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2023/0201 (APP)

Proposal for a

COUNCIL REGULATION

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

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

1.1. Mid-term review and revision of the Multiannual Financial Framework

As part of the overall political agreement on the 2021-2027 Multiannual Financial Framework, the Commission issued in December 2020 a declaration undertaking to present by 1 January 2024 a review of the functioning of the Multiannual Financial Framework, which may be accompanied, as appropriate, by relevant proposals for the revision of Council Regulation (EU, Euratom) 2020/2093[1] (the MFF Regulation) in accordance with the procedures set out in the TFEU.[2]

In line with this commitment, and with the statement adopted together with the 2023 annual budget[3], the Commission has adopted a Communication on the "Mid-term revision of the Multiannual Financial Framework 2021-2027"[4], assessing the functioning of the Multiannual Financial Framework until now, including an assessment of whether the EU budget can continue to provide common means to address common challenges. This assessment concludes that, for the Union to deliver on all its objectives, including the most urgent ones, until the end of 2027, a targeted revision of the 2021-2027 Multiannual Financial Framework (MFF) is necessary.

At the same time, the proposal for an amendment to Regulation (EU, Euratom) 2020/2093 presented in December 2021[5] has become obsolete due to the outcome of the legislative negotiations on the Social Climate Fund[6] and in the light of the unprecedented and unexpected challenges that have materialised in 2022, notably the fallout of Russia's brutal war of aggression against Ukraine and macroeconomic developments. For these reasons, the Commission is now putting forward a new proposal to the European Parliament and the Council, replacing the earlier proposal, which will be formally withdrawn in due course.

1.2 Reasons for and objectives of the proposal

The Union has faced a series of unprecedented and unexpected challenges since 2020. Barely after the COVID-19 pandemic, the Union was faced with Russia's brutal war of aggression against Ukraine, the ensuing energy crisis and the related spike in inflation and interest rates. These challenges could not have been anticipated at the time of the agreement on the MFF. The Commission has swiftly acted and used all means at its disposal, including redeployments and reprogramming, on top of existing budgetary flexibilities. However, the limited budgetary

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[1] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 433I , 22.12.2020, p. 11.

[2] Commission declaration on a mid-term review / revision, PV(2020)2361, Minutes of the 2361st meeting of the Commission held in Brussels (Berlaymont) on Tuesday 15 December 2020.

[3] Statement by the European Commission on the Review of the Multiannual Financial Framework, PV(2022)2438, Minutes of the of the 2438th meeting of the Commission held in Strasbourg (Winston Churchill building) on Tuesday 22 November 2022.

[4] COM(2023)336, 20.06.2023.

[5] COM(2021)569, 22.12.2021.

[6] Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060, OJ L 130, 16.5.2023, p. 1–51.

flexibilities embedded in the MFF are nearly exhausted and redeployment possibilities are reaching their limits, hindering the EU budget's capacity to address even the most urgent challenges.

The geopolitical and economic evolution have brought new challenges which require increased EU action. The European Union needs to confirm its support to Ukraine on a multiannual basis. Against the background of current strategic dependencies, accelerating Europe's twin transition should provide the opportunity for the Union to increase its resilience and regain leadership in key sectors through smart public and private investment in strategic sectors. If it is to deliver on the Union's shared priorities and needs, the EU's long-term budget needs to be reinforced for the period 2024-2027 to provide the most essential funding to respond to these challenges.

1.2.1. Unwavering and long-term support to Ukraine: the Ukraine Facility

The EU budget provided tremendous support through flexibilities and re-prioritisations but the 2021-2027 MFF was not designed to address the consequences of a war in Europe. Ukraine's liquidity needs for macro-financial stability remain high, and investment in Ukraine's fast recovery and reconstruction should increase progressively as the situation evolves. Sustaining economic activity and rebuilding basic infrastructure would generate employment and revenues, give refugees a perspective to return home and lower the volume of international assistance needed.

To cater for Ukraine's immediate needs and short-term recovery as well as long-term reconstruction, the Commission proposes a regulation establishing a Ukraine Facility[7], an integrated and flexible instrument with an overall maximum capacity of up to EUR 50 billion in current prices.

Support will be provided in the form of repayable (loans) and non-repayable support and provisioning for budgetary guarantees. This will ensure stable and predictable funding while providing an appropriate framework ensuring prioritisation of reforms and investments through a Ukraine Plan, the sustainability of Ukraine's finances, as well as the protection of the EU budget. Loans to Ukraine will be financed by borrowing on financial markets and backed by the so-called 'headroom' of the EU budget, hence over and above the MFF ceilings and within the limits of the own resources ceiling. The non-repayable support and provisioning for budgetary guarantees will be financed under a new thematic special instrument, the Ukraine Reserve, providing the necessary resources to the Ukraine Facility, over and above the MFF ceilings. This flexible approach is needed for catering for the country's evolving needs until 2027.

1.2.2. Managing migration, strengthening partnerships with key third countries and addressing emergencies

Russia's illegal war of aggression against Ukraine has had first and foremost a devastating effect on Ukraine and its people, but it also had major global implications, affecting our partners' secure and affordable access to food and energy. This came on top of a multiplication of geopolitical crises and natural disasters, and put a significant strain on the resources available under Heading 6 'Neighbourhood and the World'. The Union's capacity

[7] COM(2023)338, 20.06.2023

to respond to pressing global challenges as well as humanitarian crises in third countries needs to be restored.

In a context of heightened global economic and political instability, global migration trends are increasing, and the migratory pressure at the Union borders continues its upward trend. This requires enabling the EU budget to continue to provide sustained financial support to address the root causes of migration, improve border management and maintain effective migration partnerships with third countries – whether countries of origin and transit, or those hosting large numbers of refugees.

Concerning the internal dimension of migration as well as border management, the New Pact on Migration and Asylum[8], currently in the interinstitutional phase, will provide a new and durable EU framework for asylum and migration management. Based on the current state of the discussions and in line with the objective of the co-legislators to work together to adopt the reform of the EU migration and asylum rules before the end of the 2019-2024 legislative period[9], the implementation of the New Pact on Migration and Asylum will require additional financing, in particular for the screening and border procedure, reception capacity, relocations and returns.

The Commission thus proposes to increase the expenditure ceilings of Heading 4 'Migration and Border Management' and of Heading 6 'Neighbourhood and the World' with respectively additional EUR 1 693 million and EUR 9 056 million for the period 2024 to 2027.

1.2.3. Promoting long-term competitiveness in strategic technologies: the Strategic Technologies for Europe Platform (STEP)

The development and manufacturing of strategic deep digital, clean and biotechnologies is essential to meet the objectives of the green and digital transitions. In light of the international competition to build strategic value chains, the Union needs a more structural answer to the investment needs of its industries through a new Strategic Technologies for Europe Platform (STEP)[10], which should help preserve a European edge on critical and emerging technologies relevant to the green and digital transitions, from computing-related technologies, including microelectronics, quantum computing, and artificial intelligence, to biotechnology, and biomanufacturing and net-zero and other clean technologies.

The STEP Platform will create the necessary conditions for a more effective, efficient and targeted use of existing EU funds. It will also help to direct existing funding towards the relevant projects and speed up implementation on a subset of areas that are critical for Europe's leadership while preserving a level playing field in the single market and thereby cohesion. To ensure a quick deployment of financial support, the STEP Platform will reinforce and leverage existing EU instruments, speeding-up the implementation of cohesion policy funds and maximising the use of InvestEU, the Innovation Fund and the European Innovation Council towards European strategic technologies.

[8] COM(2020)609 final, 23.09.2020

[9] Joint Roadmap of the European Parliament and Rotating Presidencies of the Council on the organisation, coordination, and implementation of the timeline for the negotiations between the co-legislators on the CEAS and the New European Pact on migration and asylum.

[10] COM(2023)335, 20.06.2023

The global landscape has changed. Russia poses and will continue to pose in the coming years a threat to the security of Europe. Therefore, the STEP will reinforce the research strand of the European Defence Fund, which will boost the innovation capacity of the European defence technological and industrial base, thus contributing to the Union strategic autonomy.

To boost the investment capacity dedicated specifically to the priority of strategic technologies, the STEP Platform should be supported between 2024 and 2027 by budgetary reinforcements of InvestEU, the Innovation Fund, the European Innovation Council under Horizon Europe and the European Defence Fund. The levels of expenditure of the relevant MFF ceilings (Heading 1 'Single Market, Innovation and Digital', Heading 3 'Natural Resources and Environment' and Heading 5 'Security and Defence') should thus be increased as appropriate.

1.2.4. A sustainable solution for NextGenerationEU funding costs

The unexpected and sharp increase in current interest and forward rates since 2022 as a result of tighter monetary policies to curb inflation is affecting all bond issuers, including the EU. As a consequence, the funding costs to be borne by the Union budget as a result of borrowing for NextGenerationEU are expected to exceed the estimates initially planned at the time of the adoption of the Multiannual Financial Framework[11].

NextGenerationEU funding costs are inherently different from 'traditional' EU spending programmes. They are highly dependent on interest rate fluctuations. Moreover, up to 2026, additional volatility comes from uncertainties on the timing of the amounts to borrow, which depend mostly on the disbursements for the Recovery and Resilience Facility.

At the same time, once the bonds are issued, interest expenditure cannot be postponed, re-planned or cancelled. While the existing legal framework provides for the necessary mechanisms to ensure that the Union will cover its obligations towards bondholders in all circumstances, the EU budget should be equipped with the means and tools to pay these costs in the most efficient manner.

A specific flexibility mechanism is thus needed to address this volatility. A new thematic special instrument (the 'EURI Instrument') should be established, over and above the MFF ceilings, until the end of the MFF, for the sole purpose of covering NextGenerationEU funding costs exceeding the amounts initially planned in 2020 under the expenditure ceiling of Heading 2b.

1.2.5. Maintaining a functioning administration to deliver on the EU's political priorities

The resources of the European administration (heading 7) are under severe pressure due to additional tasks given to the Union, rising energy prices and high inflation.

The numerous new initiatives introduced over the last two years have given substantial additional tasks to the Union since the start of this Multiannual Financial Framework without a corresponding increase in staff. The European administration will not be able to continue delivering on an ever-increasing number of tasks with the current level of resources.

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[11] Joint declaration by the European Parliament, Council and Commission on the treatment of NGEU interest costs and repayments in the 2021-2027 MFF, 2020/C 444 I/04, OJ C 444I , 22.12.2020, p. 4.

High inflation has a severe impact on administrative expenditure. Despite exceptional efforts to reprioritise and reduce costs to contain administrative expenditure, the current ceilings of heading 7 'European Public Administration' will not be sufficient to address the needs due to the inflationary pressures.

To meet the Institutions' legal duties and to handle the additional responsibilities assigned by the co-legislators to the Commission, it is therefore necessary to raise the ceiling of Heading 7 'European Public Administration' by EUR 1 621 million, including an increase of the sub-ceiling 'Administrative expenditure of the institutions' by EUR 1 331 million.

1.2.6. Enhancing the Union budget's capacity to respond to crises and unforeseen developments

The 'Solidarity and Emergency Aid Reserve' (SEAR), a thematic special instrument which helps tackling emergencies in Member States and non-EU countries, has been put under heavy pressure since 2021. In light of the increasing occurrence and magnitude of major natural disasters, in particular due to climate change, and of humanitarian crises, the annual amount of the Solidarity and Emergency Aid Reserve should be increased.

As budgetary margins were largely depleted in the very first years of the MFF, it has been necessary to mobilise the Flexibility Instrument to nearly its full availability. The high pressure in all expenditure Headings until the end of the MFF requires an increase of the Flexibility Instrument to ensure that the EU budget can respond to unforeseen needs that may arise.

2. LEGAL ELEMENTS OF THE PROPOSAL

- **Legal basis**

Article 312 TFEU constitutes the legal basis for the adoption of the Multiannual Financial Framework.

- **Subsidiarity**

The initiative falls under a policy area where the EU has exclusive powers (under Article 312 TFEU). Therefore, the subsidiarity principle does not apply.

- **Proportionality**

The proposal complies with the proportionality principle in that it does not go beyond the minimum required to achieve the stated objectives at the European level and which is necessary for that purpose. The changes are proportionate to the significant series of unexpected events and new challenges which occurred since the adoption of Regulation (EU, Euratom) 2020/2093 in December 2020.

- **Relationship with pending proposal**

The present proposal for an amendment of Regulation (EU, Euratom) 2020/2093 replaces the proposal of 22 December 2021 (COM(2021)569) which will be withdrawn.

3. DETAILED EXPLANATION OF THE SPECIFIC PROVISIONS OF THE PROPOSAL

Chapter 1 – General Provisions

Article 2 – Compliance with the ceilings of the MFF

The first paragraph of Article 2 refers to Annex I containing the table of the Multiannual Financial Framework ceilings. Annex I to the Regulation is replaced by the Annex to this proposal.

The first sub-paragraph of the second paragraph is amended to introduce the reference to the 'EURI Instrument' (new Article 10a) and the 'Ukraine Reserve' (new Article 10b), with the principle that these instruments are not included in the Multiannual Financial Framework and that their financing is provided over and above the ceilings of the Multiannual Financial Framework, both for commitment and corresponding payment appropriations.

The third paragraph of Article 2 was amended in December 2022[12] as part of an exceptional support package to Ukraine to allow the mobilisation of guarantees for financial assistance to Ukraine for the years 2023 and 2024 over and above the MFF ceilings. This paragraph is further amended to extend the budgetary coverage from the headroom to the guarantee for financial assistance to Ukraine in the form of loans which is available until 2027 under the proposed Ukraine Facility. Accordingly, if the Union has to honour repayment obligations from the resources of the budget in case Ukraine fails to provide the due payment on time, the necessary amounts will be mobilised over and above the Multiannual Financial Framework ceilings, up to the limits of the own resources ceiling.

Chapter 3 – Special instruments

Section 1 - Thematic special instruments

Article 9 – Solidarity and Emergency Aid Reserve

The second paragraph is amended to provide for the new maximum annual amount of the Solidarity and Emergency Aid Reserve, increased to EUR1 739 million (in 2018 prices).

Article 10a – EURI Instrument

This new Article is introduced to provide for the 'EURI Instrument', a new thematic special instrument.

The specific items of expenditure for which the EURI Instrument may be used are the interest and coupon payments due in respect of the funds borrowed on the capital markets in accordance with Article 5(2) of the Own Resources Decision (EU, Euratom) No 2020/2053[13], corresponding to the funding costs of NextGenerationEU borrowing for non-repayable and repayable support through financial instruments.

The mobilisation of the EURI Instrument should take place when the costs of NextGeneration borrowing in a given year are in excess of the amounts planned in December 2020.

[12] Council Regulation (EU, Euratom) 2022/2496 of 15 December 2022 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 325, 20.12.2022, p. 11.

[13] Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom, OJ L 424, 15.12.2020, p. 1.

For legal certainty, the specific amounts set as thresholds for the mobilisation of the EURI Instrument for the years 2024, 2025, 2026 and 2027 should be set out expressly in absolute value in the Regulation (EU, Euratom) 2020/2093.

	2024 [14]	2025[15]	2026[16]	2027[17]
Annual threshold in current prices (EUR million)	2 071.4	2 677.8	3 744.6	4 980.3
Annual threshold in 2018 prices (EUR million) *converted on the basis of the 2% fixed annual deflator set out in Article 4(2) of the MFF Regulation.*	1 840.0	2 332.0	3 196.0	4 168.0

The EURI Instrument will cover any amount of the NextGenerationEU funding costs in excess of these thresholds.

Given the uncertainty of the evolution of the parameters determining NextGenerationEU funding costs (timing of the actual disbursements of non-repayable support and evolution of the interest rates), it is not possible to set a fixed maximum amount for the EURI Instrument.

The mobilisation of the EURI Instrument will take place in the framework of the annual budgetary procedure (budget and/or amending budget), and the appropriations will be entered over and above the MFF ceilings, both for commitment and corresponding payment appropriations.

Article 10b – Ukraine Reserve

This new Article is introduced to provide for a new thematic special instrument: the ‘Ukraine Reserve’.

The Ukraine Reserve will provide for the expenditure for non-repayable support and provisioning of budgetary guarantees, for Ukraine under the proposed ‘Ukraine Facility’, providing the required flexibility to match Ukraine’s evolving needs.

The mobilisation of the Ukraine Reserve should take place annually in the framework of the annual budgetary procedure (budget and/or amending budget), considering the best needs estimates given war developments, Ukraine macro-financial performance, absorption capacity

[14] Financial Programming for the years 2024 to 2027 following the adoption of the budget for 2023 as foreseen in Article 41(2) of the Financial Regulation and point 26 of the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433 I, 22.12.2020, p. 28), as communicated to the European Parliament and to the Council on 24 February 2023.

[15] SEC(2023)250, Statement of estimates of the European Commission for the financial year 2024 (Preparation of the 2024 Draft Budget), Part II Financial Programming.

[16] Ibidem.

[17] Ibidem.

and debt sustainability. The appropriations will be entered over and above the MFF ceilings both for commitment and corresponding payment appropriations.

To provide the Union and Ukraine with sufficient programmability for the implementation of the Ukraine Facility, the Ukraine Reserve should include a maximum amount for the period 2024-2027, as well as minimum annual indicative amounts. It is also necessary to set out maximum amounts that may be made available annually for the Ukraine Reserve through the period 2024 to 2027 to ensure compliance with the own resources ceiling laid down in Article 3(1) Council Decision (EU, Euratom) 2020/2053.

For consistency with the implementation of the Ukraine Facility, although the 2021-2027 MFF is laid down in 2018 prices, the amounts should be expressed in current prices.

Section 2 –Non-thematic special instruments

Article 12 – Flexibility Instrument

The first paragraph is amended to provide for the new maximum annual amount of the Flexibility Instrument, increased to EUR 1 562 million (in 2018 prices).

4. BUDGETARY IMPLICATIONS

4.1. Increase of the expenditure ceilings for the years 2024 to 2027

The proposal has the following consequences on the levels of the annual ceilings for commitment appropriations of Headings 1, 3, 4, 5, 6, and 7, including the sub-ceiling for the administrative expenditure of the institutions, which are increased by the following amounts (in 2018 prices):

				EUR million
Increase of ceilings in commitment appropriations	2024	2025	2026	2027
Heading 1 Single Market, Innovation and Digital	777	762	748	733
Heading 3 Natural Resources and Environment	1 110	1 088	1 067	1 046
Heading 4 Migration and Border Management		264	464	965
Heading 5 Security and Defence	333	327	320	313
Heading 6 Neighbourhood and the World	2 331	2 286	2 241	2 198

Heading 7 European Public Administration	132	333	556	600
Sub-ceiling Administrative expenditure of the institutions	110	285	464	472
Total increase in commitment appropriations	4 683	5 060	5 396	5 855

Taking into account the mechanism of adjustment of the payment ceilings provided under the Single Margin Instrument (Article 11), the present proposal requires an increase of the ceiling of the MFF in payment appropriations in 2026 and 2027, as detailed below (in 2018 prices).

				EUR million
	2024	2025	2026	2027
Increase of ceiling in payment appropriations			7 725	2 772

The annual expenditure ceilings in commitment and payment appropriations of the 2021-2027 MFF should thus be amended for the years 2024 to 2027, and Annex I to Regulation (EU, Euratom) 2020/2093 be modified accordingly.

4.2. Special Instruments

Special instruments, including the new special instruments ‘EURI Instrument’ and ‘Ukraine Reserve' included in this proposal are mobilised in accordance with the procedures laid down in the Regulation (EU, Euratom) 2020/2093 and, as applicable, the relevant basic acts.

As expenditure in relation to special instruments is entered ‘over and above’ the Multiannual Financial Framework expenditure ceilings, the present proposal has no immediate budgetary implications in this regard.

2023/0201 (APP)

Proposal for a

COUNCIL REGULATION

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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 312 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission,

Having regard to the consent of the European Parliament[18],

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with a special legislative procedure,

Whereas:

(1) The Commission has presented a review of the functioning of the Multiannual Financial Framework (MFF) for the years 2021-2027 set out in Council Regulation (EU, Euratom) 2020/2093[19] after its first years of implementation, including an assessment of the sustainability of the expenditure ceilings[20].

(2) Since December 2020, the Union has faced a series of unprecedented and unexpected challenges. The Union has acted swiftly and used all means at its disposal, but the limited budgetary flexibility embedded in the 2021-2027 MFF is nearly exhausted, hindering the EU budget's capacity to address even the most urgent challenges.

(3) Special instruments have been extensively used in the first years of implementation of the MFF to address multiple challenges. The need to take further action persists, while the budgetary availabilities to confront such situations in the remaining period of the MFF are extremely limited.

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[18] OJ C […], […], p. […].

[19] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 433I , 22.12.2020, p. 11)

[20] COM(2023)336, 20.06.2023.

(4) The EU budget should enable the Union to provide the necessary policy responses to emerging challenges and to meet legal obligations which cannot be accommmodated within existing ceilings nor by exhausted flexibility. The expenditure ceilings in commitment appropriations for Headings 1, 3, 5, 6, and 7 including the sub-ceiling for administrative expenditure of the institutions for the years 2024, 2025, 2026 and 2027, and the ceiling for Heading 4 for the years 2025, 2026 and 2027 should therefore be increased. As a result, the expenditure ceilings in payment appropriations for the years 2026 and 2027 should be increased.

(5) Russia's illegal war of aggression against Ukraine has brought war back to European soil. The Union will keep supporting Ukraine for as long as it takes and firmly help Ukraine on its European path. To that end, the European Parliament and the Council have adopted Regulation (EU) [XXX] [Ukraine Facility][21] as the Union's response to support Ukraine's macro-financial stability, reconstruction and modernisation, while supporting Ukraine's reforms effort as part its EU accession path.

(6) Given the uncertainties linked to Russia's war of aggression, the Ukraine Facility should be a flexible instrument to provide the adequate form and level of support until 2027. Support under the Ukraine Facility should be provided in the form of loans, non-repayable support and provisioning for budgetary guarantees.

(7) For the part of the Ukraine Facility support provided in the form of loans, it is appropriate to extend until 2027 the existing Union budget guarantee to cover the financial assistance which is made available to Ukraine. As a consequence, it should be possible to mobilise the necessary appropriations in the Union budget over and above the ceilings of the MFF for financial assistance to Ukraine available until the end of 2027.

(8) For the part of the Ukraine Facility support provided in the form of non-repayable support and provisioning of budgetary guarantees, the appropriations should be provided through a new thematic special instrument, the 'Ukraine Reserve'. The commitment appropriations and corresponding payment appropriations should be mobilised annually in the framework of the budgetary procedure set out in Article 314 TFEU, over and above the ceilings of the MFF.

(9) For the programmability of the Ukraine Facility and the orderly development of expenditure, it is appropriate to set out indicative minimum annual amounts and maximum amounts that may be made available annually for the Ukraine Reserve through the period 2024 to 2027.

(10) Since 2022, the Union and most major economies have witnessed a surge of interest rates for all bonds issuers, including the Union. As a result, the funding costs for the European Union Recovery Instrument ('NextGenerationEU') borrowing to be borne by the Union budget under Article 5(2) of Decision (EU, Euratom) No 2020/2053[22] are expected to exceed the estimates initially programmed under the MFF ceilings at the time of its adoption in December 2020.

[21] OJ […], […], p. […].
[22] Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom, OJ L 424, 15.12.2020, p. 1.

(11) Given the uncertainty surrounding the future evolution of interest rates and in order to avoid undue pressures on Union programmes, it is appropriate to establish a new thematic special instrument to cover all funding costs for NextGenerationEU borrowing which exceed the amounts initially programmed. The necessary commitment appropriations and corresponding payment appropriations in the Union budget should be made available over and above the ceilings of the MFF.

(12) The Solidarity and Emergency Aid Reserve Reserve and the Flexibility Instrument should be reinforced in order to maintain a sufficient capacity for the Union to react to unforeseen circumstances until 2027.

(13) In the light of these unexpected events and new challenges, it is necessary to revise the MFF, and Regulation (EU, Euratom) 2020/2093 should therefore be amended accordingly.

(14) The amendments to Regulation (EU, Euratom) 2020/2093 are without prejudice to the obligation to respect the own resources ceilings laid down in Articles 3(1) and 6 of Council Decision (EU, Euratom) 2020/2053.

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EU, Euratom) 2020/2093 is amended as follows:

(1) Article 2 is amended as follows:

(a) in paragraph 2, the first subparagraph is replaced by the following:

'2. Where it is necessary to use the resources from the special instruments provided for in Articles 8, 9, 10, 10a, 10b and 12, commitment and corresponding payment appropriations shall be entered in the budget over and above the relevant MFF ceilings.';

(b) in paragraph 3, the second sub-paragraph is replaced by the following:

'Where it is necessary to mobilise a guarantee for financial assistance to Ukraine which is available for the years 2023 to 2027 and authorised in accordance with Article 220(1) of the Financial Regulation, the necessary amount shall be mobilised over and above the MFF ceilings.';

(2) In Article 9, paragraph 2 is replaced by the following:

'2. The Solidarity and Emergency Aid Reserve shall not exceed a maximum annual amount of EUR 1 739 million (in 2018 prices). Any portion of the annual amount not used in year n may be used up to year n+1. The portion of the annual amount stemming from the previous year shall be drawn on first. Any portion of the annual amount from year n which is not used in year n+1 shall lapse.';

(3) The following Articles are inserted:

‘Article 10a
EURI Instrument

1. The EURI Instrument may be used to finance the additional costs where, in a given year, the costs of the interest and coupon payments due in respect of the funds borrowed on the capital markets in accordance with Article 5(2) of Decision (EU, Euratom) No 2020/2053 exceed the following amounts (in 2018 prices):

– 2024 – EUR 1 840 million,

– 2025 – EUR 2 332 million,

– 2026 – EUR 3 196 million,

– 2027 – EUR 4 168 million,

2. The EURI Instrument may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU.’;

Article 10b
Ukraine Reserve

1. The Ukraine Reserve may be mobilised for the sole purpose of financing expenditure under [the Ukraine Facility Regulation] and shall aim at providing at least EUR 2 500 million in current prices as an annual indicative amount.

2. The Ukraine Reserve shall not exceed an amount of EUR 50 000 million in current prices for the period 2024 to 2027. The annual amount mobilised under the Ukraine Reserve in a given year shall not exceed EUR 16 700 million in current prices.

3. The Ukraine Reserve may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU.’;

(4) In Article 12, paragraph 1 is replaced by the following:

‘1. The Flexibility Instrument may be used for the financing, for a given financial year, of specific unforeseen expenditure in commitment appropriations and corresponding payment appropriations that cannot be financed within the limits of the ceilings available for one or more other headings. The ceiling for the annual amount available for the Flexibility Instrument shall be EUR 1 562 million (in 2018 prices).’;

(5) Annex I is replaced by the text in the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President