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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

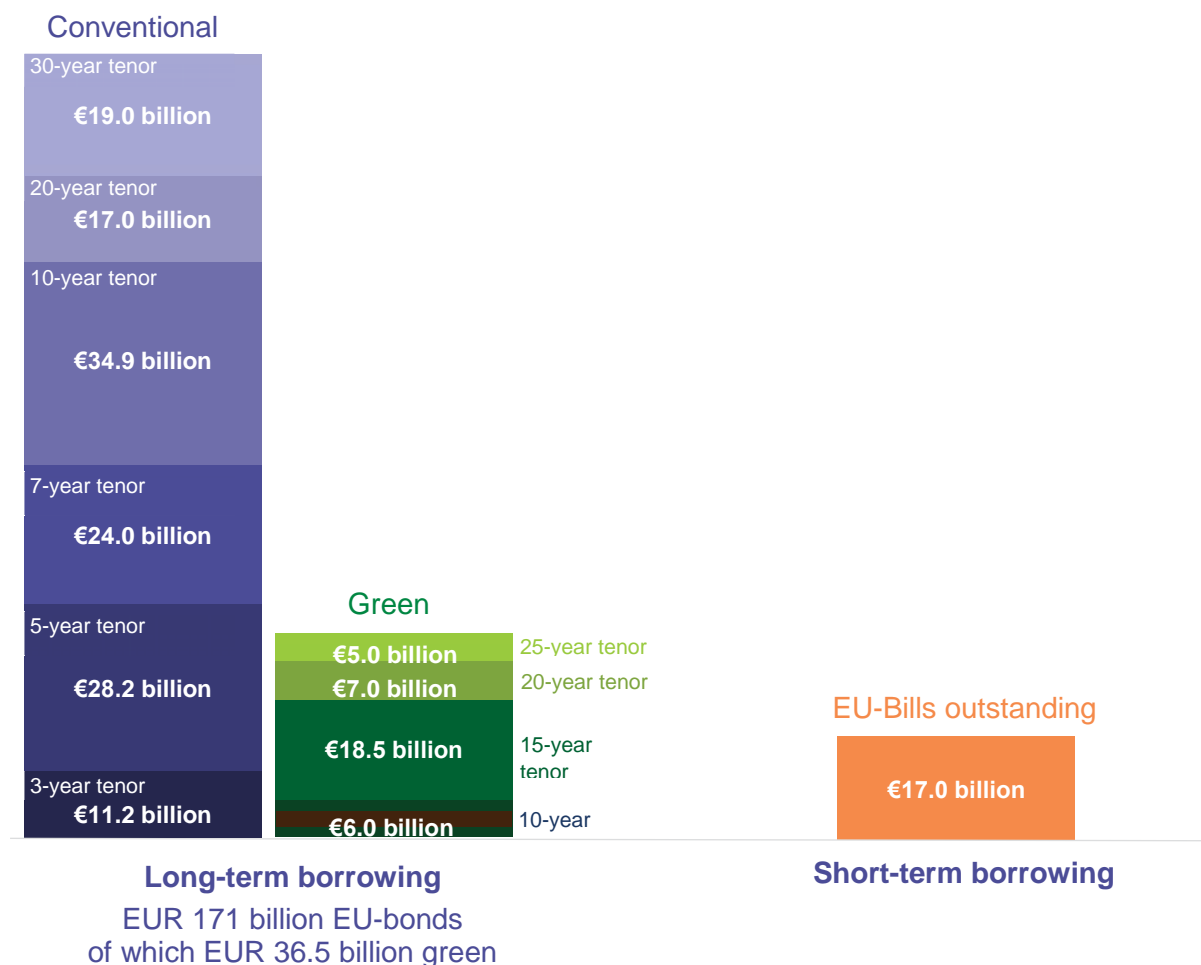
**Half-yearly report on the implementation of borrowing, debt management and related
lending operations pursuant to Article 12 of Commission Implementing Decision
C(2022)9700**

1 July 2022 - 31 December 2022

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NextGenerationEU funding at 31 December 2022



KEY FACTS of the second half of 2022

- 4 syndications, 4 auctions, raising EUR 50 billion
- Average cost of funding 2.6%
- Syndications 2.8 to 10.9 times oversubscribed

KEY FACTS of the second half of 2022

- 10 auctions
- Average yield 0.93%
- Bid-to-cover ratio of 2.23x

Use of proceeds at 31 December 2022



KEY FACTS

- 22 Member States received grants and loans under the Recovery and Resilience Facility.⁽²⁾
- 11 Member States also received a disbursement due to their fulfilment of milestones and targets.

⁽¹⁾ Budget available to Horizon Europe, InvestEU Fund, ReactEU, the Union Civil Protection Mechanism (RescEU), the European Agricultural Fund for Rural Development (EAFRD), and the Just Transition Fund. Actual disbursements to final beneficiaries may be lower, due to timing differences.

⁽²⁾ All Member States' recovery and resilience plans have been approved.

1. Introduction

The Commission is empowered to borrow on behalf of the European Union. It is a well-established name in debt securities markets, with a strong track record of successful bond issuances over the past 40 years. It currently has EUR 350 billion in outstanding liabilities, of which over EUR 300 billion have been issued since 2020 (with the rest issued during the previous decade). The Commission uses the proceeds of EU-Bond issuances to fund several EU spending programmes and instruments. Landmark programmes and instruments funded by EU-Bonds include: (i) SURE to finance short-term employment schemes across the EU and keeping people in jobs during the coronavirus pandemic; (ii) the NextGenerationEU recovery instrument to finance a collective EU response to the pandemic; and (iii) the financial support to Ukraine through macro-financial assistance (MFA)¹.

NextGenerationEU is a temporary instrument, under which the Commission can raise up to EUR 806.9 billion between mid-2021 and 2026 by issuing EU-Bonds, making the EU one of the largest issuers of euro-denominated debt for the coming years. Up to EUR 250 billion will be raised by issuing green bonds. The proceeds of the bond issuance will enable the EU to overcome the immediate recovery challenges and accelerate the green transition and the digitalisation of the EU economy. To date, more than EUR 138 billion has already been disbursed to Member States under the Recovery and Resilience Facility (RRF) and the operational implementation of the recovery and resilience plans is gathering pace².

In 2022, the EU also issued EUR 8.7 billion to finance SURE loans to 10 Member States and EUR 7.5 billion to provide MFA loans to three neighbouring countries, including EUR 7.2 billion to Ukraine. In 2023, the EU will provide a further up to EUR 18 billion in highly concessional MFA loans to Ukraine (MFA+). These will be disbursed in regular instalments covering around a half of Ukraine's short-term funding needs for 2023 as estimated by the Ukrainian authorities and the International Monetary Fund.

Recourse to large-scale bond issuance, not only for NextGenerationEU but also for other programmes, called for action to consolidate the Commission's debt issuance capabilities. The decision in December 2022 by Parliament and the Council to amend the EU Financial Regulation to allow different policies to be financed by the diversified funding strategy is critical as this enables the Commission to raise funds successfully for two or more policies on a sustained basis. This step enables the Commission to extend the benefits of this more flexible and cost-efficient debt management established for the implementation of NextGenerationEU to MFA+ for Ukraine and other potential future borrowing and lending programmes. To raise these funds, the Commission will henceforth be issuing EU-Bonds, as opposed to running separately designated issuance lines (for SURE, MFA, EFSM, NextGenerationEU) as in the past.

This report – the third half-yearly report issued pursuant to Article 12 of Commission Implementing Decision C(2022)9700³ – reviews the implementation of the diversified funding strategy the Commission established in 2021 to finance NextGenerationEU. In December 2022, the Decision was amended to extend the diversified funding strategy to other programmes as set out in the revised Financial Regulation.

As this third half-yearly report covers the period 1 July 2022 to 31 December 2022, during which the diversified funding strategy was used only to fund NextGenerationEU, it focusses solely on the process implemented to raise and disburse the funding for NextGenerationEU.

¹ Other EU programmes financed through borrowing are balance of payments assistance, macro-financial assistance to countries other than Ukraine, and the European Financial Stabilisation Mechanism. These programmes will have smaller borrowing needs in the coming years than NextGenerationEU and MFA+ for Ukraine.

² For a detailed overview, see: [Recovery and Resilience Scoreboard \(europa.eu\)](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard)

³ Decision C(2022)9700 has repealed Decision C(2021)2502. The first and second semi-annual reports were based on Article 12 of the repealed Decision.

It does not evaluate how the proceeds have been used, including for green expenditure, as that will be covered in separate reporting exercises in accordance with the regulations of each NextGenerationEU-funded instrument.

This half-yearly report also includes a description of other improvements to the financing operations that took place in the second half of 2022, specifically the launch of the EU issuance service and the publication of the first green bond allocation report. It also documents the legislative steps taken to broaden the scope of the diversified funding strategy to other programmes. Finally, it provides an outlook for EU-Bond issuance in 2023.

The half-yearly report forms one part of a regular flow of information to Parliament and the Council, providing transparency and accountability on the implementation of the unified funding approach. With this funding method becoming the central approach for EU borrowing and lending operations in the Financial Regulation, this report and all future reporting will be prepared in accordance with Article 220a of the Financial Regulation.

2. Implementation of the NextGenerationEU borrowing operations in the second half of 2022

EXECUTION OF FUNDING PLANS

In June 2022, the Commission announced its funding plan for the period July to December 2022. The plan indicated an intended issuance of EUR 50 billion in long-term bonds, to be complemented by short-term EU-Bill issuance. In line with this funding plan, the Commission raised an additional EUR 50 billion in long-term funding for NextGenerationEU in the second half of 2022, through a mix of syndicated transactions (70%) and auctions (30%). These transactions have brought the total outstanding amount of NextGenerationEU bonds to EUR 171 billion, of which EUR 36.5 billion were raised by issuing green bonds.

In addition to tapping two existing green bonds, in November 2022 the Commission launched a fourth green bond line – a 10-year bond due on 4 February 2033 – raising EUR 6 billion. These three green bond transactions contribute to building a highly liquid NextGenerationEU green bond curve in what is set to be the biggest green bond programme worldwide.

In the second half of 2022, the Commission also issued 3-month and 6-month EU-Bills to meet short-term funding needs, with EUR 17.0 billion in EU-Bills outstanding at the end of December 2022.

DISBURSEMENTS

On the back of these successfully executed transactions, the EU has been able to continue the smooth funding of Member States' recovery plans through timely disbursement of proceeds. The Commission made all disbursements to Member States under the Recovery and Resilience Facility as soon as they fell due, on average within 6 working days after the authorisation of the disbursement. No delays were experienced.

In the second half of 2022, the Commission disbursed EUR 38.3 billion to Member States under the Recovery and Resilience Facility. Of this, EUR 26.5 billion was in the form of grants and EUR 11.8 billion was in the form of loans. Between the start of NextGenerationEU in the summer of 2021 and 31 December 2022, the Commission in total disbursed EUR 138.7 billion to Member States under the RRF (EUR 93.5 billion in grants and EUR 45.2 billion in loans).

Also in the second half of 2022, the Commission transferred⁴ EUR 8.4 billion to the EU budget to contribute to NextGenerationEU-funded spending programmes such as Horizon Europe, InvestEU Fund, ReactEU, the Union Civil Protection Mechanism (RescEU), the European Agricultural Fund for Rural Development (EAFRD), and the Just Transition Fund. In total, since the start of NextGenerationEU the Commission has transferred more than EUR 23.9 billion to the EU budget.

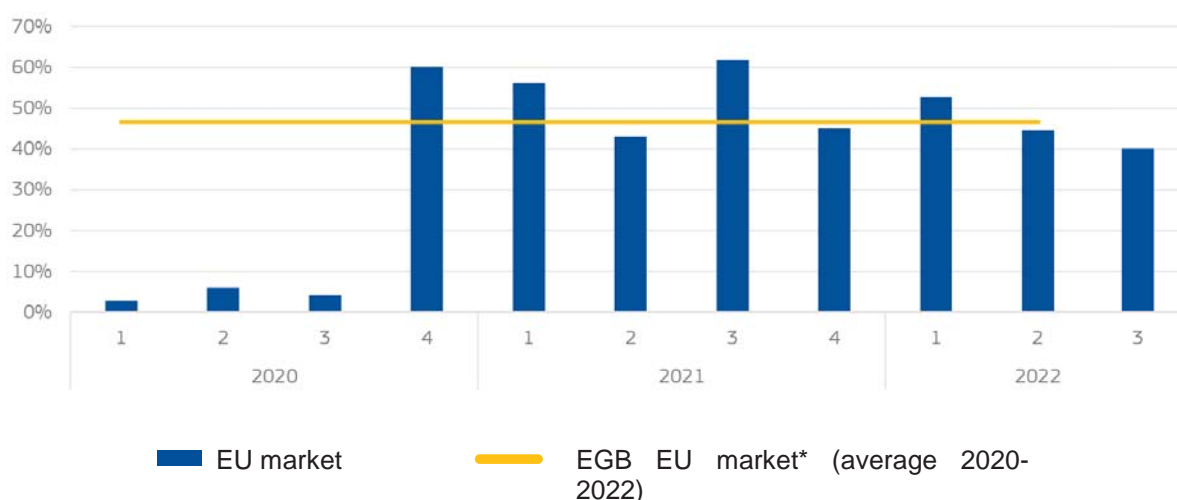
Overall, since the start of NextGenerationEU in 2021, the Commission has made in total EUR 162.6 billion available: EUR 138.7 billion in the form of loans and grants for Member States and EUR 23.9 billion to the EU budget for NextGenerationEU-funded spending programmes.

INVESTOR DEMAND AND SECONDARY MARKET LIQUIDITY

Despite the challenging market conditions, NextGenerationEU transactions continued to enjoy strong market support, with syndicated transactions in the second half of 2022 being between 2.8 and 10.9 times oversubscribed. The EU benefits from a well-balanced and diversified investor base with good representation of different types of investors from all across the world⁵.

In line with wider market dynamics, new issue premiums increased marginally to around 3 basis points in the second half of 2022, compared to around 2 basis points in the first half of the year. This relatively modest price concession at issuance reflects the fact that the EU remained a regular, predictable issuer throughout this period. This, coupled with the continued strong demand from investors, is a sign of trust from the markets, and provides confidence that the EU can continue to place its bonds successfully.

Quarterly secondary market turnover of EU and European government bonds (EGBs) (% of outstanding volume)



Source: European Commission based on Bloomberg data.

⁴ This amount corresponds to the transfers made from the NextGenerationEU funding pool. The actual disbursements from the Commission to the final beneficiaries under the programmes financed by NextGenerationEU may be subject to timing differences.

⁵ To date, EU issuances have in total attracted more than 1000 different investors from 70 different countries. More than 65% of investors are located in the EU, about 25% are international investors operating from the UK, and the remainder are other international investors, mainly based in Asia. More than 70% of the issued EU bonds have been going to buy-and-hold investors (i.e. fund managers, insurance companies, pension funds and central banks). There is also a good representation of investors demanding different maturities. Central banks and bank treasuries (which usually prefer to invest in maturities up to 10 years) account for over 45% of purchases of EU bonds in the primary markets, while pension funds and insurance companies (which prefer maturities above 10 years) account for around 15%.

Note: European Government Bond (EGB) market here comprises euro-area sovereigns, the European Financial Stability Fund and the European Stability Mechanism.

Data for this market was not available for Q3 2022.

Secondary market liquidity of EU-Bonds is on par with that observed in the markets for European government bonds (EGBs), relative to the amounts outstanding. The Commission intends to implement measures to improve liquidity even further, as explained in Sections 5 and 6 below. Reflecting the increased liquidity of EU-Bonds observed since the start of the NextGenerationEU and SURE programmes, the European Central Bank (ECB) announced in December 2022 that it will treat EU-Bonds in the same way as bonds issued by central governments and central banks under its risk control framework.⁶ This is further confirmation of the evolution in the standing of EU issuance in the markets.

3. Cost of funding and liquidity balances

COST OF FUNDING

In the second half of 2022, interest and debt management costs increased substantially in line with general market conditions. Cost of funding⁷ for the period July to December 2022 is estimated to be close to 2.6% with an average maturity for long-term funding operations of around 13 years.

The pace of increase in interest rates for all issuers including the EU has been one of the steepest witnessed in financial markets in the past decades. Interest rates on 10-year EU-Bonds have increased from 0.09% at the time of the inaugural 10-year NextGenerationEU bond in June 2021 to 1.53% in May 2022, and to 2.82% in the most recent issuance in November 2022. Comparable increases have been observed for highly-rated euro-sovereign issuers. For example, interest rates on 10-year German government bonds increased from around -0.20% in June 2021 to close to 1.0% in May 2022, and were over 2.56% at the end of December 2022.

SPREADS BETWEEN EU-BONDS AND BONDS OF PEER ISSUERS

In terms of pricing against peer issuers, while the interest rate spread between the EU and European government bonds widened in Q3, this spread significantly tightened back in Q4. Given a scarcity in high-quality collateral, market participants initially favoured EGBs over sub-sovereign or supranational (SSA) bonds, resulting in a steeper increase in interest rates of the latter. However, as collateral scarcity concerns abated, partly due to an increase in supply and availability of German government bonds, the interest rate spread between the EU and EGBs also reduced. The interest rate spread at 31 December 2022 stood at 64 basis points, down from a peak of 86 basis points in October, but still up from 21 basis points a year ago.

LIQUIDITY MANAGEMENT

The Commission also continued to manage its short-term cash holdings carefully to ensure that they do not exceed amounts needed for the smooth execution of disbursements. Over the second half of 2022, short-term cash holdings averaged EUR 25.1 billion, which is somewhat higher than the EUR 19.7 billion average in the first half of 2022. The higher average short-term cash holdings were necessary to be able to make sizeable

⁶ For more information, see:

https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr221220_1~ca6ca2cc09.en.html

⁷ The interest costs incurred under NextGenerationEU are allocated to the budget and the Member States receiving loans in accordance with the methodology set out in Commission Implementing Decision (EU) 2021/1095 and its successor (EU) 2022/9701. This methodology distinguishes three different cost categories: (i) cost of funding to finance grant and loan disbursements calculated for six-monthly time compartments, (ii) cost of holding and managing liquidity, and (iii) administrative costs.

disbursements in the second half of 2022, including two very large payments of EUR 12 billion and EUR 21 billion. Liquidity holdings were also higher on average due to slippage in disbursements compared to plans. Despite the higher amounts of liquidity holdings and the evolution of yields on EU-Bills from negative to positive rates, liquidity management has overall generated a surplus (i.e. positive carry) of EUR 43.2 million on the NextGenerationEU cash holdings from January to end-December 2022. This surplus will be shared proportionately between the EU budget and Member States receiving RRF loans, as set out in the cost allocation methodology.

This positive carry in 2022 stems from two main sources: first, during the first half of 2022 short-term funding was issued in negative territory, accumulating large surpluses with effects lasting until these instruments matured during the second half of 2022. Second, deposit remuneration on the ECB account increased gradually with raising rates on EU-Bills in the second half of 2022. Despite the unprecedented pace of interest rate increases, the marginal rate of all bills in portfolio remained lower than the deposit rate during this period, because of their legacy effect. Unless comparable interest movements occur in 2023, it can be expected that the cost of raising liquidity will soon exceed the interest earned on the holding, and liquidity management will generate a negative carry in the future.

4. Other milestones in the second half of 2022

EU ISSUANCE SERVICE

In July 2022, the Commission launched, together with the ECB and the National Bank of Belgium (NBB), the process for setting up the EU issuance service. The development of the operations architecture of the EU issuance service is taking place currently, with implementation expected to start in the second half of 2023.

With this service, the Commission will move from using a settlement system comprising commercial suppliers of settlement services to a Eurosystem-based settlement infrastructure. The EU-Bonds will benefit from being directly part of the payment and settlement infrastructure of the Eurosystem (Target/Target2S) and they can be used more easily as collateral in the Eurosystem. In this way, EU bond issuance will be aligned with the arrangements used by EU sovereign issuers, whose bond transactions are settled in central bank money.

The EU issuance service will create a level playing field for all central securities depositories and investors that trade EU issued bonds. With the EU issuance service, the Commission equips itself with a settlement process reflecting its new role as one of the largest issuers of euro-denominated debt.

The ECB will act as paying agent and the NBB will act as settlement agent for all EU debt securities once the EU issuance service is in place.

GREEN BOND ALLOCATION REPORT

The Commission provides a high level of transparency around the use of proceeds from the green bonds it issues. In December 2022, the Commission published its first NextGenerationEU green bond allocation report⁸. The report shows that the funds raised through NextGenerationEU green bonds are being used for sustainable investments, in full respect of the commitments undertaken within the NextGenerationEU green bond framework.

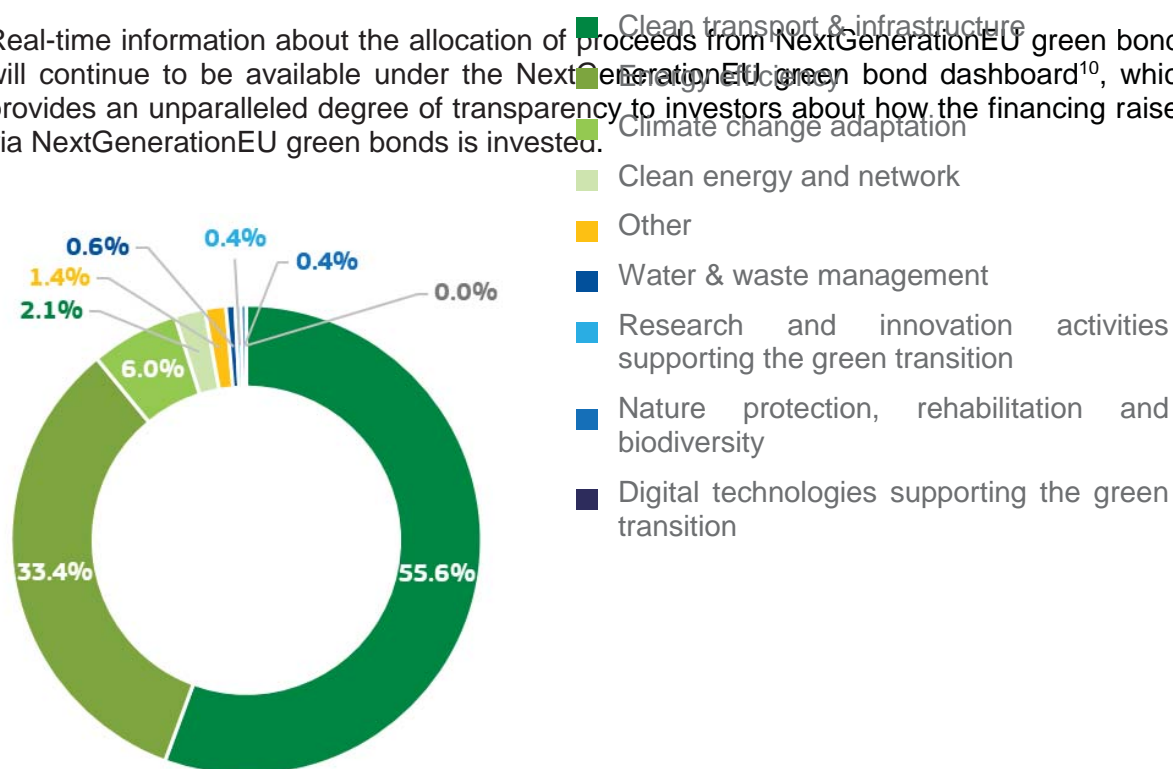
As of the cut-off date of 19 October 2022 – exactly one year after the settlement of the inaugural NextGenerationEU green bond – NextGenerationEU green bonds are financing an eligible pool of 823 measures, corresponding to almost EUR 185 billion, or to over 30% of

⁸ [SWD_2022_442_F1_STAFF_WORKING_PAPER_EN_V4_P1_2417689.PDF \(europa.eu\)](#)

the NextGenerationEU funds committed to date. To date, most of the proceeds disbursed have been allocated for Member States' policies on clean transport and infrastructure (55.6%), followed by spending on energy efficiency (33.4%). In geographical terms, the main green spending to date has been incurred in Italy (50.7%), followed by France (37.5%). The report also documents strong alignment of measures financed by NextGenerationEU green bonds with the economic activities set out in the EU Taxonomy. Measures in the intervention fields that can be considered fully aligned or compliant with the main substantive Taxonomy conditions and that at least partially cover the Taxonomy's specific 'do no significant harm' (DNSH) conditions represent about EUR 107.1 billion or 57.9% of the total green bond eligibility pool⁹.

The Commission will continue to publish allocation reports once a year until all proceeds have been allocated to green and sustainable measures. In addition, at the end of 2023 the Commission will publish its first NextGenerationEU green bond impact report, in which it will present how the amounts raised are contributing to delivering on relevant climate transition metrics.

Real-time information about the allocation of proceeds from NextGenerationEU green bonds will continue to be available under the NextGenerationEU green bond dashboard¹⁰, which provides an unparalleled degree of transparency to investors about how the financing raised via NextGenerationEU green bonds is invested.



Source: Green bond allocation report

* Based on Member State allocation of EUR 13.5 billion of green bond proceeds to eligible expenditures.

5. Implementing a unified funding approach

In December 2022, Parliament and the Council amended Article 220a of the Financial Regulation to allow the Commission to broaden the diversified funding strategy to other EU

⁹ Measures in intervention fields that are at least compliant with some of the Taxonomy conditions but that do not cover the additional DNSH conditions represent about EUR 67.7 billion or 36.6% of the total green bond eligibility pool size. Measures in intervention fields that are not aligned with or not covered by the Taxonomy represent about EUR 10.2 billion or 5.5% of the total pool size. Even so, these measures often have a positive impact on climate. Where this has been confirmed by the RRP assessment and the NextGenerationEU green bond due diligence process these measures have been retained in the NextGenerationEU green bond eligible expenditure pool.

¹⁰ [NextGenerationEU Green Bond Dashboard | European Commission \(europa.eu\)](https://europa.eu/next-generation-eu-green-bond-dashboard/)

borrowing programmes. Under this new ‘unified funding approach’, the Commission will be issuing single-branded ‘EU-Bonds’, rather than separately denominated bonds for individual programmes such as NextGenerationEU, SURE, and MFA.

This single EU-Bond label allows the Commission to plan, execute and communicate all its issuances in an agile and coherent way. The funding plan and annual borrowing decision will cover all programmes financed through the unified funding approach, giving Parliament, the Council and investors a comprehensive overview of the EU’s upcoming borrowing. Therefore, future editions of this half-yearly report will report on all EU borrowing and lending programmes financed through the unified funding approach.

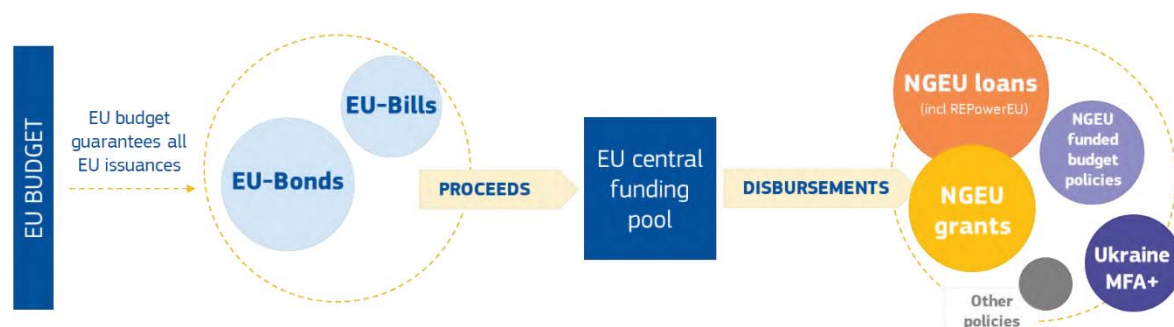
The Commission will collect all proceeds of EU-Bonds in a central funding pool and internally allocate them to various policy programmes funded through bond issuances. This will avoid the fragmentation of EU issuances and support a more homogenous secondary market for EU-Bonds, as the single-branded EU bonds will be easier to buy, sell and substitute in investors’ portfolios. This will help make EU securities more liquid, and improve their pricing and trading in the secondary market.

The unified funding approach will enable the Commission to use the full range of its funding instruments (EU-Bonds and EU-Bills) and funding techniques (syndications and auctions) developed for NextGenerationEU to cover its funding needs for other lending programmes. In this way, the Commission will be able to obtain more attractive conditions, which will be passed on to the beneficiaries of its funding programmes. The Commission will have greater flexibility on the timing of disbursements and thus will be able to better address beneficiaries’ needs.

A further advantage of this step is that the robust risk, compliance and governance framework introduced for NextGenerationEU and overseen by a specially-appointed Chief Risk Officer (CRO) will be extended to all borrowing and lending operations. Under this risk governance framework, the CRO frames the Commission’s strategic risk objectives, risk appetite and risk tolerance levels, and identifies the main financial and non-financial risks stemming from NextGenerationEU operations and the processes for risk management, monitoring, and mitigation. The CRO will also provide opinions on the half-yearly funding plans and monthly borrowing instructions and will monitor the risk parameters on a regular basis. The legal documentation (the ‘Debt Issuance Programme’) underpinning the EU’s unified issuance approach will also be revised in the first half of 2023 to reflect the programme’s scope and new features.

The Commission will continue to finance the green component of the RRF at the heart of NextGenerationEU through clearly and separately designated NextGenerationEU green bond issuances. In this way, investors will remain able to verify that proceeds from green bonds are matched over time to eligible green bond expenditures in accordance with the NextGenerationEU green bond framework.

For financial assistance programmes for which the basic acts enter into force on or after 9 November 2022, back-to-back funding will remain an option on an exceptional basis when warranted by specific transaction needs.



The unified funding approach will be applied for conventional bonds. NextGenerationEU green bonds issuances will continue to finance only measures eligible under the NextGenerationEU green bond framework.

Other policies will include existing or potential future programmes financed by EU borrowing.

REPowerEU will rely on financing from remaining Recovery and Resilience loans.

6. Other measures to enhance the investor appeal of EU-Bonds

The new unified funding approach for the issuance of EU-Bonds, the launch of the EU issuance service, and the treatment of EU-Bonds in the same way as bonds issued by central governments and central banks under the ECB's risk control framework are important steps forward in consolidating the EU as a sovereign-type/super-national issuer. This process will continue in 2023, as the Commission will work to boost further the liquidity of EU-Bonds, to the benefit of all recipients of their proceeds.

To further boost the liquidity of EU-Bonds, the Commission will take the following steps:

- The Commission will prepare with the banks from its primary dealer network a framework for providing investors with pricing quotes on EU securities. These quotes will be displayed through the trading platforms used by financial professionals. Preparation will start in early 2023, with a view to introducing these new quoting arrangements from summer 2023.
- In addition, the Commission will start building a repo facility to support market participants in trading its bonds. Through the repo facility, the Commission will make available its securities on a temporary basis, thus helping EU primary dealers to provide liquidity in EU-Bonds. This repo facility will be implemented by early 2024.

7. Issuance outlook for 2023

The 2023 Annual Borrowing Decision allows the Commission to issue in 2023 up to a maximum amount of EUR 170 billion in long-term funding and up to a maximum outstanding amount of EUR 60 billion in short-term funding. Once RePowerEU pre-financing needs are confirmed later in the year, the Annual Borrowing Decision may need to be revised to reflect any required increase in issuance. 2023 will therefore see an important increase in overall EU-Bond issuance compared to 2022 when the Commission issued close to EUR 120 billion.

On 19 December 2022, the Commission issued its half-yearly funding plan for the period January to end-June 2023, the first under the Commission's new unified funding approach. Therefore the funding plan covers not only NextGenerationEU, but also other borrowing and lending programmes that the Commission intends to finance. Some features of the issuance programme have been adapted to allow the Commission to increase its overall issuance through 2023 notably through increased frequency of transactions and larger volumes through auctions. The CRO has provided a positive opinion on the funding plan.

In the first half of 2023, the Commission intends to issue EUR 80 billion in EU-Bonds, complemented by short-term EU-Bills. The Commission will use these funds to finance NextGenerationEU (around EUR 70 billion) and MFA+ for Ukraine (around EUR 10 billion). Further issuances under existing MFA programmes of much smaller scale are also possible.

The target for the bond issuance represents a reliable and conservative estimate based on the latest forecasts for the expected disbursements. Actual disbursements may deviate from forecasts in terms of precise timing and amounts in the event of unexpected delays in the implementation of national plans. However, any deviations should not materially affect the

targets set in the funding plan and to date have consisted only of slippage in timing of individual disbursements.

The Commission will carefully monitor the implementation of the current funding plan and absorption by the market of the increased issuance volumes.

8. Conclusion

After a successful start in 2021, the past 12 months have demonstrated the Commission's ability to implement smoothly a large-scale funding programme even in more challenging markets. The diversified funding strategy – consisting of the techniques (syndicates and auctions) and funding instruments (bonds and bills) used by sovereign issuers – has been instrumental in navigating volatile market circumstances. However, the strengths of the issuance programme were not able to immunise EU issuance against the steep increase in market rates which were faced by all issuers as central banks raised interest rates to tame persistently high inflation. The cost of funding for NextGenerationEU transactions has more than doubled in this reporting period, underscoring the dramatic change in interest rates through 2022.

2023 will see the Commission further extend its presence in debt securities markets by issuing a higher volume – up to EUR 170 billion – of EU-Bonds for NextGenerationEU, as well as MFA+ for Ukraine. Extending the diversified funding strategy to support other policies is a critical step in enabling the Commission to generate the planned volumes, even in more testing markets. The Commission will build on this progress by taking further steps to consolidate its presence as a reliable and predictable issuer of highly liquid bonds, and in doing so reinforce its standing as a sovereign-style/super-national issuer.

These steps will help to overcome the established market convention whereby the EU is classified as an SSA issuer, which results in the EU paying a swap-spread premium (currently 60 basis points) above the rates paid by sovereign EGB issuers. This difference in pricing method for EU-Bonds has exacerbated the already sharp increase in underlying market rates. Market conventions should reflect the fact that the EU is now a steady supplier of large amounts of liquid EU-Bonds on a par with the largest highly-rated EGB issuers. The Commission will work tirelessly through 2023 to create the conditions to enable EU-Bonds to be priced directly by the markets based on its own increasingly well-defined and liquid curve and not indirectly against the swap curve. This would enable EU-Bonds to be issued in the same manner as highly rated sovereign issuers, and avoid the need to pay the additional premium.