The Strategic Compass, endorsed by the Council in March 2022, calls on Member States to spend more and better in defence. While budgetary allocation, including for defence spending, is a national prerogative, the Commission considers that to obtain the best value for money there is a need to increase the ‘collaborative’ share of defence investment within the EU. The Commission is incentivising joint research and development efforts in this area and calling for more joint procurement and ownership of defence capabilities.

In the Climate Target Plan impact assessment, the Commission estimated that private and public investments in the energy system need to be increased by around EUR 350 billion per year in the EU over 2021-2030 compared to the previous decade, in order to achieve the 55% greenhouse gas emission reduction objective. Increasing the share of renewable energy in the EU’s energy mix will reduce the dependence on Russian fossil fuels. The Commission has assessed additional investment needs at 210 billion euro between now and 2027 in its REPowerEU Plan that the Commission put forward on 18 May 2022.

The Commission has already indicated that high quality public investment should be promoted and protected in Member States’ medium-term fiscal plans. The role for EU fiscal rules in incentivising public investment and other necessary spending, while safeguarding against risks to debt sustainability, is a key issue discussed in the economic governance review. The Commission will provide orientations on possible changes to the framework with the aim of achieving consensus on the way forward after the summer break and well in time for 2023.

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¹ Commission communication on fiscal policy guidance for 2023, COM(2022) 85 final.