

DGAP REPORT

The Revenue Side of the Next EU Budget

A Path to Unlocking an MFF
Agreement Before 2027



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EXECUTIVE SUMMARY

Negotiations on the Multiannual Financial Framework (MFF) for 2028–2034 are entering their final stretch. Member states are seeking agreement on the EU budget ahead of the 2027 “super election year,” when eight EU countries go to the polls. However, almost all political energy in the talks so far has gone into two questions: the budget’s new four-pillar architecture and its overall expenditure volume. In contrast, the revenue side has been repeatedly deferred – including at the June 2026 European Council, where it was originally on the agenda. Yet, as this paper argues, the revenue side may hold the key to bridging the very expenditure gaps currently blocking a deal.

Estimating the Size of the Revenue Gap in the Next MFF

Four positions are on the table: the Commission’s July 2025 proposal (€1,763 billion in 2025 prices, or 1.26 percent of EU gross national income (GNI)); the European Parliament’s April 2026 demand for a minimum 10 percent increase beyond the Commission proposal (€1,939 billion, 1.37 percent of GNI); the Cypriot Presidency’s June 2026 negotiating box, applying a 2 percent average cut (€1,728 billion, 1.23 percent of GNI); and Germany’s demand for a 20 percent cut (€1,410 billion, 1.01 percent of GNI – the same relative volume as today’s budget after the inflation crisis eroded its value from the originally agreed 1.13 percent of EU GNI).

Because GNI-based contributions are used to balance the EU’s budget under Art. 310(1) of the Treaty on the Functioning of the European Union (TFEU), every shortfall in other revenue falls on national treasuries. Modelling these scenarios against the current revenue system, the paper finds a financing gap at EU level of €25 billion–€127 billion per year in current prices, and €6 billion–€32 billion per year in additional German contributions vs. 2027. The German position would keep contributions broadly flat but is unlikely to survive negotiation with member states and the European Parliament (EP). Strong interests, including from the European People’s Party (EPP) and a majority of member states, aim to protect agricultural and cohesion spending, while wealthier states like Germany seek to strengthen the new European Competitiveness Fund.

However, the Commission’s proposed own-resources package would already deliver a contribution path close to the German 20 percent cut, despite also abolishing Germany’s GNI-based rebate. On a net basis,

counting reflows from EU programs, German payments from 2028 onward would average about €3 billion per year – and never more than €8 billion – above their 2021 level, based on the Commission’s proposed own-resources reform. The revenue side is therefore not a technical afterthought but a potentially crucial complement to thorny expenditure negotiations.

Revenue Lever One: A Politically Plausible Own-Resources Package

To identify candidates that could realistically address this gap, we screen every Commission-proposed own resource and alternative under discussion in recent years against two criteria: economically credible revenue potential that ideally does not simply reallocate existing national tax receipts from net contributor states seeking cuts; and no insurmountable political obstacles in member states.

Applying this filter sharply reduces the Commission’s headline figure. Of its proposed own-resources package of €64.4 billion per year in current prices (as re-estimated by the Commission in September 2026), we see around €16 billion in plausible new own resources. These include a 30 percent share of the revenues from the EU Emissions Trading System (ETS1) auctions (which we propose implementing as a ceiling on the total EU-level claim rather than as an increment on top of the EU programs the ETS revenue already funds), a 75 percent share of revenues generated by emissions certificates from the Carbon Border Adjustment Mechanism (CBAM), and the agreed e-commerce customs handling fee for non-EU countries that will flow into the EU budget from 2028 onward (the €150 customs duty exemption for low-value imports was abolished in July 2026 and the ensuing revenues already flow into the budget). Two adjustments to existing own resources take the level up to €19 billion: the VAT cap abolition and the plastics reform – the only two proposed changes that relieve Germany without burdening the other member states pressing for a smaller budget. In contrast, the Corporate Resource for Europe (CORE) levy is economically flawed and politically dead; the remaining proposals (the e-waste levy among them) would all draw from existing national budgets without compensation for net contributors seeking cuts to the budget: Germany’s 27.5 percent share of the e-waste levy base exceeds its 25.3 percent GNI key so the e-waste levy would cost it about €0.4 billion per year net.

From among alternatives with credible revenue estimates, four other candidates remain viable in principle in our view and could add up to around €40 billion

per year: an ETS2-based resource (€8.4 billion–€18.9 billion), a digital services tax (€7.0 billion–€25.7 billion, depending on the scope of the design), a CO2-linked aviation ticket tax, and a crypto transaction tax. Both the ETS2 resource and the digital services tax (DST) remain politically fragile, however. The former because member states originally insisted on keeping ETS2 revenue national, the latter because Ireland opposes it, noting Trump administration threats that any DST would end the 2025 EU-US Turnberry trade deal. We deem six others to be politically unattainable at this stage: Most prominently, a wealth tax would face the dominance of the center-right European People Party's (EPP) across EU institutions, and a financial transaction tax (FTT) already carries a decade of failed unanimity. We also screen out a sugar-sweetened beverage tax because of the German government's internal controversies around a national version to consolidate its budget and an online gambling levy because the sector is about 12 percent of Malta's economy, which makes an EU-level claim on it close to an existential question for one member state in a file decided by unanimity. Taken together with the Commission's proposed resources above, the full basket we consider realistic could yield around €28 billion per year excluding ETS2 and the digital services tax (€19 billion from the Commission's own proposals plus €9 billion from the most plausible alternatives), or €58 billion including both more challenging candidates.

Revenue Lever Two: Smarter Next Generation EU Repayment

The second lever on the revenue side of the next MFF is how the Covid-19 recovery debt is repaid. Because repayment of the EU's Next Generation EU (NGEU) recovery instrument is governed by the same Own Resources Decision (ORD) as new own resources, both can be addressed in one stroke. To identify legally plausible routes to reprofile, we test seven repayment scenarios against the 2020 ORD's legal constraints: the "steady and predictable reduction of liabilities" requirement, the 7.5 percent annual repayment cap, and the 2058 deadline and guarantee expiry. We find that four options require no amendment at all. Such reprofiling within the existing legal framework could already free up to €35 billion in 2028–2034, cutting the next MFF's debt-service bill by about a fifth, at the cost of a moderately higher (nominal) total bill by 2058.

The case for reprofiling is more than fiscal arithmetic. The Commission's proposal already avoids the sharpest frontloading, but it still holds debt service

constant in nominal terms rather than spreading it across time and generations as well as over the course of the next MFF (where large legacy payments also pile up in 2028–2030).

A Potential Package Deal for the MFF Before 2027?

Taken together, the two levers change what is negotiable on the expenditure side. Even excluding the two more challenging resources, the plausible own-resources reform and NGEU reprofiling would generate around €33 billion per year alone – enough to cover the German negotiating position in full and just over half of the Cyprus Presidency's negotiating box. With an ETS2-based resource and a digital services tax included, the package rises to around €63 billion, which clears the Cyprus box and even exceeds the Commission's own expenditure proposal, leaving a substantial gap only to Parliament's more ambitious position. For Germany specifically, that same package would hold net payments below the 2027 level even without the two contested resources – and with them could even reduce gross contributions below the 2027 level.

At least three political clarifications are decisive, however. First, whether a 30 percent share of future ETS1 (and potentially ETS2) revenues can be shared with the EU budget, including by Germany and Poland. Second, whether a digital services tax would be palatable to member states considering the risk of US backlash and Irish opposition. Third, whether an EU-wide aviation tax could be agreed after Germany's recent cut to its national ticket levy.

We conclude that each negotiating position is defensible on its own terms, but also that all sides will have to move. The Commission and Parliament want to protect the budget's real spending power against inflation, NGEU repayment, and increased challenges facing the EU, while member states under fiscal consolidation pressure want to contain nominal transfers to Brussels. Squaring that circle with volume cuts alone will risk disproportionate cuts to the modernizing aspects of the MFF or it may drag negotiations into 2027, when the EU's "super election year" could destabilize EU finances. Turning seriously to the revenue side – including both own resources and NGEU repayment – therefore offers the most credible route to unlocking an agreement in which all sides will have to give way.

THE MFF NEGOTIATIONS SO FAR: STRUCTURE AND EXPENDITURE WITHOUT REVENUES?

The negotiations for the EU's 2028-2034 Multiannual Financial Framework (MFF) are entering what might be their final stretch: Member states are desperately seeking an agreement before the end of 2026, even though the budget itself is set to take effect only in 2028. Pressure to rush comes from the super election year facing the EU in 2027, when eight member states head to the polls to elect new national leadership. The French far-right Rassemblement National, for example, not only leads the polls for the presidential election but could also unilaterally destabilize EU finances once in office.¹

Most political focus and energy in the negotiations so far has been on two elements: the structure and volume of the next EU budget. First, the general architectural reform of the MFF into four pillars from seven under a new structure and governance has dominated negotiations. Member states agreed to this change already under the Danish Council Presidency (in December 2025), although the European Parliament (EP) opposes the lumping of agricultural and cohesion spending into one envelope in the first pillar.² Second, negotiations have focused on the expenditure side of the proposed budget. The European Commission originally proposed an overall commitment of €1,763 billion in 2025 prices, whereas the EP has demanded a minimum increase of around 10 percent on top.³ Member states are currently negotiating within the European Council, where the Cyprus Presidency (in June 2026) presented updated

budget volume figures for discussion in the form of a so-called negotiating box (nego-box).⁴

To date, member states and EU institutions remain divided both on the overall volume of the next MFF, as well as the distribution of funds between the three main pillars and the specific programs therein. One group of states, which includes Germany, seeks to primarily limit the level of annual contributions paid by member states in a time of national fiscal consolidation. This group is thus demanding substantial reductions in the overall MFF volume and in all pillars.⁵ Others, including France and Spain, (and the EP) have demanded a much larger MFF volume given rising demands on the EU in a time of multiple overlapping crises and the erosion of the EU budget's fiscal firepower due to inflation and repayment of the Next Generation EU (NGEU) Covid-19 recovery fund.⁶ One group of states aims in particular to protect the funding levels of cohesion funds, while other states seek to strengthen the new European Competitiveness Fund. The European People's Party (EPP) in the EP and more agrarian states like France have their sights on protecting agricultural subsidies.⁷

Each of these positions is at least partly understandable once we look beyond the diverging headline numbers. After all, the Commission proposal entails only a minimal increase in the overall EU budget volume as a share of gross national income (GNI), once we strip out inflation losses since 2020 and NGEU repayment. The EP's position demands additional funding so the EU can deliver on its growing list of tasks. And it defends the Commission's proposal to place NGEU repayment outside the previous budget's

- 1 Linn Selle and Cédric Koch, *No Time to Lose*. DGAP Policy Brief, 15 (2026). Available at: <https://dgap.org/en/research/publications/no-time-lose>
- 2 Council of the European Union, *Multiannual Financial Framework (MFF) 2028-2034 – Draft Negotiating Box*, Council document 16344/25, 9 December 2025. Available at: https://www.parlament.gv.at/dokument/XXVIII/EU/49422/imfname_11553471.pdf; European Parliament, "EU Long-Term Budget: Responding to Citizens' Expectations and Major Challenges," press release, April 23, 2026. Available at: <https://www.europarl.europa.eu/news/en/press-room/20260423IPR41835/eu-long-term-budget-responding-to-citizens-expectations-and-major-challenges>
- 3 European Commission, "EU Budget 2028-2034," web page on the Commission's proposal for the 2028-2034 multiannual financial framework presented on July 16, 2025. Available at: https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/eu-budget-2028-2034_en; European Parliament, "EU Long-Term Budget". Available at: <https://www.europarl.europa.eu/news/en/press-room/20260423IPR41835/eu-long-term-budget-responding-to-citizens-expectations-and-major-challenges>
- 4 Cyprus Presidency of the Council of the EU, "The Cyprus Presidency of the Council of the EU Presents a Mature and Revised Negotiating Box for the New MFF," June 11, 2026. Available at: <https://cyprus-presidency.consilium.europa.eu/en/news/the-cyprus-presidency-of-the-council-of-the-eu-presents-a-mature-and-revised-negotiating-box-for-the-new-mff/>
- 5 Euractiv, "Unbezahlabar: Berlin fordert Kürzung des EU-Haushalts um 400 Milliarden Euro." Available at: <https://euractiv.com/de/news/unbezahlabar-berlin-fordert-kurzung-des-eu-haushalts-um-400-milliarden-euro/>
- 6 Public Sénat, "« Europe mortelle », défense, économie: les temps forts du discours d'Emmanuel Macron sur l'Europe," Public Sénat, April 25, 2024. Available at: <https://www.publicsenat.fr/actualites/politique/direct-suivez-le-discours-demmanuel-macron-sur-leurope-a-la-sorbonne>; Government of Spain, *Spanish Non-Paper on European Competitiveness*, 2026. Available at: <https://www.lamoncloa.gob.es/presidente/actividades/Documents/2026/spanish-non-paper-european-competitiveness.pdf>; European Parliament, *Interim Report on the Proposal for a Council Regulation Laying Down the Multiannual Financial Framework for the Years 2028 to 2034*, rapporteurs Siegfried Mureşan and Carla Tavares, A10-0105/2026, April 2026 (adopted in plenary on April 28, 2026). Available at: https://www.europarl.europa.eu/doceo/document/A-10-2026-0105_EN.html; Germany and Spain go head-to-head in EU budget fight. *Politico*, 18.9.2026. Available at: <https://www.politico.eu/article/germany-and-spain-go-head-to-head-in-eu-budget-fight/>
- 7 Friends of Cohesion, "Joint Declaration on the Multiannual Financial Framework 2028-2034," May 26, 2026, published by Spain's Ministry of Foreign Affairs, European Union and Cooperation. Available at: <https://www.exteriores.gob.es/en/Comunicacion/Comunicados/Paginas/2026-COMUNICADOS/Joint-declaration-on-the-Multiannual-Financial-Framework-2028-2034.aspx>; EPP Group in the European Parliament, "Weakening Agricultural Policy Is a Deal-Breaker for the MFF," press release, July 7, 2025. Available at: <https://www.eppgroup.eu/newsroom/weakening-agricultural-policy-is-a-deal-breaker-for-the-mff>

envelope, leaning on a non-binding interinstitutional agreement with member states from 2020 (when the debt to pay for the Covid recovery fund was emitted).⁸ Some member states' concerns about escalating contributions are equally understandable, even though the inflation surge since 2022 has strongly reduced the real size of the current MFF (from 1.13 percent of EU GNI to 1.01 percent) and, as a result, reduced national contributions relative to the levels initially agreed. Today, the required expenditure to fund the other EU institutions' proposed budget envelopes would still require significantly greater national contributions in real and especially nominal terms, at a time when some are pursuing painful national fiscal consolidation. The new Irish Council Presidency faces the unenviable task of presenting its own nego-box to try and reconcile these positions ahead of the imminent European Council in mid-October.

However, much less attention has been devoted to the revenue side of the next EU budget – despite its close linkages to the expenditure side and potential to help resolve negotiations. The Commission had originally proposed a package of updated own resources in July 2025 to finance the next budget. This was supposed to generate around €65 billion in additional annual revenue in current prices.⁹ The European Parliament has broadly supported the proposal, asking for a basket of additional own resources worth at least €60 billion/year and citing several options if any element of the Commission package is dropped in Council negotiations.¹⁰ Yet, the EP only has a consultative role in the legislative procedure for own resources. It can only exert pressure by threatening to withhold consent on the MFF's expenditure – where it is a regular co-legislator and its agreement is needed. Member states, in turn, have been unable to agree on concrete new own resources to date. They have largely avoided the discussion in recent years, in effect tabling the debate until now (including at the last European Council in June where it was originally on the agenda).¹¹

But the debate on the revenue side of the next EU budget is now back and will require speedy agreement. The Council Presidency now plans to address these issues in the upcoming European Council on October 15 and is even aiming for an agreement on the expenditure side. A step forward on the revenue side could help unlock such an expenditure agreement by the end of the year. If groups of states, parties (including the EPP), and German recipient regions object to cuts in all key elements of the proposed MFF while also demanding that member state contributions remain under control, the key question – including for Germany – may be how to close the gap between current contribution levels and the proposed budget volume on the revenue side. We address that question in this paper, identifying plausible scenarios from a German perspective that could form a key building block for an agreement at the EU level.

THE REVENUE GAP IN NEXT EU BUDGET NEGOTIATIONS

To illustrate the scale of the problem, we first estimate the revenue gap the next MFF would have to close under current negotiation scenarios. In a second step, we turn to different revenue options to help close it. We begin with the status quo on the revenue side¹² and compare it against the main expenditure demands in MFF negotiations so far. Specifically, we model four main scenarios:

- First, **the Commission's official July 2025 proposal**, with a total volume of €1,763 billion in 2025 prices, or 1.26 percent of EU GNI, including around 0.11 percent of EU GNI to repay debt for NGEU.¹³ This compares to the current budget's volume of €1,234 billion in the same 2025 prices or 1.01 percent of EU GNI. However, aside from NGEU debt repayment, the remaining difference in volume stems almost entirely from the value erosion due

8 Interinstitutional Agreement of December 16, 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 433I, 22.12.2020, pp. 28-46. Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020Q1222\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020Q1222(01))

9 European Commission, "System of Own Resources," publications page for the Proposal for a Council Decision on the System of Own Resources of the European Union, COM(2025) 574 final, July 17, 2025. Available at: https://commission.europa.eu/publications/system-own-resources_en. The Commission updated its estimates before Coreper II on September 8, 2026. Every Commission revenue figure used in this paper uses that updated set of estimates.

10 European Parliament, A10-0105/2026. Available at: https://www.europarl.europa.eu/doceo/document/A-10-2026-0105_EN.html

11 European Council, *Conclusions, 18 and 19 June 2026*, EUCO 8/26, June 19, 2026. Available at: <https://www.consilium.europa.eu/media/r1rowtffb/en-20260619-european-council-conclusions.pdf>

12 That is, the own-resources decision from 2020 which is currently in place, as the proposed 2023 revision failed to achieve unanimous support in the Council. See Council Decision (EU, Euratom) 2020/2053 of December 14, 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. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020D2053>

13 European Commission, *A Dynamic EU Budget for the Priorities of the Future: The Multiannual Financial Framework 2028-2034*, Communication, COM(2025) 570 final, July 16, 2025. Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0570R\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0570R(01))

to the post-2022 inflation. When agreed in 2020, the value of today's MFF was expected to be 1.13 percent of EU GNI. The new proposal thus mainly corrects the budget's purchasing power for inflation losses (as well as for repaying NGEU debt) and implies a net increase in fiscal firepower of the EU budget of around 0.02 percent of EU GNI (see Koch & Biegon, 2025).¹⁴

- Second, we consider **the EP's April 2026 interim report** on the MFF proposal.¹⁵ The EP demands a minimum 10 percent increase in volume relative to the Commission's proposal, bringing the overall volume to €1,939 billion in 2025 prices, or 1.37 percent of EU GNI.
- Third, we model the **European Council's latest negotiating position**, as proposed by the Cypriot Council Presidency in June 2026.¹⁶ Rather than raising the Commission proposal, the Council aims for a 2 percent cut, bringing the volume down to €1,728 billion in 2025 prices (or 1.23 percent of EU GNI).
- Finally, we model the **negotiating position of the German government**, which in late June was reported to demand a 20 percent cut relative to the Commission proposal (as reflected in a non-binding Bundestag budget committee resolution in early July and statements by Chancellor Merz in late July).¹⁷ This would bring the total MFF down to €1,410 billion in 2025 prices or 1.01 percent of EU GNI (the same relative volume as today's MFF after inflation eroded its value from the originally agreed 1.13 percent of EU GNI).

Figure 1 below (comprised of three panels) visualizes the financial implications of member states' GNI-based contributions in these different scenarios for the EU as a whole (top panel) and for Germany in particular (middle panel).¹⁸ These contributions are

crucial for monitoring the various expenditure scenarios because they function as the official balancing resource of the EU's internal finances (Art. 310(1) of the Treaty on the Functioning of the European Union (TFEU)). Since the EU budget must balance expenditure and revenue, all shortfalls in other resources must come from member state contributions according to their agreed (GNI-based) share. To the left of the gray vertical line, both panels show these contributions in the current 2021-2027 MFF. The dotted lines indicate the 1.13 percent of GNI volume originally committed in 2020, while the solid blue lines show the actual contributions, which are lower (at 1.01 percent of GNI) due to greater-than-expected inflation and the fixed adjustment for such price spikes under the current rules. On the right side of the gray vertical line, both panels show the different scenarios on the expenditure side of the next MFF.

The upper panel of Figure 1 shows that the financing gap for the next MFF will indeed be large without a substantial increase in own resources or contributions to the EU budget. Depending on the expenditure scenario, between €24 billion and €127 billion would be needed annually and would have to be covered by more national contributions. This is only partly due to the new MFF. Substantial outstanding commitments from the *current* MFF will also have to be paid in 2028-2030.

For Germany, the middle panel of Figure 1 confirms this would entail a substantial increase in annual payments to the EU. Under the current revenue system, German annual contributions could rise by between €6 billion and €32 billion, depending on the scenario, compared to those due in 2027, the last year of the current budget (and the one with the highest GNI-based contributions from member states over its seven-year duration).

14 See Cédric Koch and Dominika Biegon, *Public Investment in the Proposed 2028–2034 EU Budget: Needs, Gaps and Options*, FEPS and Friedrich-Ebert-Stiftung policy brief, November 2025. Available at: <https://feeps-europe.eu/wp-content/uploads/2025/11/Public-investment.pdf>

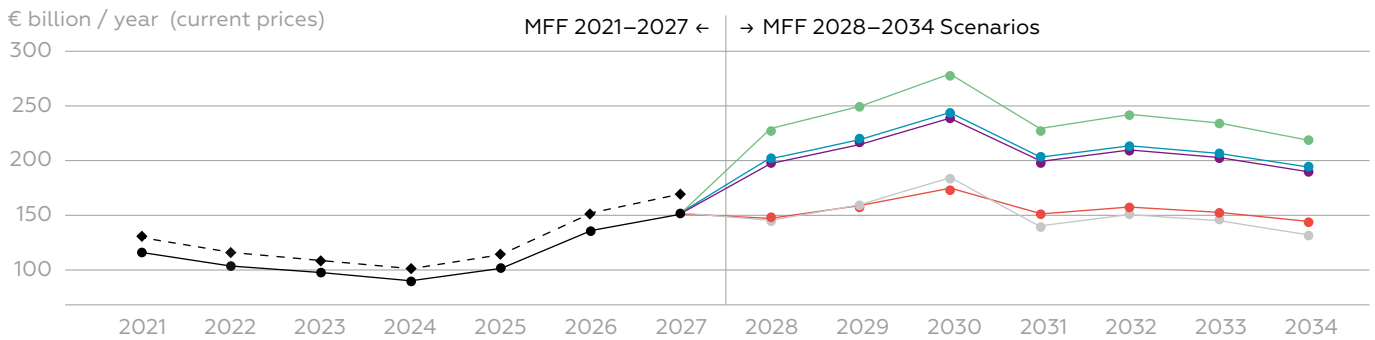
15 European Parliament, A10-0105/2026. Available at: https://www.europarl.europa.eu/doceo/document/A-10-2026-0105_EN.html

16 Council of the European Union, *Multiannual Financial Framework (MFF) 2028-2034 – Negotiating Box*, Council document 10058/26, June 11, 2026. Available at: <https://data.consilium.europa.eu/doc/document/ST-10058-2026-INIT/en/pdf>

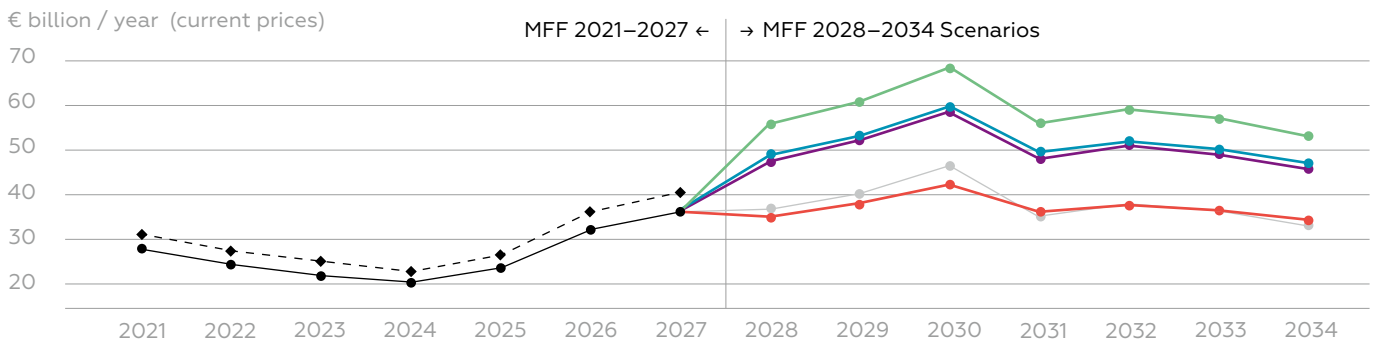
17 Andreas Rinke, 'Exclusive: Germany Demands \$450 Billion Cut to "Unaffordable" EU Budget, Document Shows', Reuters, June 30, 2026. Available at: <https://www.reuters.com/business/germany-demands-450-billion-cut-unaffordable-eu-budget-document-shows-2026-06-30/>; Deutscher Bundestag, Haushaltsausschuss, 'Antrag der Arbeitsgruppen Haushalt der Fraktionen CDU/CSU und SPD' on the multiannual financial framework 2028-2034, Ausschussdrucksache 3778 (21st legislative term), July 8, 2026. Available at: https://table.media/assets/europe/21-3778-mb-koa-top-4_mfr.pdf; Politico Europe, 'Merz Calls for Cutting Several Hundred Billion from EU Budget, Rejects EU Staff Increase.' Available at: <https://www.politico.eu/article/merz-calls-cutting-several-hundred-billion-eu-budget-rejects-eu-staff-increase/>

18 The data at EU level is from the official EU spending and revenue dataset for 2021-2024, from the Commission's estimates for 2025-2027 as well as for 2028-2034 in the 2027 Annual Budget procedure's long-term forecasts, and the own-resources package projections are as published by the Commission alongside the MFF proposal in July 2025 and updated in the Coreper II meeting of September 8, 2026. See the methods note in the Appendix for a detailed discussion of the methods used to produce all estimates in the paper based on this data.

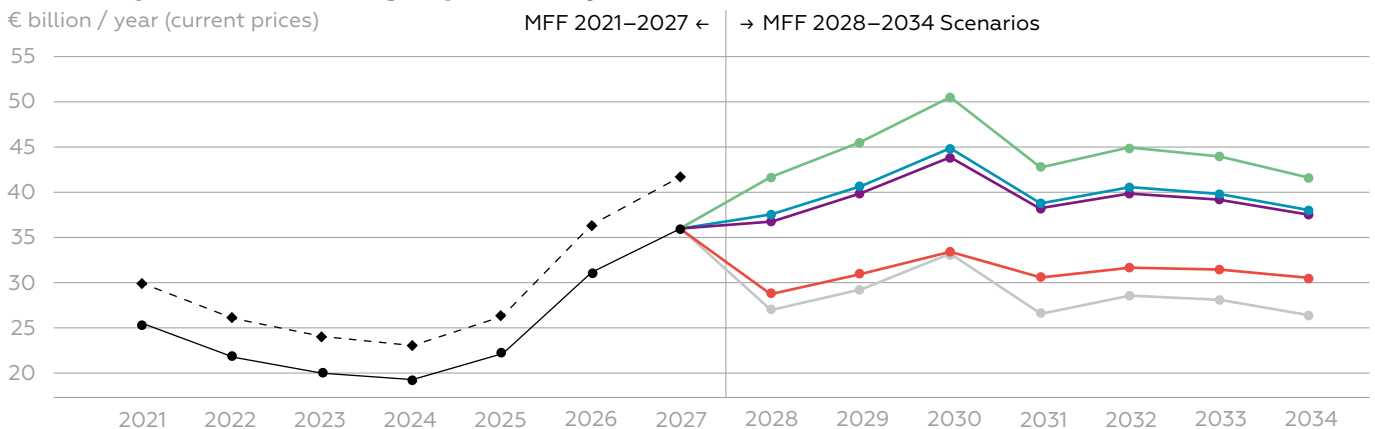
Figure 1
EU27: GNI-based contributions vs. scenarios of MFF and own-resource reform



Germany: GNI-based contributions vs. scenarios of MFF and own-resource reform



Germany: “Net” EU budget position (full own resources less EU



—●— Actual contributions, current MFF (2021–2027)
 -◆- Originally committed volume, 2020 MFF agreement (1.13% GNI)
 —●— Commission proposal, incl. own-resources reform (rebate abolished)

—●— Commission proposal, EXCL. own-resources reform (rebate retained)
 —●— Cyprus Nego Box, EXCL. own-resources reform
 —●— Reported German ask (≈20% cut), EXCL. own-resources reform
 —●— EP interim report (+10%), EXCL. own-resources reform

The four EXCL.-reform lines are what each MFF position requires from the GNI-based residual if the own-resources reform is NOT adopted, so they differ both in envelope size and in the absence of the new resources; the grey reference line is the Commission's proposal with its own-resources package incl. the proposed abolition of all rebates. All three panels of Figure 1 stand on this same no-reform footing; the grey line excepted. "Net" position = Germany's total own-resources contribution (GNI-based + VAT-based + net customs duties + plastics-based) minus the EU expenditure it receives. Reflows for 2028–2034 are each scenario's seven-year envelope spread across years on the Commission's published payment profile (COM(2026) 365 Table 1.1) times Germany's 9.4% share of EU expenditure (the 2021–2024 average), held flat. Sources: European

Commission, COM(2026) 365 of 3 July 2026, 'Long-term forecast of future inflows and outflows of the EU budget (2027–2034)'; Annex II Tables 1.1–1.4, 3 and 4; COM(2025) 573 of 16 July 2025 (Tables 5 and 6, for the current-rules counterfactual and for 2025–2026); COM(2025) 574 (July 2025 Own Resources Decision proposal); European Court of Auditors Opinion 04/2026; European Parliament interim report A10-0105/2026 of 28 April 2026; COM(2021) 365 and COM(2024) 120 (MFF payment ceilings); European Commission, 'EU spending and revenue 2000–2024' dataset; Agence Europe and ECA reporting on the Cypriot presidency negotiating box; press reporting and budget policy committee resolution of July 8th 2026 on the German position.

The bottom panel of Figure 1 adds to these scenarios all payments flowing back into Germany via EU programs plus all other own resources, thus providing a view of “net” payments for Germany (without however including indirect positive financial effects via spillovers from other EU economies). This panel shows that net contributions are lower than in the upper two panels and that the proposed increases are significantly smaller when accounting for the bidirectionality of the EU public financial system. Importantly, it also likely understates the extent of reflows from the EU budget into Germany for the next MFF period. This is because we hold flat the current average share of German reflows from the EU budget (around 9 percent) over the next budget’s period. In reality, the new structure, which includes more excellence-based payments via the new EU Competitiveness Fund, will likely mean a greater share of funds flowing back into the German economy than currently.

Comparing the different scenarios in the first two panels shows that, without new own resources, only the German negotiating position would keep contributions broadly flat throughout the next budget period at around 2027 levels, with maximum annual increases of a modest €6 billion. In contrast, the EP’s position in particular would demand much larger payments from all EU member states (upper panel) and from Germany specifically (middle panel) without the introduction of additional own resources.

Put differently, these figures also validate the central premise of this paper: Controversial negotiations on the expenditure side of the budget remain incomplete without considering the revenue side – which could even contribute to politically acceptable outcomes on the expenditure side. After all, the gray lines in both panels show how the Commission’s package of new and updated own resources could result in a level of member state contributions similar to that under Germany’s demand for a 20 percent cut to the Commission’s MFF proposal. This is the case even though the proposal abolishes the existing GNI-based own resource rebate, which also applies to Germany (Art. 2 (4)). Indeed, factoring in the package’s estimated revenue, including for Germany, shows that annual member-state contributions could even fall beneath the 2027 level at the end of the next EU budget.

This becomes even clearer when we estimate Germany’s net payments to the EU, subtracting all EU

expenditure flowing back to Germany from its contributions (including all non-GNI-based own resources). As the bottom panel of Figure 1 shows, the revenue generated and redistributed by the Commission’s proposed package of own resources would *reduce* the German net level of payments to the EU already in 2028 compared to today’s MFF, according to our (rather conservative) estimates of EU budget reflows. This would return the balance of annual payments broadly to 2021 levels and be even lower than if Germany’s full 20 percent cut were implemented without any own-resource reform.¹⁹

Building on this insight, the next section therefore focuses on own resources other than member state contributions as the main alternative revenue source of the EU budget and estimates their potential to close the substantial MFF financing gaps.

HOW CAN DIFFERENT OWN RESOURCES HELP PLUG THE GAP IN THE NEXT MFF?

To plug the MFF gap of up to €128 billion annually at the EU level or up to €32 billion in additional German contributions, more revenue can play a key role in current budget talks. It is unlikely that Germany’s demand for a 20 percent cut on the expenditure side will elicit a viable compromise among member states and with the European Parliament (including the EPP controlling it), not least because the size of the next MFF would be significantly below the current budget as agreed in 2020. A key question thus is to what extent (and which) own resources can help close the gap estimated above – and thereby help unlock an MFF agreement also on the expenditure side.

To approach this question, we focus on **two broad criteria** to evaluate possible new own resources from a German and EU perspective. First, they should have **economically credible revenue potential which ideally does not stem from existing net contributor state budgets**. Second, they **should not face insurmountable political opposition** from member states. Since the EU’s own resources system is always a package, we consider which options might be plausible even though they draw from *some* member states’ existing budgets or which member states’ opposition *might be overcome* in exchange for concessions in a package deal. Of course, our German perspective

¹⁹ However, this “net” perspective of course does not govern national budgetary planning and is complicated by the fact that contributions come from the national budget while reflows in part flow to the regional level or other entities within Germany.

cannot exhaustively cover member state interests but it forms a key building block for a final deal, not least since Germany leads the coalition of net contributor states demanding cuts.

Beyond generating new revenue outside current member state budgets, own-resource candidates can help reduce the revenue gap by also redistributing financing between member states. After all, contribution keys for other own resources differ from the GNI-based own-resource keys that determine the balancing difference. Redistributing funding away from net contributors by reducing the relative weight of the GNI-based own resource may thus secure greater own resources for the EU budget without affecting (net payer) member state budgets. Where necessary, we thus consider both revenue levels and distributional effects in the following discussion.

Proposed Changes to Traditional EU Own Resources

We start with the existing proposals for (new) own resources under negotiation and estimate how strongly they could contribute to closing the financing gaps.

As a first component, the changes proposed by the European Commission would adjust the existing own resources to increase their annual revenue (see Table 1 in the Appendix). These include three separate changes to customs duties (reduced retention of fees by member states, a new duty on low-value parcels, and the abolition of duty-free status for parcels valued under €150), plus eliminating the cap on existing VAT-based flows to the EU budget, and increasing the levy and abolishing lump-sum rebates on non-recycled plastic waste. These proposed changes together are expected to generate around €16.2 billion annually in current prices.

However, only the new e-commerce handling fee and removal of the customs exception on low-value parcels are genuinely new revenue sources for the EU budget that do not also actively subtract from member state budgets (instead they tax companies exporting low-value parcels to the EU). These estimated €7.7 billion in revenue in current prices would thus directly reduce the revenue gap weighing on MFF

negotiations. The own resources from small parcels enjoy wide support – not least in the context of the EU's ongoing trade policy realignment toward China. As such, they have already been introduced on a temporary basis until July 2028 and would only need to be made permanent.²⁰ Because the customs duty exception has already been in effect since July 2026, we incorporate the €2.5 billion in additional revenue into the existing revenue system throughout our estimates, rather than counting it as potential additional revenue from the proposed package.

In contrast, the remaining additional revenue of around €8.4 billion in current prices would come from member state budgets, as noted critically also by the European Court of Auditors (ECA).²¹ Currently, a greater part of the customs collection fees, the statistically harmonized VAT tax base, or the statistically calculated plastics recycling externalities goes to national budgets than would be the case under the Commission proposal.

However, the proposed changes to existing own resources would not necessarily entail more payments from *each* member state to the EU than today. In fact, on balance, Germany would even benefit financially from the proposed changes to traditional own-resources (TOR).²² Only the abolition of the GNI-based own resource rebate proposed separately for the five largest net payer states would flip this calculation, so that Germany would contribute a small additional sum each year overall to the existing own-resources system. Table 5 in the Appendix estimates these distributional effects on all member states from the Commission's proposed changes to TOR. It shows that France and Germany would be the largest net beneficiaries of these changes, at around +€0.77 billion and +€0.71 billion per year, respectively, while the Netherlands and Belgium would be most burdened by them (due to the ports of Antwerp and Rotterdam's large shares of EU customs duties). No other net payer state demanding cuts would see its contributions increase from these changes.

For our key question of how to close the financing gap in the next MFF without raising contributions on states like Germany, we thus include in our basket

20 European Commission, Directorate-General for Taxation and Customs Union, "Guidance and Legal Text on Temporary Flat Fee on Low-Value Imports Which Will Apply until 1 July 2028," June 8, 2026. Available at: https://taxation-customs.ec.europa.eu/news/guidance-and-legal-text-temporary-flat-fee-low-value-imports-which-will-apply-until-1-july-2028-2026-06-08_en

21 European Court of Auditors, *Opinion 04/2026 Concerning the Proposal for a Decision on the System of Own Resources of the European Union* (COM(2025) 574 Final), January 22, 2026. Available at: https://www.eca.europa.eu/ECAPublications/OP-2026-04/OP-2026-04_EN.pdf

22 Abolition of lump-sum reductions in the plastics-based own resource applies only to 17 lower-income member states who would have to pay more under the Commission proposal. And the additional revenue raised from customs duties, the VAT base and the plastics call rate is borne less by Germany than the GNI-based residual contributions, so that a small net positive effect on Germany's budget would follow.

of additional revenues only those changes to existing own resources that would not create additional burdens on net contributor states demanding MFF cuts (i.e. VAT and plastics, dropping the customs collection cost retention change). These two changes could raise an additional €3.3 billion for the next EU budget by redistributing financing within the EU away from Germany and other net payers demanding cuts towards other member states (incl. France which would benefit on balance only when the customs retention cut is included).

New Own Resources Proposed by the Commission

Aside from changes to existing own resources, the Commission proposed a total of five new own resources in July 2025 alongside its MFF expenditure proposal: a 30 percent share of ETS1 auction revenues, 75 percent of CBAM certificate revenue, a new levy based on non-collected e-waste, a share of minimum tobacco excise taxes, and a lump-sum levy on large companies (CORE).²³ Together, we estimated that these would generate around €49.4 billion in annual revenue in current prices that would flow into the EU budget from 2028 onwards.

However, several of these proposed new own resources face significant economic or political problems that make them less viable options to close the revenue gap in the next MFF (see Table 2 in the Appendix for details). Others would need a different design in our view to plausibly help reduce the revenue gap.

First, the **TEDOR tobacco excise duty** share holds considerable revenue potential, but its volume depends on recasting the tobacco directive and runs into recent German government plans to raise tobacco excise duties to consolidate its national budget. We thus consider it unlikely that part of these funds will be shared with Brussels from 2028 onward. Second, the **corporate levy CORE** is both economically questionable and unlikely to gain political support because it taxes revenues in a lump sum rather than profits on a continuous basis, provoking near universal condemnation. We consider it unsuitable for helping close the revenue gap. Third, the **e-waste-based levy** also holds significant revenue potential and reportedly receives broad political support, but it draws on current member state revenues and does not offer enough compensating relief for net contributor states. Germany's

share of the levy base is 27.5 percent against its GNI key of 25.3 percent, so net of its lower GNI-based contributions this levy costs Germany around €0.4 billion euros annually.

As a result, only two of the proposed five new own resources meet our criteria: CBAM and ETS1 offer economically convincing revenue potential without facing insurmountable political obstacles or drawing from the existing budgets net contributor member states. A 75 percent share of **CBAM** certificates could generate around €1.9 billion annually (rising by around €0.5 billion if the full certificate revenue went to Brussels instead). The second potential candidate is an **ETS1-based resource**.

The Commission proposal would take 30 percent of the member state share of ETS1 auction revenues from 2028 onwards, on top of ETS1 revenue funding for existing EU programs (currently RePowerEU, the Innovation and Modernisation Funds and a part of the Social Climate Fund). However, for an ETS1 own resource to not subtract from existing member-state budgets, the design would need to take these pre-existing shared revenues into account. Our revenue estimates thus subtract already programmed EU spending financed by ETS1 auctions from a potential 30 percent call rate of total ETS1 revenues as of 2028. This is why our revenue estimates of around €8.7 billion annually are significantly lower than the Commission's. As a result of this alternative design, member states would not pay more ETS1 revenues to the EU than today in any year of the next MFF. But available ETS1 own-resource revenues would be lower in the early years of the next EU budget before the Innovation and Modernisation Funds expire in 2030.²⁴ The full revenue of a 30 percent ETS1 auction share would only start to accrue to the next EU budget from 2031 onwards (and thus fully affect member state budgets only from then on).

In this design, member states would thus never pay a greater share of ETS1 resources into the EU than they already do now (in fact, their relative contributions would decrease from around 35 percent of ETS1 revenue in 2024 to 30 percent in 2028). This version has the additional benefit that member state revenues from ETS1 will not yet be fully committed to national budgets in 2031 (in contrast to 2028), making

23 European Commission, *Proposal for a Council Decision on the System of Own Resources of the European Union and Repealing Decision (EU, Euratom) 2020/2053*, COM (2025) 574 final, July 16, 2025. Available at: https://eur-lex.europa.eu/resource.html?uri=cellar:176f6907-626d-11f0-bf4e-01aa75ed71a1_0001_02/DOC_1&format=PDF

24 We assume the ETS1 financing share for the Social Climate Fund is used to bridge 2026-2027 funding for it, before the ETS2 revenues start to accrue from 2028 onward.

BOX 1: OPTIONS TO TRY AND OVERCOME THE POLISH VETO FOR AN ETS-BASED OWN RESOURCE

Poland has voiced strong opposition to using ETS revenues as an own resource (to which it would contribute most strongly), also because ratification requires acceptance from its president, whose party strongly opposes the ETS. To overcome this in a final agreement would be challenging but a corresponding rebate excluding Poland from the financing of this own resource might be one solution. We consider two possible approaches: (1) a GNI-based rebate worth 75 percent of Poland's contribution to the ETS1 revenues, which yields a net financial benefit; or (2) a GNI-based rebate worth 100 percent of Poland's ETS1 contribution coupled with a rebate to keep Germany's net revenue neutral.

In the first approach, Poland would receive an average GNI rebate of around €0.85 billion per year, financed by all other member states. Poland will also benefit from around €0.36 billion in savings due to the shrinking share that its GNI-based resource would contribute to the MFF. This would more than cover Poland's estimated €1.14 billion annual contribution to the ETS1-based own resource as designed here. The net positive effect would already begin when compensation covers around 69 percent of Poland's share of this resource in our estimates, or around 59 percent if an ETS2-based resource is introduced alongside it.

While this scenario would result in a new ETS1-based own resource contrary to Poland's current stated negotiating position, such a rebate would thus ensure that Poland benefits financially overall.

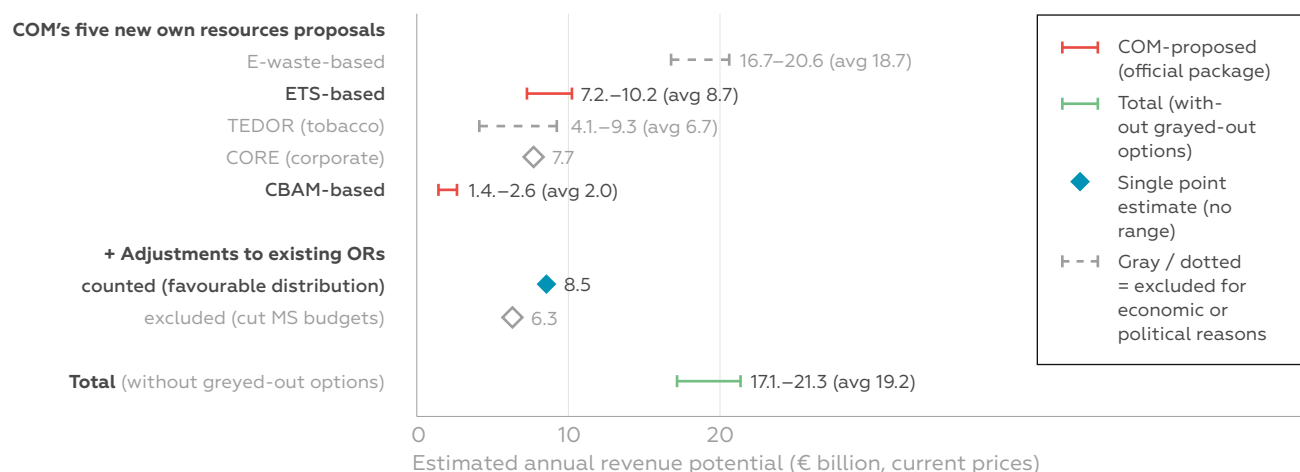
This version would also still leave Germany benefiting financially on balance. Germany would pay around €0.22 billion per year for the Polish ETS1 rebate, minimally less than the relief that introducing an ETS1-based own resource would bring to the German budget via lower GNI-based contributions. All other net paying member states demanding cuts would also benefit under this version, even while co-financing the rebate aimed at unlocking Poland's approval, with the exception of Finland (however, the cost would be negligible at around -€0.02 billion to -€0.03 billion a year).

In the second approach, Poland's rebate would be worth its entire theoretical contribution to a new ETS1-based own resource. Since Germany's net effect would turn negative in this scenario, we couple it with a rebate at the same value as the discrepancy, which we estimate at €0.3 billion per year (larger than the €0.22 billion Germany would contribute in the first approach, because Poland's rebate would then be a third bigger). This version would remain revenue-positive for all other net payer states demanding cuts except for Finland (financing the Polish and German rebates deepens its net cost for this own resource to around -€0.04 billion a year). It might be easier for Poland to agree to an ETS1-based own resource from which it is fully excluded from financing. The question remains, however, whether (net payer) member states would accept co-financing not only Poland's exclusion but also Germany's costs to obtain an ETS1-based own resource for the next EU budget.

them more available for negotiation within the revenue system of the EU. Until 2030, in our design, member states would only pay between €1.2 billion and €3.5 billion annually of these revenues into the EU budget (between around €0.26 billion and €0.8 billion for Germany). This would only rise to between €11.6 billion and €15.2 billion annually starting in 2031. We illustrate the distribution of ETS revenues between member states and the EU until 2034 under our proposed design in Table 4 of the Appendix.

In any case, the budgets of net contributor states like Germany would benefit financially from an own resource-based on ETS1 revenues. While Germany would give up some of its ETS1 revenue, it would save even more on its GNI-based contribution to the EU budget as of 2028 (because Germany's share of the ETS1-based contribution would be smaller than its share of the GNI-based contribution). These distributional effects would bring a net financial benefit of around €0.06 billion a year for the German budget in 2028-2030, while the Innovation and Modernisation Funds still fill most of the

Figure 2
Potential annual revenue: The Commission's proposed new and updated own resources
 Five new own resources plus the adjustments to existing own resources



Greyed rows are screened out for economic or political reasons and are excluded from the total. Commission estimates are on the update the Commission put to Coreper II on 8 September 2026. The counted adjustments row is the e-commerce handling fee plus the VAT cap abolition and the plastics reform, the two changes whose distribution relieves Germany without burdening the other member states pressing for a smaller budget; the excluded row is the collection-cost retention cut. The abolition of the €150 de-minimis threshold took effect on 1 July 2026 under the Union Customs Code, so its

duties are already traditional own resources under Decision 2020/2053 and sit inside the 2027 reference level — real revenue, but it closes none of the 2028–2034 gap. Where a proposal has a single point estimate rather than a range, low = high = midpoint. Sources: COM(2025) 574; European Court of Auditors Opinion 04/2026; Commission presentation before Coreper II, September 8, 2026; additional sources for alternative candidates in the Appendix.

30 percent ceiling and the own resource is correspondingly small, and around €0.37 billion a year from 2031 once those funds expire (an average of €0.24 billion a year across the period). The benefit thus grows over the period, the more ETS rather than GNI is used to finance the EU budget. This effect applies to all member states with a greater GNI-based contribution than ETS1 contribution (i.e. especially Northern and Western Europe). The reverse is true for countries where GNI-based contributions are lower than those from ETS1 (especially Eastern and Southern Europe). Helpfully in the current negotiations, an ETS own resource thus redistributes financing costs for the next MFF exactly toward those member states demanding a larger budget to protect cohesion funding, and away from those member states who want to stem the rise of national contributions (and cash-strapped France). In Table 6 of the Appendix, we estimate the distributional implications of an ETS-based own resource for all member states.

The two own resources based on ETS1 auctions and CBAM certificates together could thus plausibly contribute €8.6 billion to €12.8 billion in current prices annually without siphoning from (current) net contributors' budgets. Together with those adjustments

to traditional own resources that fit our criteria for plausibly closing the revenue gap in the MFF negotiations, this would yield €17.1 billion to €21.3 billion annually in current prices (see Figure 2).

Alternative potential new own resources

The economic or political challenges facing several of the Commission's proposed new own resources and adjustments to existing ones may burden the next MFF with a substantial shortfall in revenue. Instead of the €64.4 billion in current prices the Commission has estimated since its September 2026 update, we believe only around €19.2 billion will help directly reduce the revenue gap (by raising new revenue) or indirectly (by redistributing financing between member states). To identify potential other sources of revenue, we therefore now turn to alternative own resources under discussion in recent years.

From among the existing options with credible revenue estimates, nine candidates face either strong economic uncertainty or political hurdles that seem insurmountable at this stage (see Table 3 of the Appendix for details).

- A **wealth tax** on high-net-worth individuals would likely yield by far the most revenue but is politically unlikely given the dominance of the EPP, which opposes greater wealth taxation, across all EU institutions. There is also the added complication that such taxes would constitutionally accrue to the regional level in Germany.
- A **Company Profits Own Resource (CPOR)** has significant revenue potential as an alternative to the failed CORE proposal, but whether it could draw from additional revenues beyond existing member state budgets depends on further progress on harmonizing tax bases. As proposed by the Commission in 2023, CPOR would redirect a share of existing profit taxes rather than targeting revenue through lump-sum levies as with the unpopular CORE.²⁵ But it therefore faces the problem that it would draw from national budgets if there is no parallel increase in overall tax rates. Yet, it would be a very small share of national corporate profit taxes (at a proposed call rate of 0.5 percent) and is intended to be temporary until (unanimous) agreement can be reached on the BEFIT common corporate profit framework (equally proposed by the Commission in 2023). BEFIT would generate additional revenues from harmonizing corporate tax bases in the EU. This, however, remains anathema to member states whose economies rely on corporate tax competition. On balance we therefore do not count CPOR as plausible.²⁶
- An **excess profit tax** suffers from unclear definitions of its base and estimates revolve around the atypical crisis year 2022, such that no credible revenue estimates exist.
- A **bank levy** is based on existing national revenue streams and would therefore not help close the MFF revenue gap.
- A **financial transaction tax** also has significant revenue potential but agreement remains politically uncertain, given that negotiations have been stymied even with enhanced cooperation, which now involves only 10 states.
- A **pillar two-based corporate minimum tax** on undertaxed profits has a strong conceptual case as a border tax for the Single Market, but revenues would accrue only to member states, and its application would also depend on reaching agreement with the US on the OECD's broader two-pillar corporate minimum tax scheme.
- A **crypto capital gains tax** is much harder to administer than the alternative design on crypto transactions we include below.
- A **sugar-sweetened beverage tax** would hold some revenue potential, but we consider it unlikely to find agreement. First, such a tax already exists in eight EU states, which would need to agree to share their resources with the EU. Second, and decisively from our perspective, the German government is currently fighting over a hike in its own sugar taxes to help finance the social insurance system, meaning that these revenues are if anything destined for the national budget, and it is unlikely Germany would share them with the EU. Third, there is no proposed EU-wide system yet, so our estimates are based on the average tax revenue of states with such taxes, and they assume a hypothetical call rate of 15 percent in line with the Commission's official proposal on tobacco excise taxes. This significantly lowers its revenue potential.²⁷
- Finally, an **online gambling levy** has strong conceptual grounding (and is supported by the European Parliament), but we do not count it as plausible either. The sector accounts for roughly 12 percent of Malta's economy once indirect effects are counted, so an EU-level claim on it is close to an existential question for one member state in a file that requires unanimity.

25 European Commission, *Commission Staff Working Document Accompanying the Amended Proposal for a Council Decision Amending Decision (EU, Euratom) 2020/2053 on the System of Own Resources of the European Union*, SWD(2023) 331 final, June 20, 2023. Available at: <https://data.consilium.europa.eu/doc/document/ST-10853-2023-ADD-1/en/pdf>

26 Zsolt Darvas et al., *Bigger, Better Funded and Focused on Public Goods: How to Revamp the European Union Budget*, Bruegel Blueprint 37, July 2025. Available at: <https://www.bruegel.org/sites/default/files/2025-08/Bruegel%20Blueprint%2037.pdf>. Note that an alternative corporate own resource was proposed by the Commission in 2021, which would allocate a share of the so-called "pillar one" residual profits allocated to end user countries under the OECD corporate taxation agreement of October 2021. However, the implementation of this OECD corporate minimum tax and the associated common base agreement has stalled since the re-election of Trump, sparking the digital services tax as a (unilateral) alternative. See European Commission, *The Next Generation of Own Resources for the EU Budget*, Communication, COM(2021) 566 final, December 22, 2021. Available at: https://commission.europa.eu/document/download/563392ba-ae18-4ff5-827c-6bc94435f03c_en?filename=com_2021_566_1_en_act_part1_v8.pdf; European Parliament, "The Implementation of the OECD Global Agreement on Re-Allocation of Taxing Rights (Pillar One)," Legislative Train Schedule, last updated June 20, 2026. Available at: <https://www.europarl.europa.eu/legislative-train/spotlight-JD%2023-24/file-re-allocation-of-taxing-rights>

27 Bernhard Schütz and Philipp Heimberger, *The Future Financing of the European Union: An Analysis of Options for New Own Resources in the EU Budget 2028-2034*, wiiw Policy Notes and Reports 108, June 2026. Available at: <https://wiiw.ac.at/the-future-financing-of-the-european-union-an-analysis-of-options-for-new-own-resources-in-the-eu-budget-2028-2034-dlp-7641.pdf>

We instead identify four options that remain economically and politically viable in principle and merit consideration in the ongoing negotiations: an own resource-based on ETS2 auction revenues, a digital services tax, an aviation tax, and a crypto transaction tax.

- An **ETS2-based own resource** was proposed by the Commission in 2023 but excluded from consideration by member states.²⁸ It targets additional revenues already generated by the EU ETS in the next budgetary period, and an equally strong case can be made for allocating a share of these to the EU budget. This would be in addition to the €54.6 billion already agreed to finance the Social Climate Fund (SCF), which we therefore deduct from the ETS2 revenues available for a new own resource over the five auction years from 2028 to 2032 when the SCF ends.²⁹ However, this potential revenue stream faces the same challenge as the ETS1-based own resource: Member states would have to agree to share future resources that otherwise would shore up (only) their future budgets, and the Polish veto would have to be addressed convincingly.
- From a German perspective, however, our estimates show that this own resource would not increase budgetary contributions. The additional €2.0 billion to €4.5 billion that Germany would have to contribute annually as of 2028 – depending on the development of the ETS2 price, for which we calculate with €60–€100/tCO₂ – would be more than offset by the relief from lower GNI-based contributions of –€2.1 billion to –€4.8 billion per year. Germany's share of the auction volumes (23.7 percent for ETS2 according to estimates from the Umweltbundesamt³⁰) sits below its 25.3 percent GNI key.³¹
- Importantly, according to our estimates, this net benefit to the German budget would also not disappear if Poland were compensated for its ETS2 share by all other member states in order to gain its consent (see Box 1 above for our proposed options on this and Table 6 in the Appendix for details on distributional and net effects). If member states were to compensate 75 percent of Poland's ETS2 contributions through a GNI rebate (which would entail a net relief for Poland via lower GNI contributions), Germany's (and Austria's) net contributions would remain only broadly neutral and decrease relative to the status quo only once we also include the ETS1. If member states were to fully compensate Poland for its ETS2 contributions and add a German rebate to ensure revenue neutrality for Berlin, this would still leave all net payers that are demanding cuts better off except for Austria, whose positive budgetary effect would again depend on including the ETS1.
- A **digital services tax** (DST) unites strong support in principle as it taxes mainly US companies and has considerable revenue potential. But it is politically challenging during the presidency of Donald Trump, given both the risk of US retaliation and opposition from Ireland, which benefits disproportionately from US companies and has raised concerns in the context of the EU-US Turnberry trade deal. However, given that Trump has already threatened trade retaliation over closer EU ties with Canada and that the US midterm elections in early November could further weaken his position, the pursuit of a DST is ultimately a political question, not a foregone impossibility. If member states agree on this tax, the literature shows that much of its revenue potential depends on the design: The more digital services are included, the greater the revenue (and arguably the harder it is for the US to claim trade discrimination).
- An **aviation tax** addressing the undertaxation of air transport emissions holds significant revenue potential but remains politically uncertain. A CO₂-linked ticket tax would be legally plausible, but could face political resistance, particularly as the German government just lowered its national ticket tax for reasons of international competitiveness.
- A **crypto transaction tax** could be administered based on existing reporting infrastructure, in contrast to the alternative design rejected above. The European Commission published a technical note on it this year and no political opposition has been reported to date.

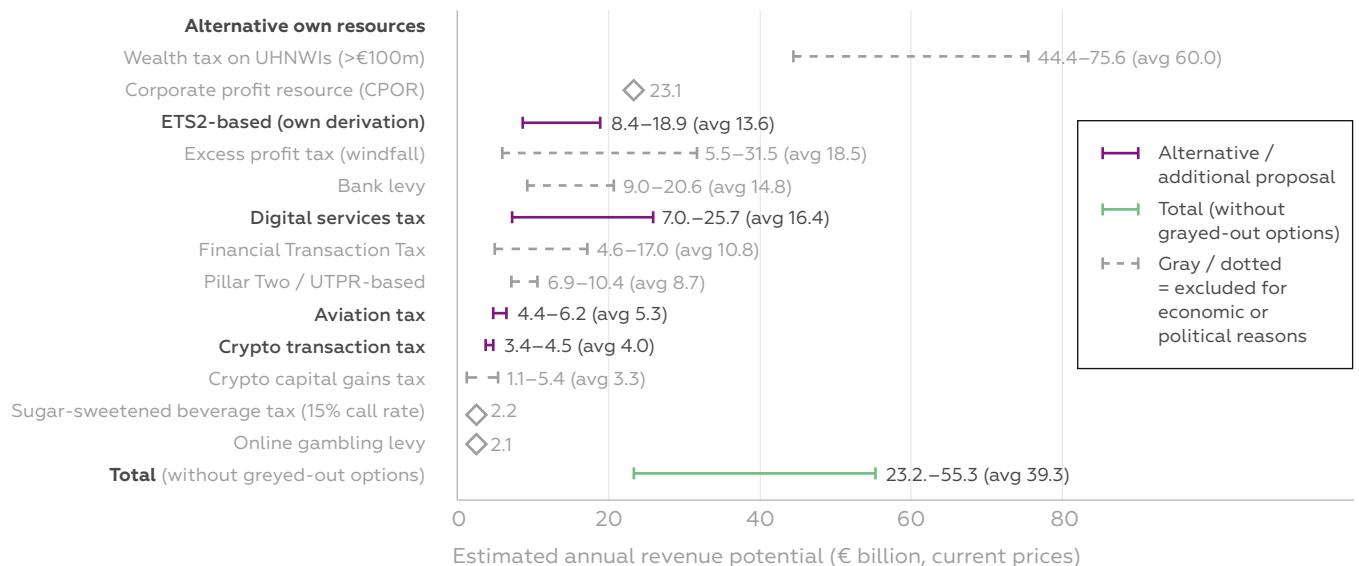
28 European Commission, *An Adjusted Package for the Next Generation of Own Resources*, Communication, COM (2023) 330 final, June 20, 2023. Available at: https://commission.europa.eu/system/files/2023-06/COM_2023_330_1_EN_ACT_part1_v5.pdf

29 Art. 10(1) of Regulation (EU) 2023/955 sets 65 billion € for 2026–2032 but 54.6 billion € should ETS2 be postponed to 2028, as it was.

30 We use the estimates from the Umweltbundesamt's 2024 paper for member states' ETS2 shares. See Jakob Graichen & Sylvie Ludig, *Supply and Demand in the ETS2*. Umweltbundesamt, 09/2024. Available at: https://www.umweltbundesamt.de/system/files/medien/11850/publikationen/09_2024_cc_ets_2_supply_and_demand.pdf

31 In Germany, ETS2 will replace the national fuel emissions trading system under the Brennstoffemissionshandelsgesetz (BEHG) currently being revised. However, to what extent revenues increase or decrease then depends on the price path of the BEHG in 2027 and on the ETS2 price in 2028, as well as on the respective auction volumes; not on an own resource.

Figure 3
Potential annual revenue: alternative own-resource options
 Proposals beyond the Commission's July 2025 package



Greyed rows are screened out for economic or political reasons and are excluded from the total. Commission estimates are on the update the Commission put to Coreper II on 8 September 2026. The counted adjustments row is the e-commerce handling fee plus the VAT cap abolition and the plastics reform, the two changes whose distribution relieves Germany without burdening the other member states pressing for a smaller budget; the excluded row is the collection-cost retention cut. The abolition of the €150 de-minimis threshold took effect on 1 July 2026 under the Union Customs Code, so its

duties are already traditional own resources under Decision 2020/2053 and sit inside the 2027 reference level — real revenue, but it closes none of the 2028–2034 gap. Where a proposal has a single point estimate rather than a range, low = high = midpoint. Sources: COM(2025) 574; European Court of Auditors Opinion 04/2026; Commission presentation before Coreper II, September 8, 2026; additional sources for alternative candidates in the Appendix.

According to revenue estimates based on the literature and replaced by our own approximations for ETS2 (see Table 3 in the Appendix for details), these candidates could together yield €23.2 billion to €55.3 billion annually in current prices (see Figure 3) either directly by raising new revenue or indirectly by redistributing funding between member states (in the case of the ETS2). One or more of these candidates could thus help close the revenue gap in the MFF negotiations, even at the lower end of their estimated revenue ranges. As we recommend in the final section of this paper, a classic EU package deal could unlock elements from these options in exchange for movement on other levers.

It remains to be seen which of these potential new revenue streams can overcome the significant hurdles of own-resource legislation, which requires unanimity plus ratification by all member states. In particular, Poland's position on ETS2 revenues would need to be addressed in negotiations, perhaps through

compensation where all other member states take over Poland's share as proposed above. In addition, the political appetite for a digital services tax in the face of Trump's objection would need to be assessed. This may be easier given his recent trade threats over closer EU ties with Canada and possibly weaker position after the US midterms.

Regarding German consent, several aspects require political clarification. Most critical would be to clarify the position on a DST as well as on future ETS resources, perhaps through designs that do not add further burdens, as we propose here. Equally, whether Germany could accept an EU-wide aviation tax after just lowering its national ticket tax to support its airlines' competitiveness would need to be clarified. Economically, there remains a strong case for taxing their emission externalities more strongly, and intra-European competitiveness questions would not be an issue in an EU-wide scheme.

CLOSING THE GAP WITH ALTERNATIVE MODES OF NGEU DEBT REPAYMENT

Given the political challenges of raising new own resources, another potential way to close the revenue gap in the next MFF are different options for repaying the debt incurred through the Covid recovery fund. If less MFF spending were needed to repay NGEU debt than currently planned, it would reduce the need for either expenditure cuts or additional revenue, potentially helping secure agreement before 2027. It might also help gain the European Parliament's consent on the MFF regulation (where it is a co-legislator), by addressing the non-binding 2020 promise not to reduce MFF program spending to repay NGEU debt. Finally, retaining more EU debt outstanding could strengthen its role as a more permanent safe asset to support the deepening of EU capital markets. Proponents argue that maintaining a sufficient stock of outstanding EU debt could even reduce borrowing costs by attracting institutional investors once EU bonds become established enough to be included in sovereign bond indices.³²

Like new EU revenues, NGEU repayment is regulated by the Own Resources Decision, so that a common agreement on both levers is procedurally possible in one stroke. As we discuss below and in more detail in the Appendix, there is legal scope and financial benefit for the next EU budget in changing the current repayment scheme. Here, we derive plausible options for handling NGEU debt repayment and estimate their financial implications for the next MFF and for the total repayment period. As we show, several routes are worth exploring politically even if member states cannot agree to permanently roll over NGEU debt as a safe asset to support the deepening of EU capital markets, which would most significantly reduce repayment costs for the next MFF.

How NGEU debt repayment is currently agreed and planned

Several key rules and parameters in the underlying 2020 ORD³³ shape how NGEU debt is currently repaid.³⁴ These form the baseline against which we test the plausible scenarios we develop and estimate below.

- The first legal constraint on NGEU repayment in the 2020 ORD is that repayment must “ensure the steady and predictable reduction of liabilities” (Art. 5 (2)). This provision requires a scheduled repayment plan where liabilities decrease over time, but it leaves room for interpretations of what constitutes “steady” (Continuous? Equal? In which unit of measurement?). It offers considerable flexibility to change repayment from the status quo without amendments, as we discuss below.
- Second, two elements of the 2020 ORD rule out any repayment options that extend the time horizon beyond 2058 without amendments to the current agreement. Art. 5 (2) states that all liabilities “shall be fully repaid at the latest by 31 December 2058,” while Art. 6 temporarily raises the own-resource ceiling by 0.6 percent of GNI to cover liabilities related to NGEU “until all such liabilities have ceased to exist, and at the latest by 31 December 2058.”
- Third, maximum annual repayment of the principal is limited and “shall not exceed 7.5 percent of the maximum amount to be used for expenditure,” i.e. the €390 billion in grants in 2018 prices under the NGEU (€421 billion in current prices).³⁵ This puts a brake on the speed of repayment, implying a minimum repayment period of 14 years and prevents backloading beyond a level where future amounts would breach 7.5 percent of the principal annually, i.e. €31.6 billion in current prices.³⁶

32 Lappe, M.-S. & Zettelmeyer, J., A sober look at the case for common European Union debt. Bruegel Working Paper, July 15, 2026. Available at: <https://www.bruegel.org/working-paper/sober-look-case-common-european-union-debt>

33 Council Decision (EU, Euratom) 2020/2053. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020D2053>

34 We do not discuss here in detail other financial rules of the EU and relevant specifications from the Treaties that also apply but do not affect the different possible scenarios for NGEU debt repayment.

35 This assumes all NGEU grants are paid out in full. Around €77 billion in NGEU funding was not yet disbursed by the end of 2025, with a deadline for disbursement at the end of 2026.

36 We do not discuss further here a softer constraint in Art. 5 (2)'s demand that repayment shall be scheduled in accordance with “principles of sound financial management,” which in the EU context refers to the Financial Regulation's definition of these principles as economy, efficiency, and effectiveness. In our view, this does not force the cheapest overall option of debt repayment as the current version already is more “expensive” in interest than the cheapest (fastest) reduction of liabilities. However, it requires justification of repayment scheduling in terms of these principles and arguably sets a (soft) limit on how much extra interest can be incurred by deferring repayment more strongly without breaching the principle of economy. See Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (recast), OJ L, September 26, 2024. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202402509

Table 1: Legal Tests and Estimated Financial Implications for Different NGEU Debt Repayment Scenarios

PROVISION	TEST APPLIED	S1	S2	S3	S4	S5	S6	S7
		Status quo: Commission proposal (annuity, fixed annual amount)	Equal share of (+3% nominal) GNI 2028-2058	Back-load: repay principal +4%/yr	Maximum back-load: principal repayment +7.06%/yr	Cap raised to ~13.2%: principal +15%/yr	Extended horizon: linear to 2073	Perpetual roll-over (interest only, never repaid)
ORD Art. 5(2): steady & predictable reduction (weak reading = no plateau)	Principal repaid in EVERY year from 2028?	✓	✓	✓	✓	✓	✓	✓
ORD Art. 5(2): STRICT reading of 'steady' (= even pace)	Final-yr principal repayment vs. first-yr principal = equal?	✓	✓	X	X	X	✓	✓
ORD Art. 5(2): 7.5% annual repayment cap	Max annual principal ≤ 7.5% of the €390bn (2018 prices) envelope?	✓	✓	✓	✓	X (cap too low)	✓	n/a (no principal repaid)
ORD Art. 5(2): repaid by 31.12.2058	Last repayment year ≤ Art. 5(2) deadline?	✓	✓	✓	✓	✓	X (runs to 2073)	X (never repaid)
ORD Art. 6: 0.6pp headroom expires 31.12.2058 AT THE LATEST	Are liabilities extinguished before the dedicated guarantee lapses?	✓	✓	✓	✓	✓	X (unguaranteed in 2058-2073)	X (permanent gap)
TFEU Art. 311(3): ORD amendment (secondary law, NOT Treaty change)	Does the option require an ORD amendment: unanimity + EP consultation + national approval?	✓ (no amendment)	✓ (no amendment)	? (depends on ORD Art. 5(2) interpretation)	? (depends on ORD Art. 5(2) interpretation)	X (required)	X (required)	X (required)
Financial implications for debt service costs in MFF 2028-2034	Commission interest path incl. its 100bp buffer, current prices	€168.0 bn	€159.1 bn	€151.6 bn	€133.1 bn	€109.7 bn	€158.5 bn	€101.2 bn
Implications for total debt service costs		€693.8 bn	€717.4 bn	€730.1 bn	€765.6 bn	€831.4 bn	€852.8 bn	n/a (perpetual)

Source: Own Compilation

In practice, the Commission currently foresees around €168 billion in current prices to repay NGEU debt during the next MFF period, or around €24 billion per year in current prices. This annuity breaks down into principal and interest, with roughly €75 billion in principal and €93 billion in interest over 2028-2034, with the interest share starting near 60 percent in 2028 and falling as more of the stock is retired. The Commission also examined repaying the principal linearly at €15 billion a year and rejected that option (which it prices at €195 billion over 2028-2034) because it would frontload repayment more heavily. Total interest burdens until 2058 will depend on dynamic future market rates, as debt is being raised by the Commission not only upon disbursement rather than all at once but also refinances continuously when the underlying bonds reach their various maturities.³⁷

Plausible scenarios for how NGEU debt could be repaid

Against the backdrop of these regulatory constraints, we test a set of plausible scenarios for changing NGEU debt repayment and derive their legal and political hurdles. In addition, we model their financial implications to clarify the potential consequences for the next EU budget and the overall repayment process and to identify economically and politically cost-effective options to help plug the revenue gap in the MFF negotiations.

Since the Commission published its own repayment profile, we price every option along that path (their estimated forward rates of around 2.5 percent plus the 100 basis-point buffer they include) so that the reference and the alternatives carry identical interest assumptions (see methods note in the Appendix for further details). This becomes less precise the further we move into the future, so that estimates beyond 2034 should be treated with more caution. Table 1 (overleaf) summarizes the scenarios and the legal tests we apply, the estimated financial implications for the next MFF, and the total repayment costs. In the Appendix, we also describe each scenario and the tests we apply in more detail. Figure 4 visualizes these options by summarizing the estimated financial implications of the different NGEU repayment scenarios over time. We focus here on only the four options that do not require changes to the 2020 Own Resources Decision (see Figure A1 in the Appendix for charts on

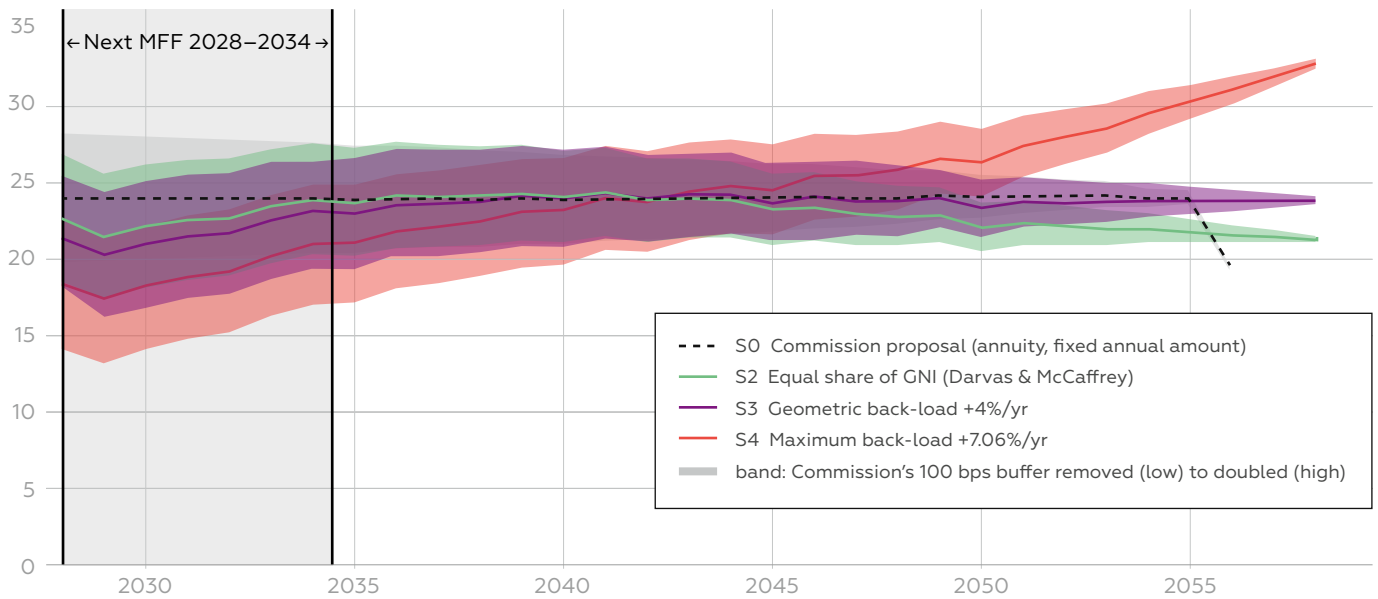
the remaining options). The solid lines in both panels show debt service (principal + interest) priced on the Commission's own interest path, which carries its 100 basis-point safety buffer; the shaded bands remove that buffer at the low end and double it at the high end. These bands show that estimated future costs overlap between the scenarios depending on interest rate conditions, with stronger differences mainly at the beginning and end of the repayment period. Note again however that the interest path is anchored on the Commission's own estimates and becomes significantly more uncertain further out in time.

Both panels of Figure 4 show the Commission's own proposed profile (S0) as the status quo: a fixed nominal amount of about €24 billion a year, which holds the burden constant in nominal terms and therefore lets it fall slowly in real terms. In contrast, the other options that would not require an ORD amendment distribute the burden of repayment differently over time, and arguably more fairly. Scenarios 2 and 3 start below the Commission's profile, at €21.4 billion–€22.7 billion in 2028 and converge on it during the 2040s. Expressed in real 2025 prices, the burden of repayment therefore even continues to fall slowly over time in these scenarios, as the lower panel of Figure 4 shows. Scenario 4 more strongly backloads payments and entails nominal debt service costs which rise from €18.4 billion in 2028 to €33.9 billion in 2058. However, even in this scenario, real debt service costs would remain broadly stable between 2028 and 2058 (see the lower panel of Figure 4).

³⁷ Over the 2021-2027 MFF, interest payments related to NGEU are estimated to total €28 billion, almost double the initially foreseen level. The reasons for this are growing interest rates since 2021 associated especially with the inflationary crisis post-2022 and central banks responding with rate rises. See Zsolt Darvas and Conor McCaffrey, *Management of Debt Liabilities in the EU Budget under the Post-2027 MFF*, briefing requested by the Committee on Budgets, Policy Department for Budgetary Affairs, European Parliament, PE 766.173, October 2024. Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIEF/2024/766173/IPOL_BRI\(2024\)766173_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIEF/2024/766173/IPOL_BRI(2024)766173_EN.pdf)

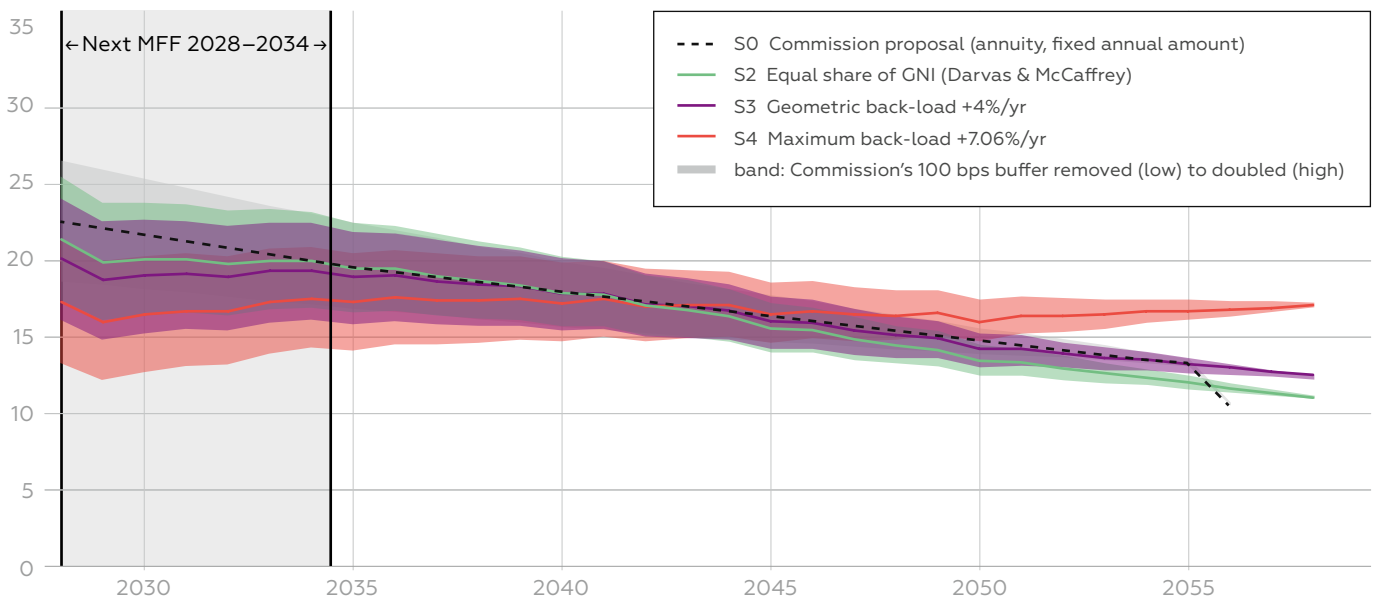
Figure 4
NGEU repayment options that need no amendment to the Own Resources Decision
Panel 1 – Annual nominal NGEU debt service, 2028–2058

Annual NGEU debt service, € billion (current prices)



Panel 2 – Annual NGEU debt service in real terms, 2028–2058

Annual NGEU debt service, € billion (current prices)



All four options satisfy the current Own Resources Decision: principal is repaid every year from 2028, within the Art. 5(2) 7.5% annual cap, and complete by 2058. S0 is the Commission's own profile as published in SWD(2025) 570 Figure 4.4 – a fixed annual amount covering principal and interest – and is the status quo the other three are measured against. Every option is priced on the same path, the Commission's own, which includes its 100 basis point safety buffer; the band removes that buffer at the low end and doubles it at the high end. Beyond 2053 the implied rate read off the Commission's chart is no longer meaningful (its denominator, the outstanding stock,

has fallen to a tenth of its starting size) so the effective rate of 4.00% observed over 2038–2053 is carried forward instead. Nominal schedule deflated to constant 2025 prices at 2.0% p.a. Sources: own calculations on the Commission's own interest path, reconstructed from SWD(2025) 570 Figure 4.4 and calibrated on its two published totals (EUR 421bn of principal, ORD Art. 5, and EUR 168bn of debt service over 2028–2034, section 4.6); Council Decision (EU, Euratom) 2020/2053 Arts. 5(2) and 6; Darvas & McCaffrey (Bruegel) for the equal-GNI-share option.

RECOMMENDATIONS: TOWARD A POLITICALLY ACCEPTABLE MFF PACKAGE DEAL

The revenue side of the next EU budget can play a significant role in unblocking the Multiannual Financial Framework (MFF) negotiations, which member states wish to close before the end of the year. Doing so matters enormously. Risks of unilateral damage to the EU's internal finances from a single rogue member state increase dramatically if the MFF is not agreed ahead of the eight national elections in EU member states in 2027.³⁸

To date, however, a significant gap remains on the expenditure proposals under discussion, despite arguably reasonable positions on all sides. The Commission proposed an MFF expenditure level that is only marginally higher relative to member states' economies than the current budget, once we account for inflation losses since 2020 and strip out NGEU repayment. Yet due to the recent inflation crisis and the need to repay NGEU debt, this proposal looks like a large increase in the EU budget in both real and especially in nominal terms and implies a strong increase in member-state contributions, partly because they paid less than originally agreed during the current MFF. The European Parliament, in turn, has defended moving NGEU repayment costs to above the current budget, as was originally agreed with member states in 2020, but is also calling for higher program spending due to the growing list of priorities the EU is expected to address.

Influential capitals understandably seek to minimize the additional contributions required from Brussels as of 2028, given difficult national fiscal consolidation efforts. And indeed, the current EU budget proposals would all imply a substantial increase in nominal payments from national budgets. However, by focusing on cuts to nominal overall volume, they risk exacerbating two risks: a) undermining the budget's modernizing European Competitiveness Fund which has so far faced disproportionate cuts due to powerful interests defending spending on agriculture and regional policy, including the EPP and most member states and regions, including Germany; or b) dragging negotiations with the other EU institutions into the 2027 "EU super election year" when risks to EU finances could escalate rapidly.

Rather than merely negotiating publicly about overall MFF volumes and its pillars, this paper – written from a German perspective – offers two main ways to help unblock negotiations while keeping member state contributions under control: through plausible EU own resources reform and smarter NGEU repayment. We set out our main recommendations on each of these below, before concluding with the potential MFF package deal these levers could make possible.

A plausible package of own resources can keep national contributions in check

Our analysis showed that a plausible reform to the own-resource system offers significant revenue potential to help close the gap in the MFF negotiations both directly (by raising new funds not currently in member state budgets) and indirectly (by redistributing financing burdens from net payer states seeking cuts to other member states).

We consider some of the options in the Commission's July 2025 proposal to be economically questionable (in particular, the CORE levy, with its lump-sum turnover design), politically difficult to implement (the Tobacco Duty overlaps with a new German national tax), or reliant on member state budgets (the e-waste levy, the VAT base change, the plastic levy, and the reduced share of customs duties by member states).

However, due to distributional effects across own resources, net contributor states (like Germany) can benefit even from measures that draw on existing national budgets because their share of the balancing GNI resource is larger in comparison. These distributional effects mean that the Commission's proposed changes to the VAT and plastics own resources could indirectly help reduce the revenue gap we focus on in this paper. Both reduce Germany's contribution without burdening the other net contributor member states that are pressing for a smaller budget. This differs from the cut in the customs collection-cost retention which would negatively affect the Netherlands. However, it does not hold for the e-waste levy: Germany's 27.5 percent share of the levy base exceeds its 25.3 percent GNI key, so the reallocation would cost it around €0.4 billion a year.

Together with the Commission's remaining proposed candidates (ETS1-based, CBAM-based, low-value parcel levies), we thus estimate that these measures could generate €19.2 billion in current prices

38 See Linn Selle and Cédric Koch, *No Time to Lose*. DGAP Policy Brief 15 (2026). Available at: <https://dgap.org/en/research/publications/no-time-lose>

each year without subtracting from current (net payer) member-state budgets. For this to hold, however, our ETS1 own resource design departs deliberately from the Commission's. We instead interpret the 30 percent share as a ceiling on the total EU-level claim, counting the Innovation and Modernisation Funds inside it until their endowments expire in 2030 (see Table 4 in the Appendix). This would reduce the EU budget revenue by €3.1 billion–€3.5 billion a year but leaves no member state paying more of its ETS1 revenue to the EU in any year than it does today. Politically crucial is whether member states, including Germany and Poland, could agree to a 30 percent share of ETS1 revenues under either design as a new own resource. We propose compensating Poland financially to secure its consent, while ensuring this does not reduce the financial viability of the ETS1 own resource or entail more than negligible net costs for net contributor member states.

The substantial remaining shortfall relative to the Commission's original revenue estimate could arguably be bridged by introducing some of the alternative own-resource candidates we consider most viable: an ETS2-based resource, a digital services tax (DST), an aviation tax, and a crypto transaction tax.

From these, the ETS2-based resource and the DST appear most politically challenging but also offer the most potential revenue. Using parts of the ETS2 revenues as a new own resource would require reconsidering its previous exclusion and would likely face similarly strong opposition from Poland (which we propose to address through financial compensation). The DST, in turn, risks provoking a trade policy response from the US administration and would require political will to accept (and counter) this risk.

Smarter NGEU repayment makes sense and can lower the next MFF's volume

Beyond raising the level of revenue available to the next MFF through new own resources, changing the repayment profile of NGEU debt is a second significant lever for closing the revenue gap in the negotiations by lowering the necessary member state contributions.

Importantly, changing the currently planned repayment schedule makes sense for reasons beyond helping to close the revenue gap or strengthening the safe asset underpinning EU capital markets. In fact, the status quo arguably places a disproportionate share of the debt repayment burden on the next MFF relative to future budgets and generations. As our analysis

shows, there are legal ways to reform NGEU repayment without amending the underlying Own Resources Decision. Our estimates suggest that these options could free up to €34.9 billion in current prices in the next MFF, cutting its debt service bill by about a fifth.

Another benefit of these alternatives is that they would smooth the expenditure curve over the course of the next MFF. The differences between our Scenarios 1–4 are strongest in the early years of the next MFF, precisely when spending would be highest because large outstanding commitments from the current MFF will be paid out in 2028–2030. Choosing one of these legally plausible and intergenerationally fairer repayment options would also help keep member states' GNI-based contributions more stable throughout the next MFF, simplifying national budget consolidation efforts.

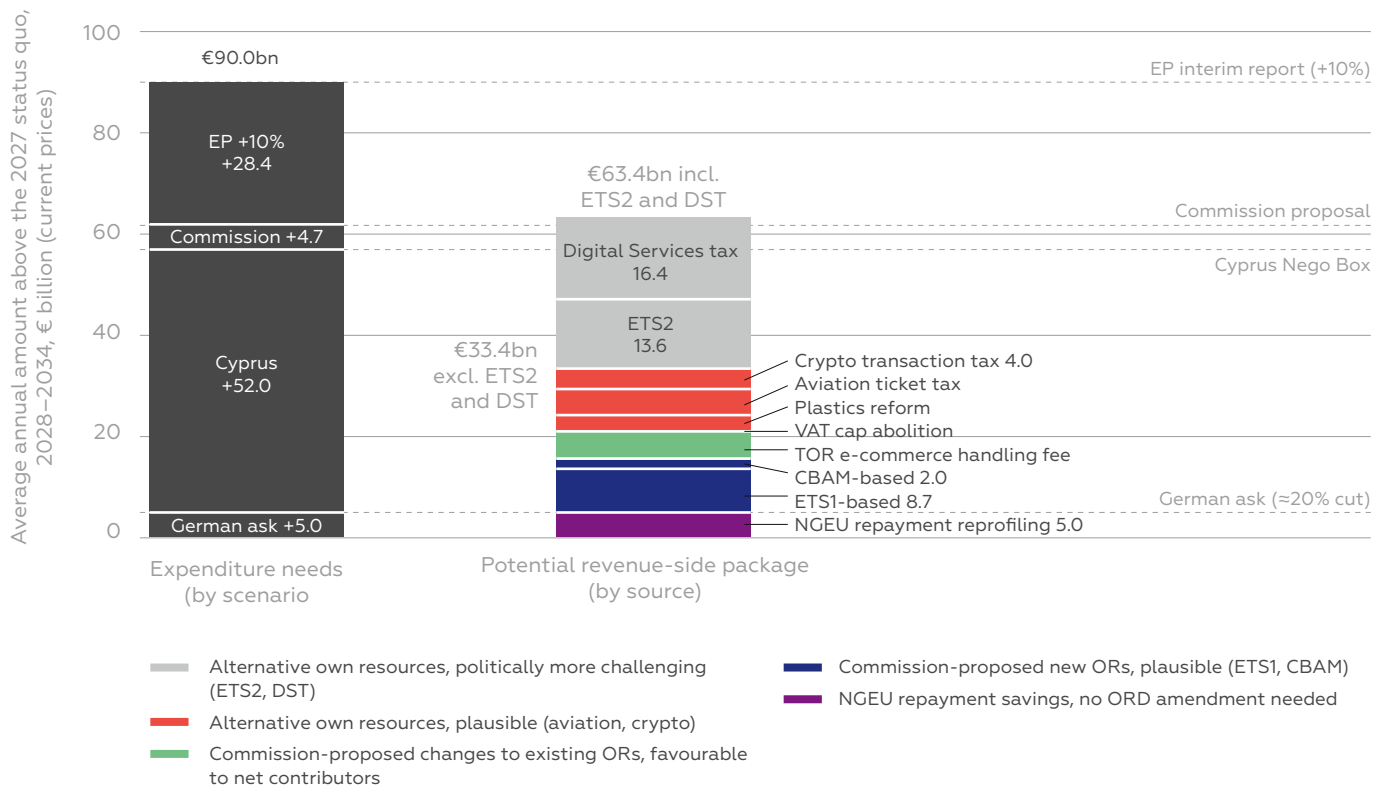
A plausible package deal could unlock the MFF negotiations in 2026

Moving from negotiations focused solely on the expenditure side of the next EU budget to talks that also consider its revenue side, including NGEU repayment, could bring a plausible package deal into view and help close the MFF negotiations before the end of the year, as member states (and especially Germany) seek to do.

Figure 5 summarizes the two sides of these negotiations visually by setting the expenditure positions against the revenue-side package that could meet them. The stacked bar on the left shows the average additional GNI-based contributions required to fund the MFF expenditures proposed by different key actors for 2028–2034 compared to 2027 under the current own resources system. The EP's position would require the largest increase, entailing €90 billion in additional annual spending compared to 2027. This is followed by the Commission's proposal (without its proposed new own-resources package) at an additional €61.7 billion, the Cyprus Presidency's nego-box at €57.0 billion, and the German position allowing for only €5 billion extra per year for 2028–2034 over 2027.

The stacked bar on the right shows the extent to which plausible reforms could help bridge these gaps. The blue segment shows the potential annual savings from changing the NGEU repayment profile. In the most extensive reprofiling without changing the underlying ORD (S4), we estimate €5.0 billion in average annual savings during the next MFF, measured against the Commission's proposed profile. While modest relative to the overall MFF, these annual savings are still larger than the revenues from all but three of the

Figure 5
Expenditure needs on the next MFF and the revenue-side package that could meet them



In Stack 1, each segment is the ADDITIONAL average annual EU-27 GNI-based contribution that scenario requires above the 2027 level of €151.4bn, the highest year of the current MFF, on a common no own resources reform basis. The segments stack cumulatively, so the cumulative column is the level each negotiating position implies. In Stack 2, Revenue and savings that offset the same GNI-based residual as Stack 1, which is what makes the two comparable. Every own-resources figure is the midpoint of a confidence range established in the paper, in current prices, held flat in nominal terms.

The NGEU line is interest saved against the status-quo repayment SCHEDULE (S1, equal euro amounts), not against a 2027 amount, since principal repayment begins only in 2028 and 2027 interest already sits inside the reference level. Sources: COM(2026) 365 Annex II Tables 1.1–1.4, 3 and 4; COM(2025) 574; ECA Opinion 04/2026; EP interim report A10-0105/2026; Agence Europe/ECA on the Cypriot presidency negotiating box; press reporting and Bundestag budget committee resolution of July 8 2026 on the German position.

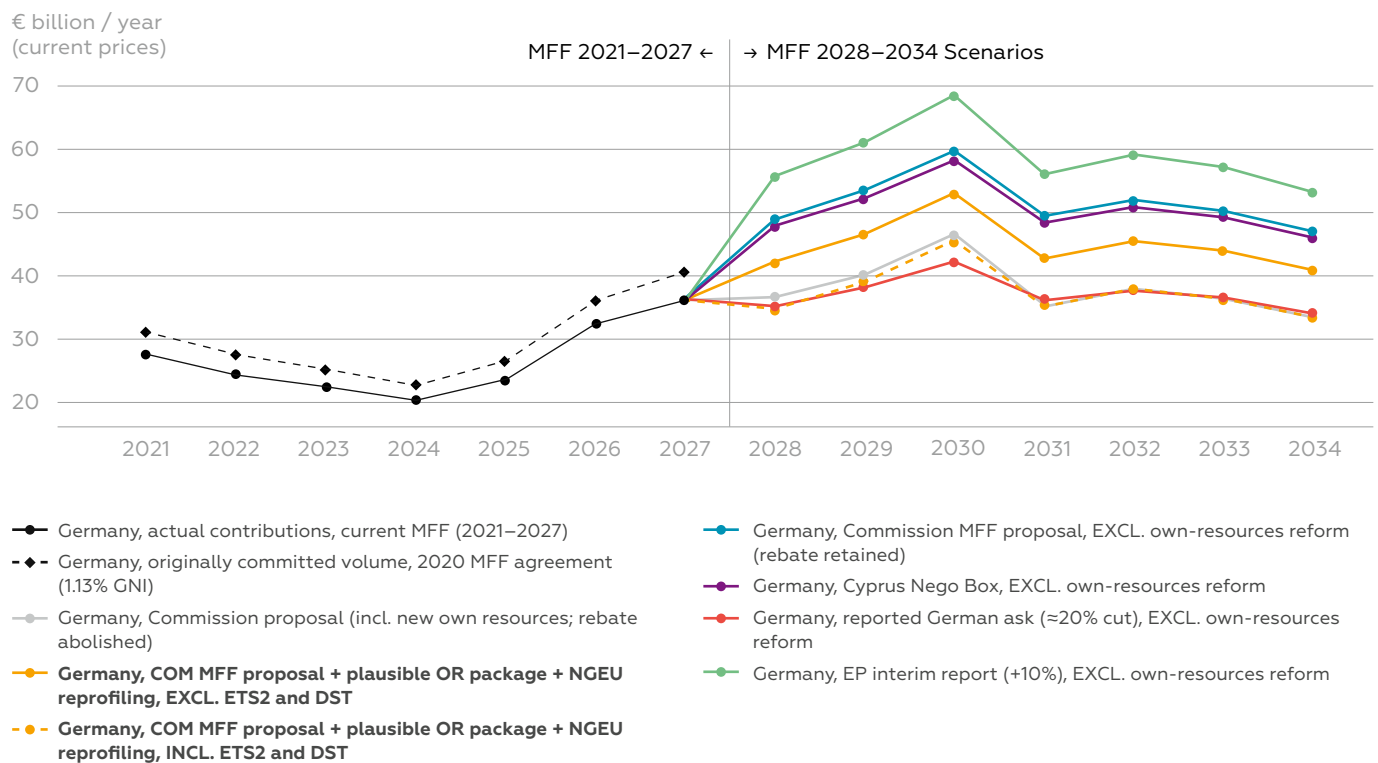
plausible new sources we identify (and ETS2/DST). Additionally, they help smooth the payment profile by reducing costs in the early years of the next MFF, when legacy payments from the current budget are still particularly high.

The remaining parts of that bar visualize how changes to traditional own resources (TORs) and the Commission proposal's new own resources we consider most plausible (VAT, plastics, low-value parcels, ETS1, CBAM), plus alternatives we see as most economically and politically realistic (aviation and crypto transaction taxes) would lower the average annual gap in expenditures between the 2027 level and 2028–2034.

On top of that, the bar adds the two own-resource candidates whose political viability is most uncertain, shown separately in gray: an ETS2-based resource at an estimated €13.6 billion a year, marked by dots, and a digital services tax at an estimated €16.4 billion, marked by stripes. It remains to be seen whether member states – especially Poland – would reopen ETS2's exclusion from the own resources package, and whether Irish opposition to a digital services tax could be overcome in a file that requires unanimity.

Taken together, the bar shows the full potential effect of using both levers. Even without the two politically more challenging resources, the plausible package

Figure 6.1
Germany: Gross GNI-based contributions vs. scenarios of MFF and own-resources reform



Both plausible lines assume Germany's rebate correction is abolished. "Net" position = Germany's total own-resources contribution (GNI-based + VAT-based + net customs duties + plastics-based) minus the EU expenditure it receives. Reflows for 2028–2034 are each scenario's seven-year envelope spread across years on the Commission's published payment profile (COM(2026) 365 Table 1.1) times Germany's 9.4% share of EU expenditure (the 2021–2024 average), held flat. Sources: European Commission, COM(2026) 365 of 3 July 2026, 'Long-term forecast of future inflows and outflows of the EU budget (2027–2034)', Annex II Tables 1.1–1.4, 3 and 4; COM(2025) 573 of 16

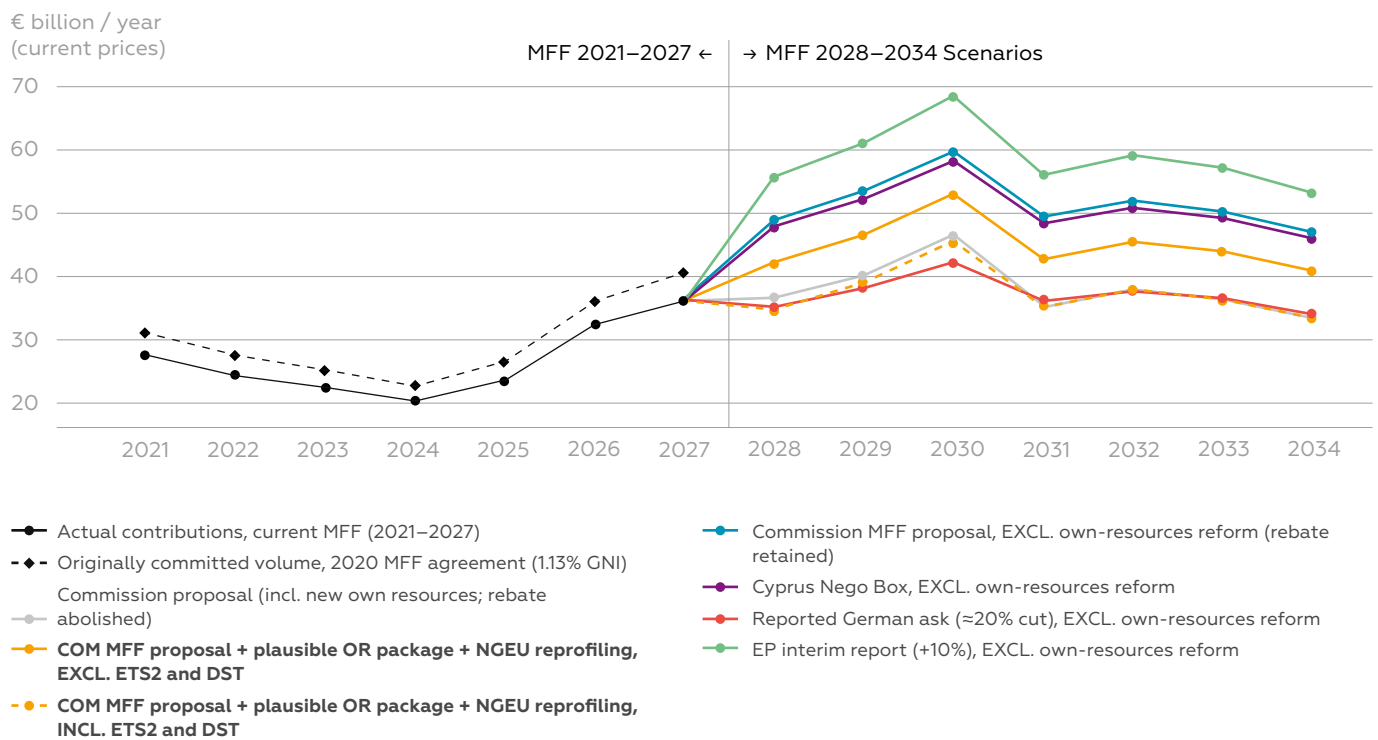
July 2025 (Tables 5 and 6, for the current-rules counterfactual and for 2025–2026); COM(2025) 574 (July 2025 Own Resources Decision proposal); European Court of Auditors Opinion 04/2026; European Parliament interim report A10-0105/2026 of 28 April 2026; COM(2021) 365 and COM(2024) 120 (MFF payment ceilings); European Commission, 'EU spending and revenue 2000–2024' dataset; Agence Europe and ECA reporting on the Cypriot presidency negotiating box; press reporting and Bundestag budget committee resolution of July 8 2026 on the German negotiating position.

we identify here would generate around €33.4 billion in annual revenue or savings over the next MFF and thus suffice to cover the German negotiating position in full and to fund all but €23.6 billion annually of the Cyprus nego-box. If an ETS2-based resource and a digital services tax can also be agreed, the package would reach €63.4 billion, clearing the Cyprus nego-box by €6.4 billion and exceeding even the Commission's own expenditure proposal by €1.8 billion per year, leaving a gap of €26.6 billion only to the EP's more ambitious position.

Conservatively estimated, without the two more challenging own-resource candidates, the remaining options and the NGEU reprofiling savings would together boost German GNI-based contributions by €5 billion to €17 billion above the 2027 level, closing more than half the distance between the German expenditure position and that proposed by the Commission (see upper panel of Figure 6).³⁹ If an ETS2-based resource and a DST can also be agreed, the Commission's expenditure proposal coupled with this own resources package would bring German contributions during the next MFF broadly on par with those implied by the German expenditure position without own resources

³⁹ We use the annual revenue estimates of the plausible own resources reform here as nominal (flat) values throughout the next MFF period, which makes it a rather conservative estimate as it excludes inflation gains.

Figure 6.2
Germany: “Net” EU budget position (full own resources less EU reflows)



Both plausible lines assume Germany's rebate correction is abolished. "Net" position = Germany's total own-resources contribution (GNI-based + VAT-based + net customs duties + plastics-based) minus the EU expenditure it receives. Reflows for 2028–2034 are each scenario's seven-year envelope spread across years on the Commission's published payment profile (COM(2026) 365 Table 1.1) times Germany's 9.4% share of EU expenditure (the 2021–2024 average), held flat. Sources: European Commission, COM(2026) 365 of 3 July 2026, 'Long-term forecast of future inflows and outflows of the EU budget (2027–2034)', Annex II Tables 1.1–1.4, 3 and 4; COM(2025) 573 of 16

July 2025 (Tables 5 and 6, for the current-rules counterfactual and for 2025–2026); COM(2025) 574 (July 2025 Own Resources Decision proposal); European Court of Auditors Opinion 04/2026; European Parliament interim report A10-0105/2026 of 28 April 2026; COM(2021) 365 and COM(2024) 120 (MFF payment ceilings); European Commission, 'EU spending and revenue 2000–2024' dataset; Agence Europe and ECA reporting on the Cypriot presidency negotiating box; press reporting and Bundestag budget committee resolution of July 8 2026 on the German negotiating position.

reform and slightly below those implied by the Commission's 2025 own-resources package. Importantly, these estimated German contributions in our plausible package would include the abolition of the existing GNI rebate. Keeping the rebate would thus lower the German contribution even further.

Once we account for reflows from the EU budget to member states, the package's potential to help close the revenue gap on the member state side becomes even starker (see lower panel of Figure 6). Without the two more politically challenging own resources, the package would leave German net contributions to the EU

budget around €0.6 billion a year below the 2027 level. Including an ETS2-based resource and a digital services tax, German's net contributions would be around €8.2 billion a year less the 2027 level, considerably below what was originally agreed in 2020 before inflation eroded Germany's payments to the current MFF. This would bring them closer to the 2021 level by 2034.⁴⁰

Overall, this shows how and the extent to which the revenue and NGEU repayment levers could help unlock the MFF expenditure negotiations. Some additional member state contributions and some further cuts will be needed, but each measure could reduce member

40 Note again that we estimate reflows from the EU budget conservatively by holding the ~9 percent share of German reflows from 2021–2024 constant. The structure of the MFF is likely to change in favor of more reflows to the German economy due to the excellence-based European Competitiveness Fund. We also ignore here positive spillover effects on Germany's economy from EU budget spending in other countries due to the Single Market.

states' additional GNI-based contributions needed to fund the expenditure envelopes. Based on Figure 5 specifically, the revenue side could plausibly cover around 37 percent of the current gap in the MFF negotiations. This could rise to around 70 percent if an ETS2-based resource and a digital services tax are included.

In closing, each of the stakeholders' positions in the complex negotiations over the next EU budget are understandable on their terms – but everyone will need to move for a plausible deal. The Commission and Parliament want to ensure the EU budget does not shrink in real spending power due to the recent inflation crisis or the challenge of repaying NGEU debt without cutting the MFF as originally foreseen in 2020. Member states that must fund these demands worry in large part about keeping their national (nominal) contributions in check during a time of national fiscal consolidation. To square this circle in time before the EU's 2027 super election year requires finally turning seriously to the revenue side of the MFF. As this paper shows, it holds significant potential to close the gap in the negotiations and unlock an agreement on the next EU budget.



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