2022) for an overview of EU space policy.

11 https://defence-industry-space.ec.europa.eu/eu-space/galileo-satellite-navigation_en

12 https://www.ecb.europa.eu/ecb-and-you/explainers/tell-me-more/html/ecb_profits.en.html

Table 1
Overview of recent proposals to strengthen the role of other revenue in the EU revenue system

Option	Source of payment	Revenue potential / volatility	Link to EU policies	Nature	Suitable as other revenue
Common EU debt	Various private and public investors	High / high	Various	Revenue-raising instrument Assigned	Yes
Infringement penalties Competition fines Excess emission premiums	Member states Firms Automotive firms	Low / high Medium / high ? / high	General Competition policy Climate policy	Steering instrument Non-assigned	Yes
ETIAS	Non-EU nationals	Low / low	Internal security; migration and asylum	Revenue-raising instrument (fee) Assigned	Yes
Returns on immobilised Russian assets	Various private and public investors	Low / ?	Neighbourhood and the world	Revenue-raising instrument Assigned	Yes
Measures of fiscal nature in the areas of energy and environment based on Articles 192 and 194 TFEU	Polluters	? / ?	Energy and environmental policy	Steering instrument Non-assigned	Yes
Other revenue from European space strategy	Commercial service providers	? / ?	European Space Strategy	Revenue-raising instrument (fee) Assigned	Yes
Other revenue accruing from the conservation of marine biological resources	Mining companies	? / ?	Environmental policy	Revenue-raising instrument (fee) Steering instrument Non-assigned	Yes
Seigniorage	Central banks	Low / high	Monetary and currency policy	Revenue-raising instrument Non-assigned	No

Note: "?": unknown, depends on concrete design.

Source: Authors' elaboration.

options for strengthening the use of other revenue that appear worthy of consideration.

First, common EU debt could be used in the future to finance EU responses to unforeseen events and crises, thus increasing the flexibility of the EU budget. Permanent mechanisms would need to be found to accommodate rising interest payments outside or over and above the MFF ceilings to protect MFF funds in the event of rapidly rising interest rates (see Gökten et al., 2024 for more details).

Second, the use of fees for services provided by the EU should be strengthened. Generally, fees should be adjusted regularly to inflation to protect their long-term revenue potential. Moreover, the whole EU legislation should be reviewed systematically to identify further potential for the implementation of user fees.

Third, efforts to include further third countries, and particularly countries outside Europe, in specific EU programmes (especially regarding the EU Horizon research programmes) should be continued and reinforced.

Fourth, the steering potential of other revenue should be strengthened. The design of existing other revenue aimed at steering effects should be reviewed accordingly. In particular, the effectiveness of fines and penalties in achieving their objectives should be evaluated. To protect the steering effects of lump sum fines, regular inflation adjustment is required.

Fifth, in-depth research on potential future other revenue options should be conducted. Options to be explored could, for example, include measures of a fiscal nature according to Articles 192 and 194 TFEU, as well as other revenue from the protection of marine biological resources, which could support the EU's environmental goals. For these options, the revenue as well as the steering potential should be examined.

Sixth, transparency regarding the level and structure of other revenue should be increased. The recent increase in the use of other revenue to finance measures to mitigate unforeseen events and crises has added to the complexity and lack of transparency of the already opaque other revenue system.

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