

**NextGenerationEU – Asia's Role in Europe's future**  
**Why the European Union is open for business – and how Asia can benefit**

**Keynote Address**  
**by Johannes Hahn**  
**European Commissioner for Budget and Administration**  
**Singapore, 19<sup>th</sup> July 2022**  
**OMFIF Conference at Shangri-La**



## KEYNOTE ADDRESS

Ladies and Gentlemen,

Together, Asia and Europe stand for 68% of the global trade, 65% of the global GDP and 75% of global tourism. These extraordinary strong ties between our regions are even more important today, as we are facing common challenges: the aftermath of the pandemic, climate change and Russia's war against Ukraine with its consequences on energy supply, global food security, and the global political stability.

The **best antidote** to this potentially looming mix is simple: **joining forces!**

Therefore, I am delighted to be at this event and would like to thank you OMFIF for organizing it. This conference brings our two regions closer together, offering a platform to exchange and discuss experiences and potential joint ways forward.

An important part of the European response to the current challenges is: Next Generation EU.

The EU's temporary recovery instrument is a **win-win solution for Europe, international investors and the global Capital markets**. The starting point is the idea that Europe needs to stand up to the pandemic challenge like an investor should manage a crisis: each crisis in the long run also offers opportunities.

We see the crisis as an opportunity to invest in the green and digital transition, making Europe more resilient and fit for the future.

Therefore, we used the common power of 27 Member States to launch a **forward-looking stimulus package of more than 2 trillion euro** – existing of our common long-term budget boosted by NGEU's 800 billion Euro firepower.

This paid off: While it took eight years to recover from the previous financial crisis, the EU economy was rebounding already last year from the pandemic recession – faster than expected.

It allowed us not only to respond at an unprecedented speed to the Covid-crisis – but it also helps us now facing the war against Ukraine: to help Ukraine, to support the neighbourhood, to work on becoming independent of Russian oil and gas, to boost our economy and to stabilise the global food and security conditions.

NextGenerationEU is a promise to the future thereby fulfilling the standards, which Warren Buffet once defined as: *“Investing is laying out money now - to get more money back in the future.”*

I would like to use this opportunity to illustrate **why NextGenerationEU is an attractive investment for you:**

1. First of all, it is **sound and solid**
2. In addition, it is **innovative and future oriented** – offering **new opportunities** in sustainable finance.
3. As a result, it **strengthens markets** and our common economic future.

### **NextGenerationEU: A Solid and Sound Investment**

Our bonds have an excellent rating – because they are as safe as a bond can be: the EU’s debt service is ensured via multiple layers of protection.

In addition to the strong credit – based on the EU-Budget and the strength of our Member States – the structural set-up of the Recovery and Resilience facility delivers **credibility, which is key for us.**

The European Commission together with the Member States defined **Recovery and Resilience Plans with concrete targets** to ensure every euro is invested in line with our goals: Only fulfilment of agreed milestones will unlock payment.

**The Recovery and Resilience Plans also ensure that wise investing means wise spending:** NGEU **strengthens the EU’s green and digital transition.** We are thus sowing the seeds today, so we can harvest growth, jobs and prosperity tomorrow. Almost 40% of NGEU’s spending fuels climate measures and this investment will pay manifold returns:

- The Green Deal serves as Europe’s growth strategy. Meeting the 2030 climate and energy targets can add 1% of GDP and create almost 1 million new green jobs.
- This strengthens Europe’s role as avant-garde for new green technologies and thus offers further opportunities for investors from Asia and direct cooperation.
- At the same time, it contributes to policy goals, which are globally important – in particular in Asia, where many countries already feel the impact of climate change.

As a result, our bonds are a **real investment in the future.** They offer a unique combination of solidity and diversification, which is highly needed in times of geopolitical stress.

**Solidity and diversification** is also reflected in our issuance programme: Our solid bonds allow us to stay on track. Since we started our funding operation a year ago, **the Commission has issued 129 billion euros in long-term funding in different maturities from 3y to 30y.**

We are also offering short-term investment opportunities with our short-term issuance programme of EU-Bills. This is proof of our now established presence in the market as a **highly rated issuer.**

**Our credibility is underlined by transparency!** Therefore, we remain committed to transparent and regular communication about our funding plans and needs. End of June, we published our third semi-annual funding plan with our schedule until the end of the year. Based on the latest forecasts, the Commission intends to issue €50 billion of long-term EU Bonds between July and December 2022, to be topped up by short-term EU Bills.

### **NextGenerationEU stands for innovation and developing Capital Markets**

**“Green Bonds are ‘gold dust’ for investors”** – as this Financial Times’ title proves that the European Commission is avant-garde in a market with a growing investors’ appetite. Our goal is to turn Green Bonds from “gold dust” into “green gold” for investors and Europe. Already the first transaction in October 2021 was the largest green bond transaction to date, in which the EU issued EUR 12bn in green bonds – while being 11 times oversubscribed.

So far, the European Commission has raised 28 billion euros in Green Bonds – and we are **on course to reach our ambition: to raise up to 30% of Next Generation EU funds through green bonds** – that means up to 250 billion euro. This will make the EU the largest issuer of green bonds worldwide.

Why is that attractive to investors? Our Green Bonds are much more than just another bond, they **give investors the opportunity to be part of the solution:** tackling the challenges of our generation and contributing to future growth and stability while having a stable return.

Investing in our green bonds means also **investing in a well-developed market for sustainable finance.** Europe started early to look at sustainable finance, already in 2007 the EIB issued the first Climate Awareness Bond. In the meantime, 16 EU countries are issuing green bonds. In March 2022, 46% of the outstanding green bonds were in Euro and 52% of the outstanding green bonds were issued by a European issuer. With up to 250bn EU green bonds issued for NGEU we will further develop this market.

By bringing such a sizeable green, safe asset to the market, the Commission:

- Provides access to the green bond market to a wide range of investors.
- Allows investors to diversify their portfolios of green investments with a highly rated liquid asset, thereby supporting a virtuous circle of sustainable investments.
- Serves as an inspiration to other issuers

**Becoming the largest Green Bond issuer worldwide gives us a special responsibility.** Green bonds are a matter of trust.

Therefore, the Commission is issuing green bonds in line with best market practices – **fulfilling the well-established International Capital Market Association green bond principles.**

In addition, we offer investors full transparency. In March 2022, we launched our NGEU green bond dashboard as an interactive tool, giving investors the possibility to dig into the detail. Getting information in nearly real-time on all projects, funded by Green bonds is unique. Investors see how much money is used e.g. for a green hydrogen programme in Germany, a green research and development project in Denmark, sustainable mobility in Italy or the construction of wind power plants in Lithuania.

All of this adds more value for investors and will draw hopefully even **more capital flows to green finance.**

While we want to develop **Europe’s leading role in the fast growing market for sustainable finance,** we also want to inspire others to catch up. Because the urgency to act and fight climate change becomes more and more obvious. Many countries – also in this region – are increasingly struggling with a rising sea level and increasing mean temperatures, causing water and food supply challenges.

In this context, green bonds could contribute to addressing the global financing gap. Team Europe is therefore preparing a **Global Green Bond Initiative.** This flagship initiative is **part of the Global Gateway Investment Package.**

The objective is to support the expansion of the green bond markets in partner countries, thus helping them mobilise capital from institutional investors to finance – through green bonds – their climate and environmental projects. The Commission has taken a leading role to initiate and shape the initiative as an opportunity: for the planet and for investors.

## **NGEU strengthens Capital Markets**

The war against Ukraine has – as also a recent OMFIF paper highlights – renewed the question of how sustainable and safe invested capital is in countries with autocratic governments. For me, the answer is obvious, because irrespective of moral reasons, **sustainability and stability and thus our democratic values are valuable.**

In the context of increasingly volatile markets, NextGenerationEU becomes even more important: Its scale and underlying fundamentals of NGEU mean that NGEU is not just financing Europe's resilience but is also **providing an invigorating pillar for the Capital Markets.**

EU bonds are an opportunity to diversify risks. They represent an additional highly rated, liquid and positive yielding investment opportunity with similar characteristics to other safe assets and attractive relative return.

NGEU bonds are increasing **the pool of safe Euro-denominated assets.** In 2021, EU bonds accounted for almost 13% of the total double and triple-A euro-denominated issuances (more than three times that of 2020). In addition, with the onset of the EU bills programme, now the EU credit can also be bought in the money market.

NGEU investments have attracted to date **more than 1000 investors from 70 different countries.** Given the scale of issuance required to fund the programme, the EU has moved from a small supranational issuer to a large, sovereign-sized issuer, placing it straight after France, Germany, Italy and Spain.

As a consequence, Next Generation EU will give more options for portfolio risk management, benefitting all investors and – as a side effect boosting the international role of the euro.

These benefits are not NGEU's primary objective – but remain significant positive consequences of the increased EU presence in international debt capital markets.

## **Conclusion**

Relying on unity, we will even turn headwinds to our advantage. The European Union proved times and again that it is a learning union – living up to what Winston Churchill once said: "Kites rise against the wind, not with it." Therefore, funding Europe's economic transition is an excellent return on investment. It pays off for all of us. Many thanks for investing in Europe and the future!

The European Union is prepared to work hand in hand with you to counter global uncertainty. The EU Member States as well as ASEAN countries are **committed to a rule-based order** – and Russia's war against Ukraine only reaffirmed our position.

Cooperation is key to improve our economic prospects in the EU and Asia, to tackle higher energy and commodity prices and higher inflation. The best we can do to **counter the current uncertainty is to work together and to invest in a common future.**

**XXX**