



NextGenerationEU

A game changer on capital markets

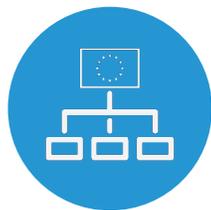
#EUBudget #NextGenerationEU #StrongerTogether

The EU economic response to the coronavirus (1)



€575 bln

National measures taken under the flexibility of EU budgetary rules (general escape clause)



€100 bln

SURE - EU funding for short-time work schemes



€70 bln

Direct EU budget support



€3 045 bln

National liquidity measures, including schemes approved under temporary, flexible, EU State aid rules



€240 bln

European Stability Mechanism Pandemic Crisis Support for Member States



€200 bln

EIB - European Investment Bank Group financing for businesses

Total: €4.2 trillion

The ECB has launched the €1.350 billion Pandemic Emergency Purchase Programme

The EU economic response to the coronavirus (2)

- In addition, EU countries agreed a **€2.0 trillion package** underpinned by the EU budget, to support citizens, companies and regions, particularly those most affected by the coronavirus crisis.
- The funds will help **rebuild a greener, more digital and more resilient post-COVID-19 Europe** which is better fit for the current and forthcoming challenges.

**Multiannual
Financial
Framework (MFF)**
The EU's 7-year budget

**€1.211
trillion**



**€806.9
billion**

NextGenerationEU

COVID-19 recovery package

Recovery and Resilience Facility

€723.8 billion

● **€338.0** in grants

● **€385.8** in loans

NextGenerationEU contribution to other programmes

€83.1 billion

Note: All amounts are in current prices.

NextGenerationEU Policy objectives



Green Transition



Digital Transformation



**Social and Territorial
Cohesion**



**Smart, Sustainable and
Inclusive Growth**



**Health; Economic, Social
and Institutional
Resilience**



**Policies for the next
Generation**

NextGenerationEU

An overview

Recovery and Resilience Facility

€723.8 billion

● €338.0 in grants ● €385.8 in loans



POWER UP

Clean technologies and renewables



RENOVATE

Energy efficiency of buildings



RECHARGE AND REFUEL

Sustainable transport and charging stations



CONNECT

Roll-out of rapid broadband services



MODERNISE

Digitalisation of public administration



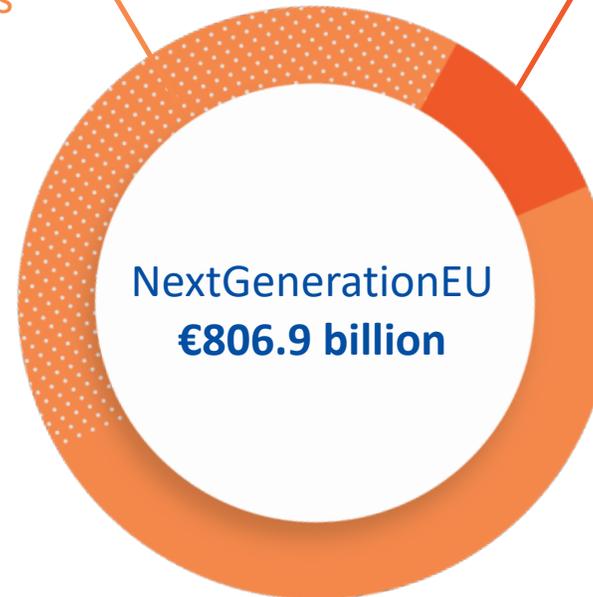
SCALE UP

Data cloud and sustainable processors



RESKILL AND UPSKILL

Education and training to support digital skills



NextGenerationEU contribution to other programmes

€83.1 billion

REACT-EU

€50.6

JUST TRANSITION FUND

€10.9

RURAL DEVELOPMENT

€8.1

INVESTEU

€6.1

HORIZON EUROPE

€5.4

RESCEU

€2.0

NextGenerationEU

At the heart of the EU response to the coronavirus

- NextGenerationEU is an expression of **Europe's solidarity, responsibility and strength.**
- NextGenerationEU is **an opportunity to invest in the economic recovery of Europe.**
- With NextGenerationEU, Europe will not just repair but **build a better tomorrow** for the next generation.
- At least **37% of the Recovery and Resilience Facility** – which accounts for 90% of NextGenerationEU – should **go for green investments. 20% of the funds will go for digital investments.** This will visibly encourage investments in innovation in Europe.
- If the reforms and investments work well, they will add up to **1-3% to the EU economy in the longer run**, and **support the creation of 2 million jobs.**

NextGenerationEU

A game changer in the capital markets

- To finance NextGenerationEU, the European Commission will raise from the capital markets **up to around €800 billion between now and end-2026, in current prices.**
- This will translate into borrowing volumes of on average **roughly €150 billion per year.**
- Thanks to the EU's high credit rating, the Commission expects to be able to borrow on **advantageous financial terms.**
- The borrowing will be concentrated between **mid-2021 and 2026.** All borrowing will be **repaid by 2058.**
- The Commission will **seek to raise 30% of the funds through the issuance of NextGenerationEU green bonds** and use the proceeds to finance green policies.

This calls for a DIVERSIFIED FUNDING STRATEGY.

NextGenerationEU

Expected added value

NextGenerationEU will create numerous advantages for markets and the real economy. It will:



...attract investors to European capital markets



...ensure a regular presence on all parts of the maturity curve of liquid EU-Bonds



...create a reference point for participants on EU financial markets



...strengthen the international role of the euro

**Thus benefitting all EU countries and their citizens
and drawing investments into the real economy!**

NextGenerationEU

Diversified funding strategy

An overview

NextGenerationEU diversified funding strategy

- **Moving from back-to-back to pooled funding.**
- Establishing a liquid benchmark curve by issuing regularly **large and liquid EU-Bonds** across the yield curve (3y-30y).
- **Attracting new investors by establishing an EU-Bill programme.**
- Liquidity management will allow **steady and regular market presence.**
 - Approaching a large and well diversified investors base
 - Attracting new investors
 - Flexibility to adapt to changing market environment
 - Flexibility to adapt to investor needs

Transparency, predictability, flexibility, cost-efficiency

An overview

NextGenerationEU diversified funding strategy

- Issuances are supported by



6-monthly funding plans' **key parameters** to communicate with the markets



Structured and transparent relationships with the banks (**Primary Dealer Network**)



Different **funding techniques**: auctions and syndications



Robust **governance framework**, ongoing coordination with other issuers

Transparency, predictability, flexibility, cost-efficiency

EU Primary Dealers Network established

- The Commission processed and accepted 39 eligible applications for membership from 12 Member States (including 12 subsidiaries of non-EU parented groups).
- **A large and strong group of Primary Dealers** to support EU Bills and EU Bonds in primary and secondary markets.
- **Geographically wide-ranging**, now with primary dealers from Spain, Greece, Belgium, Sweden, Finland and Austria for the first time.
- Banks and investment firms **can apply for membership of the PDN on on-going basis.**

NextGenerationEU first funding plan

- Issuance of **around €80 billion of long-term bonds in 2021**, as per preliminary estimates. These will be topped up by tens of billions of euro in **short-term EU-bills**.
- **The first two syndicated NGEU bond issuances took place on 15 June and 29 June (€35 billion euro raised in total)**. One more syndicated transaction in July.
- Liquid **EU-Bills programme with regular auctions** to be launched as of September.
- **An update of the funding plan to follow in September 2021**, taking into account precise overview of the funding needs of EU Member States for the last months of the year.
- **NextGenerationEU Green Bond framework** to be published and **green bond issuance to start in the second half of 2021**.

Funding Plan frames the borrowing to be undertaken over the coming 6 months and facilitates communication with investors and coordination with sovereign issuers

NextGenerationEU: green bonds

NextGenerationEU diversified funding strategy: 30% NextGenerationEU green bonds



NextGenerationEU GREEN BONDS

The EU objective is to issue **30%** of NextGenerationEU as **NextGenerationEU green bonds** (or up to €250 billion); largest Green Bond Scheme in the world.

What do we expect and why does it matter for the EU?

- Access to a **wider range of investors**
- Confirmation of the Commission's **commitment to sustainable finance**
- Boost to the **green bonds market**
- **Allow portfolio managers to diversify further their portfolio of green investments**

Preparation of NGEU Green Bonds Framework

- **The green bond framework for NGEU green bonds** will primarily rely on the International Capital Market Association green bond principles – **a market standard**
- Nine broad categories of eligible expenditure identified including renewable energy, energy efficiency, clean transportation and R&I supporting green transition
- Commission will report on allocation and impact:
 - Allocation reporting to be verified by an external auditor
 - Impact reporting to show environmental impact based on standard climate impact reporting metrics
- **Publication of the framework late summer / early autumn and issuance to commence in autumn**

A major actor on ESG bond market

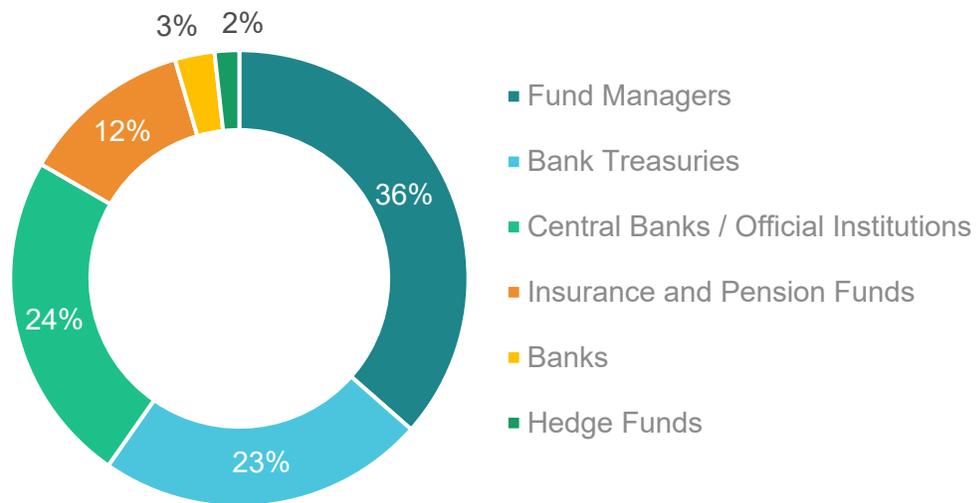
- Since its first entry, the EU has established itself as a regular Social Bond issuer through the SURE programme
- The social bond offerings were highly appreciated by investors, especially those with dedicated ESG and social investment objectives
- SURE 2020: €39.5 billion issued, or 42% of total social issuance (in €)
- SURE 2021 (as of 30/06): €50.1 billion issued, or 61% of total social issuance (in €)

The first NGEU transactions

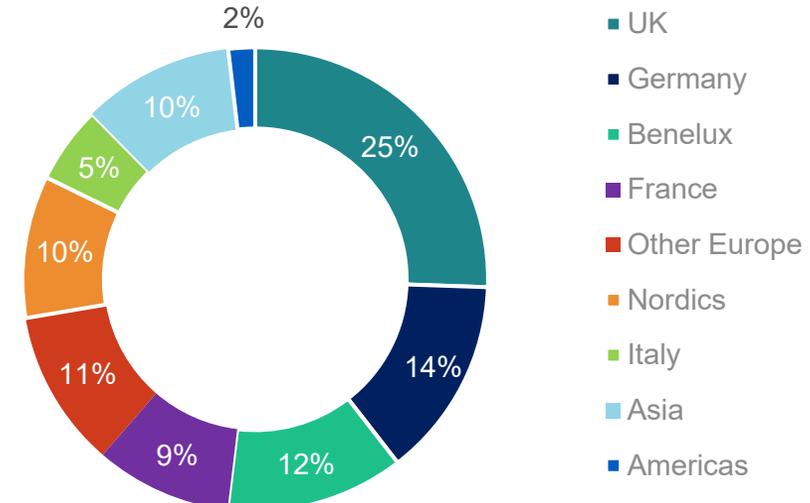
The first two NGEU transactions

- 1st transaction: € 20 billion / 10 years – Order book of € 142 billion
- 2nd transaction: € 15 billion (9bn/5Y + 6bn/30Y) – Order book of over € 170 billion

Distribution by investor type



Distribution by geography



For more information:



Check our EU as a borrower website:

https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations_en



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