Opening remarks to the FINPERT Committee by Gary Tobin,

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Draft Regulations relating to the EU Budget and EU Own Resources

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Thank you Chairman - and through you, the Committee – for this timely opportunity to discuss these four proposals which relate respectively to proposed reinforcements under the EU Budget and – separately - how the budget might be funded in the future.

All four of these proposals were published by the European Commission in June. While published at the same time, they should be seen as being on two distinct tracks.

The first track is the more urgent one in the coming months – the mid-term revision of the EU's multiannual budget for 2021-2027. The Commission has pointed to major challenges arising since this budget was agreed in 2020 – self-evidently, these include the illegal invasion of Ukraine by Russia and the rise in inflation.

The proposed changes to the 2021-2027 budget amount to €100 billion, half of which is focused on assistance to our neighbour and partner Ukraine. The EU has already been providing €25.2 billion in macro-financial assistance in 2022 and 2023, in part underpinned by the EU Budget – indeed this support is the subject of legislation before the Oireachtas at Second Stage on Thursday.

This mid-term revision wisely envisages this support – which helps with Ukraine's day-to-day costs for its government and economy – being provided for on a multiannual basis over the years to 2027. The Minister for Finance and the government are at one with the Irish people in supporting such assistance.

The mid-term revision proposals include other elements including provision for increased interest costs on loans the EU has taken out to fund the Next Generation EU package agreed alongside the EU Budget in 2020. It includes the "STEP" proposal which is aimed at some reinforcing and restructuring of competitiveness supports to help respond to global trends. There are other elements around migration and also the administration of EU institutions.

Here, there is less consensus among Member States on the need for additional funds at this time – Ireland sees merit in much of the proposals but is among a group of net contributors who believe that there must be adequate scrutiny of *how* and to what extent some of these policy priorities can be addressed within the existing EU Budget and through using all possible flexibilities.

The second track in this group of proposals is less urgent and should take more time to negotiate – known as Own Resources, it concerns proposed changes to how the EU Budget is funded by member states. Importantly, such proposals require unanimity among Member States.

Two are updates to proposals from 2021 relating to the revised Emissions Trading System, known as ETS, and the Carbon Border Adjustment Mechanism known as CBAM. The package also contains an existing proposal from 2021 for the introduction of a new own resource based on Pillar One of the OECD international tax agreement, however, this proposal will require further progress at the OECD level.

The fourth is a new proposal for a "Corporate" own resource based on company profits - known as CPOR - and members of the Committee will have seen our preliminary views on this in the scrutiny note provided in July.

In summary, we are among member states who believe this specific proposal fails the test set by EU leaders on own resources when they agreed to the long-term EU Budget in July 2020 – any proposals, they said, should deliver “simplicity, transparency and equity, including fair burden-sharing”.

Ireland can broadly support the emissions trading and CBAM proposals but we cannot support the corporate one. The situation is that, as of now, none of these proposals have the necessary unanimity to be agreed.

Crucially, it is worth stressing to the Committee that any new money agreed for the first track – the EU Budget Mid-Term revision – does not require any parallel agreement on new or amended own resources. Any increased contributions would automatically be based on the current main source of EU contributions, namely the Gross National Income or GNI contribution.

Finally, Chairman, I would just note that of course our approach to these proposals is informed by a whole-of-government perspective, given the multiple policy areas involved in the EU Budget. In this context I would note that the first track on the Budget Mid-Term Review is being negotiated in the EU General Affairs Council, while on the second track, the Own Resources proposals are handled by Finance Ministers at ECOFIN.

I am happy to leave it there and take your questions.