



Brussels, 8.7.2022  
COM(2022) 335 final

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

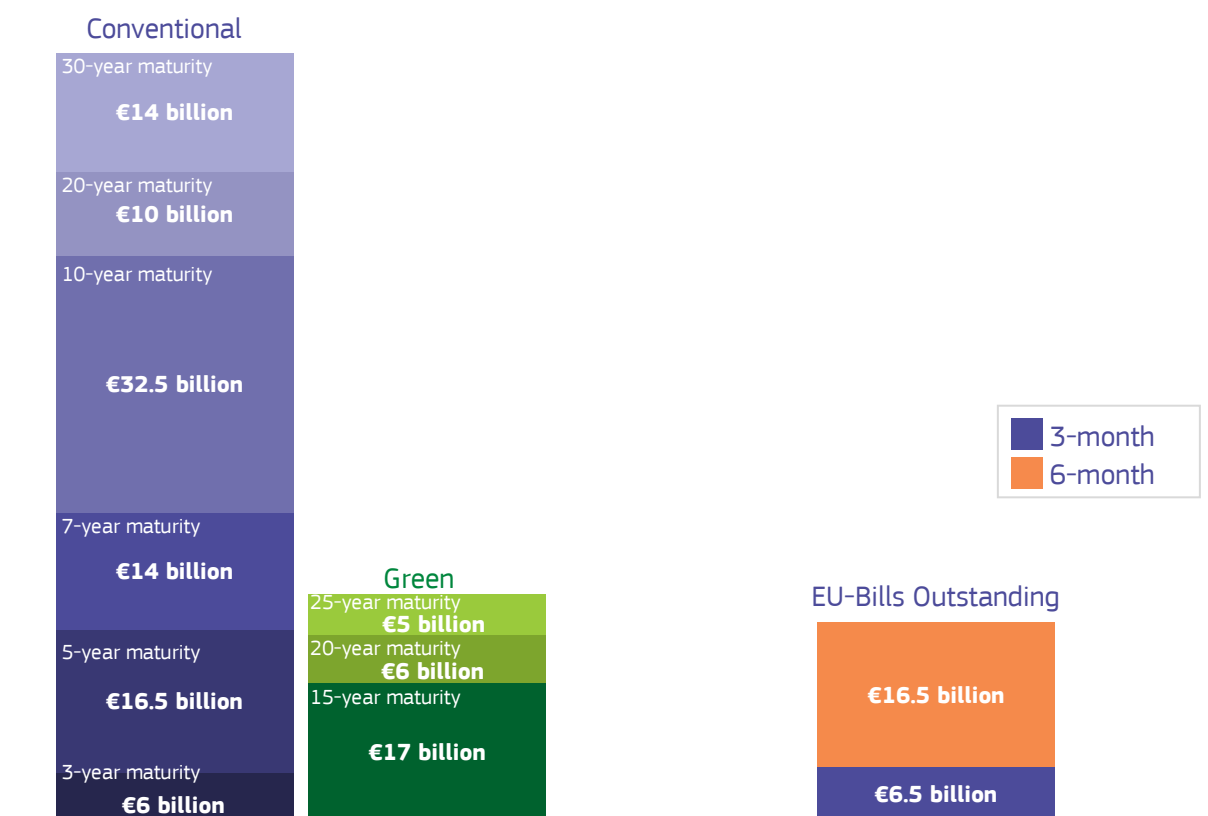
**Semi-annual report on the execution of the NextGenerationEU funding operations  
pursuant to Article 12 of Commission Implementing Decision C(2021)2502**

**1 January 2022 - 30 June 2022**

## Table of Contents

1.	Introduction .....	2
2.	Implementation of the NextGenerationEU funding programme in the first semester of 2022 .....	2
3.	Cost of funding.....	3
4.	Green bonds .....	4
5.	Issuance outlook.....	5
6.	Conclusion.....	6

## NextGenerationEU funding at 30 June 2022



### Long-term borrowing

€121 billion EU-bonds  
of which €28 billion green

#### KEY FACTS of the first semester of 2022

- 5 syndications, 6 auctions, raising €50 billion
- Average cost of funding 1.24%
- 5.9 to 16 times oversubscribed

### Short-term borrowing

€57.9 billion issued in 3- and 6-months EU-Bills  
of which €22.9 billion still outstanding

#### KEY FACTS of the first semester of 2022

- 12 auctions
- Average yield -0.55%
- Bid-to-cover ratio of 1.63x

## Use of proceeds at 30 June 2022



#### KEY FACTS

- 21 Member States received grants and loans under the Recovery and Resilience Facility.<sup>(2)</sup>
- 6 Member States have also received a disbursement on the basis of the fulfilment of milestones and targets.

<sup>(1)</sup> 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.

<sup>(2)</sup> The Recovery and Resilience Plans of 25 Member States had been approved by 30 June 2022.

## **1. Introduction**

NextGenerationEU aims to mobilise up to 5% of EU GDP through borrowing to finance a collective and powerful EU response to the COVID-19 pandemic. NextGenerationEU is a temporary instrument, under which the Commission can raise up to EUR 800 billion between mid-2021 and 2026 through the issuance of 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 through the issuance of green bonds. The proceeds of the bond issuance will allow the EU to overcome the immediate recovery challenges but also to accelerate the green transition and the digitalisation of the EU economy. To date, around EUR 100 billion in funds have already been disbursed to Member States under the Recovery and Resilience Facility (RRF) and the implementation of the Recovery and Resilience Plans is generating tangible results on the ground, both for investments and reforms.

This report – the second semi-annual report pursuant to Article 12 of Commission Implementing Decision C(2021)2502 – reviews the implementation of the NextGenerationEU funding strategy during the period 1 January 2022 – 30 June 2022. The report focusses solely on the process implemented to raise and disburse the funding for NextGenerationEU. 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 report forms one part of a regular flow of information to the European Parliament and Council providing transparency and accountability on the implementation of this large-scale, innovative funding programme in accordance with Article 5 (3) of Council Decision 2020/2053.

## **2. Implementation of the NextGenerationEU funding programme in the first semester of 2022**

In December 2021 the Commission announced its funding plan for the period January - June 2022 which indicated an intended issuance of EUR 50 billion of long-term bonds, to be topped-up by short-term EU-Bills. In line with this funding plan, the Commission has since the start of the year raised an additional EUR 50 billion of long term funding for NextGenerationEU, through a mix of syndicated transactions (70%) and auctions (30%). These transactions have brought the total outstanding amount of NextGenerationEU bonds to EUR 121 billion, of which EUR 28 billion have been raised through the issuance of green bonds. In this period, the Commission has also issued 3-month and 6-month EU bills to meet short-term funding needs, with EUR 22.9 billion in EU-Bills outstanding at the end of June 2022.

NextGenerationEU issuances in the first six months of 2022 took place in increasingly challenging market conditions. The EU and other major economies witnessed a sharp increase in inflation and increased market volatility exacerbated by the economic shocks from the Russian invasion of Ukraine. This has led to interest rates demanded by investors increasing at a historically rapid pace as markets anticipated less accommodative monetary policy.

Despite the challenging market conditions, NextGenerationEU transactions continued to enjoy strong market support, with transactions in the first semester of 2022 being between 6 and 16 times oversubscribed. The EU is benefiting from a well-balanced and diversified investor base with good representation of different types of investors, with different buying strategies, and from all across the world.<sup>1</sup> This continued high-level demand demonstrates that

---

<sup>1</sup> To date, EU issuances have in total attracted more than 1000 different investors from 70 different countries. More than 60% of investors are located in the EU and about 25% are international investors

the Commission has established itself as a trusted highly-rated issuer in euro debt capital markets.

Through this standing in the market, the EU has been able to continue the smooth funding of Member States' recovery plans through timely disbursement of proceeds. As a result of these funding operations the Commission was able to make all disbursements to Member States under the Recovery and Resilience Facility and to the EU budget as soon as they fell due. Between the start of NextGenerationEU in the summer of 2021 and 30 June 2022, the Commission has disbursed EUR 100.4 billion to Member States under the Recovery and Resilience Facility: EUR 67.0 billion in the form of grants and EUR 33.4 billion in the form of loans. In addition, more than EUR 15.5 billion have been transferred to the EU budget to contribute to NextGenerationEU-funded 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.<sup>2</sup>

The success in mobilising this large volume of funds benefitted greatly from the flexibility of the meanwhile well-established diversified funding strategy. This allows the Commission to use a range of funding techniques (syndicates and auctions) and funding instruments (bonds and bills) in order to access the markets by tailoring its approach to prevailing conditions. The increased possibility to tap outstanding bonds, through syndicated transactions and auctions, has helped to inject liquidity, supporting the secondary market for NextGenerationEU bonds and making it easier for investors to buy and sell them. NextGenerationEU bonds now exhibit liquidity comparable to that observed in the markets for European government bonds, relative to the amounts outstanding.

### 3. Cost of funding

Despite the more challenging market conditions, the Commission has continued to be able to raise funds on relatively attractive terms. In line with the methodology set out in Commission Implementing Decision (EU) 2021/1095, cost of funding for the period January 2022 to end of June 2022 is estimated to be around 1.24%.<sup>3</sup> This represents an increase of more than 1 percentage point compared to the 0.14% cost of funding reported for the period June to December 2021. This sharp increase reflects the more difficult market conditions that are affecting sovereign, corporate and financial issuers.

The pace of increase 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 1.02% for the March 2022 transaction, and to 1.53% in the most recent issuance in May 2022. 10-year EU bonds traded around 2.3% at the end of June 2022. Comparable increases have been observed for core euro-sovereign issuers. For example, interest rates on 10-year German government bonds

---

operating from the UK. 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, with central banks and bank treasuries (which usually prefer to invest in maturities up to 10 years) accounting for 36% of purchases of EU bonds in the primary markets and pension funds and insurance companies (which prefer maturities above 10 years) accounting for around 20%.

<sup>2</sup> 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.

<sup>3</sup> This figure may still be subject to minor changes due to the eventual closure of the time compartment, which requires the notional balancing of disbursements and allocated long-term funding instruments.

increased from around -0.20% in June 2021 to close to 1.0% in May 2022, and were over 1.6% at the end of June 2022.

By remaining a regular, predictable issuer through this period, the EU has been able to issue its bonds with a stable price concession at issuance. 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.

The Commission has also continued to manage its short-term cash holdings to ensure that they do not exceed amounts needed for the smooth execution of disbursements. Over the first semester of 2022, liquidity holdings were stable, averaging EUR 19.7 billion. This amount of liquidity was lower than in previous quarters, when larger amounts were necessary to be able to make fast and sizeable disbursements during the period of pre-financing (13% of) Member States' recovery plans. These lower amounts of liquidity holdings, along with regular issuance of EU bills at negative rates have generated a surplus (i.e. positive carry) of EUR 56.1 million on the NextGenerationEU cash holdings from January to end-June 2022. This surplus, to be shared proportionately between the EU budget and Member States receiving NextGenerationEU loans, will partly offset the higher costs of funding.

The first half of 2022 also marked the beginning of NextGenerationEU-related invoicing of interest payments, liquidity management costs, and administrative costs to the EU budget and borrowing Member States.

#### **4. Green bonds**

In 2022, the Commission continued the implementation of the NextGenerationEU green bond programme, building on the successful inaugural NextGenerationEU green bond issuance in October 2021.

The Commission executed four additional green bond transactions in the first semester of 2022. In April 2022 and June 2022, a second and third green bond line were launched, raising respectively EUR 6 billion in the 20-year maturity and EUR 5 billion in 25-year maturity. The first transaction was more than 13 times oversubscribed and constituted the largest green bond issued in 2022 to date<sup>4</sup>. In addition, the inaugural 15-year maturity green bond was tapped twice in January and April 2022, bringing its size to EUR 17 billion.

The experience of the NextGenerationEU green bond issuances underlines the inherent attractiveness of bonds with a strong and demonstrable climate transition profile. The Commission estimates that it has realised a greenium – i.e. the difference in price between a green bond and a conventional bond – of around 2 basis points on these issuances, which have traded as wide as 4 basis points in subsequent trading. These figures are in line with those observed more broadly across the market (Climate Bonds Initiative<sup>5</sup>).

In March 2022, the EU also launched its NextGenerationEU green bond dashboard.<sup>6</sup> The dashboard provides an unparalleled degree of transparency to investors about how the financing raised via NextGenerationEU green bonds is invested. The dashboard provides a real-time overview of the measures and related expenditures that receive financing from the green bonds. This data further reassures investors that the Commission is issuing green bonds in line with the highest standards and best market practices. Building on this dashboard, the

---

<sup>4</sup> Germany also issued a EUR 6 billion green bond in April 2022.

<sup>5</sup> [Green bonds offer pricing benefits to both issuers and investors | Climate Bonds Initiative](#)

<sup>6</sup> [NextGenerationEU Green Bond Dashboard | European Commission \(europa.eu\)](#)

Commission will publish towards the end of 2022 an annual allocation report, to provide more context and additional information.

The inherent attractiveness of NextGenerationEU green bonds as evidenced by the strong investor demand, reinforced by the high level of transparency around the use of proceeds, provides a strong platform for building the world’s biggest pipeline of green bonds. The NextGenerationEU green bond programme therefore provides a unique opportunity to build a highly liquid green bond curve.

**Figure 1: Screenshot of the NextGenerationEU green bond dashboard**



**5. Issuance outlook**

On 24 June, the Commission published its funding plan for the remainder of 2022. To finance NextGenerationEU, the Commission intends to issue EUR 50 billion of EU-bonds, complemented by short-term EU-bills.

The target for the bond issuance represents a reliable and conservative estimate based on the latest forecasts for the expected disbursements from NextGenerationEU in the second half of 2022. The amounts foreseen include scheduled disbursements under recently approved national Recovery Plans.<sup>7</sup> As actual disbursements will be based on regular updates of the implementation of the NextGenerationEU recovery instrument, they may deviate from forecasts in terms of precise timing and amounts. However, any deviations should not materially affect the target set in the funding plan and, based on experience to date with NextGenerationEU, are most likely to involve changes in timing of disbursements. In the unlikely case of a substantial deviation of disbursements from forecasts, the Commission may amend the target set for bond issuance.

While the funding plan focusses on the financing of NextGenerationEU disbursements, the Commission has also provided an indication of the disbursements the Commission envisages to propose under other programmes, notably SURE and Macrofinancial Assistance (MFA) to third countries. This is done in order to provide investors with a comprehensive view of the amounts that the EU can be expected to bring to market based on current policy commitments and expectations. The NextGenerationEU funding plan for the second half of 2022 will therefore be implemented alongside transactions raising up to EUR 9 billion for the envisaged MFA loans to Ukraine and up to EUR 6.6 billion for SURE. These transactions will be organised alongside the issuance of NextGenerationEU debt, through an integrated issuance programme based on a regular monthly cycle of syndicated transactions and auctions. In addition, there may be occasional private placements to finance smaller MFA loans to neighbouring countries.

## **6. Conclusion**

After a successful start in 2021, the past six months have demonstrated the Commission's ability to execute its funding operations in increasingly difficult market circumstances. The sustained investor support for NextGenerationEU bonds shows that the EU is now an established and trusted large-scale issuer in euro debt capital 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. This enables the Commission to continue to support Member States on their road to recovery from the Covid-19 pandemic and to increase their resilience to future challenges.

NextGenerationEU bonds were affected by the pronounced increase in interest rates over this period, which was also the case for sovereign, supranational and other bond issuers globally. The average cost of funding is more than one percentage point higher than over the past six months. However, NextGenerationEU bonds continue to price comparatively well, reflecting the inherent credit quality of the EU and strong recognition for the EU as a value-oriented social and green issuer.

The first six months of 2022 also saw a more than doubling of NextGenerationEU green bond issuances and the launch of the green bond dashboard - which allows real-time monitoring of how Member States use the funding raised via green bonds.

The funding plan for the second half of 2022 provides a comprehensive and accurate indication of the Commission's funding intentions for the remainder of the year, based on

---

<sup>7</sup> See [NextGenerationEU: European Commission endorses Sweden's plan \(europa.eu\)](#) and [Commission endorses Poland's €35.4 billion RRF plan \(europa.eu\)](#).



current policy commitments. It signposts clearly the manner in which the Commission will continue to mobilise funding for the EU's economic and social recovery and the climate transition on the most advantageous terms possible for the EU and its Member States.