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DIGITAL ASSETS
The Digital Euro: Technical Readiness & Political Indecision

By

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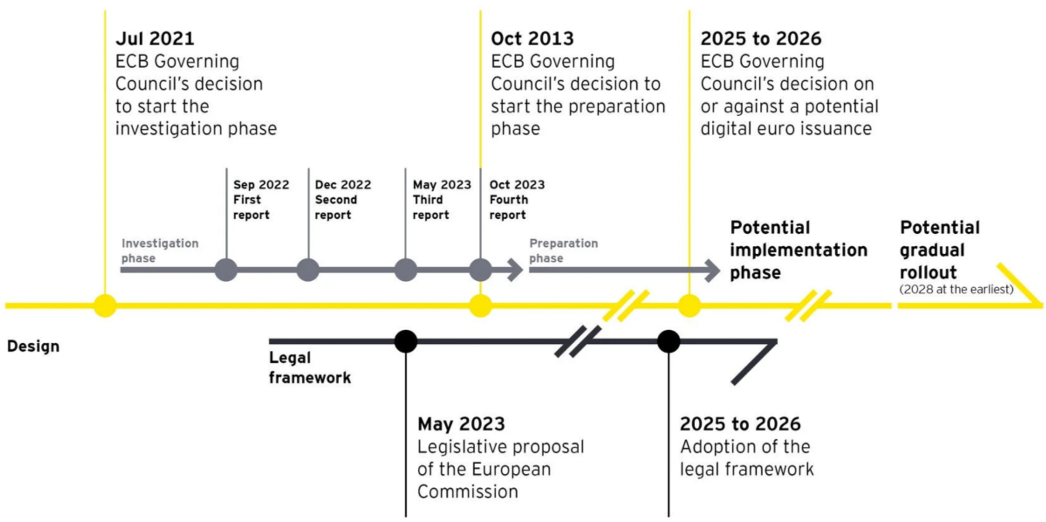
Executive Summary

- **Technical Readiness:** The European Central Bank finished its formal preparation phase in October 2025 and is now technically ready to build and implement a digital euro.
- **Political Approval is Pending:** The issuance process requires approval from European Union legislative bodies, which are currently conducting negotiations on multiple issues related to privacy rights and financial stability concerns. Conditional adoption was backed by the European Council, while the European Parliament is divided.
- **Strategic Motivation:** The European monetary system needs the digital euro as it will help the region control its currency system, while decreasing its dependence on international payment systems and foreign-issued stablecoins.
- **Financial and Privacy Concerns:** The banks issue warnings about potential deposit outflows which will create infrastructure expenses. Civil liberties organizations maintain their opposition to privacy protection measures established by the European Central Bank.
- **Launch Date is Delayed:** Due to ongoing political negotiations, the launch of a digital Euro is set to occur in 2029.

Key Picture: The Timeline for the Digital Euro Adoption



Source: EY

Introduction

The European Central Bank (ECB) has completed a rigorous two-year preparatory phase that explored the technological, functional, and operational foundations for a digital euro[1]. Although it was never intended to trigger an issuance decision, rather, it kept the option on the table for policymakers.[2] The ECB formally transitioned from this preparatory work to a "technical readiness" phase in October 2025. This post-preparation phase is not an issuance decision: the Eurosystem's stated aim is to build the necessary technical capacity while remaining aligned with the EU legislative process.[3]

The ECB has said it will launch pilot activities, including a call for European payment service providers to participate in a pilot in the second half of 2027.[4] The ECB has clarified that the digital euro will not be based on distributed-ledger technology (DLT) such as blockchain, but will instead operate on a centralised settlement platform managed by the Eurosystem.[5] While the digital euro's design draws on certain DLT design principles to improve resilience and performance, the core architecture remains account-based and centralised rather than token-based and decentralised.

Parallel Eurosystem initiatives, notably the Pontes and Appia projects, explore the settlement of DLT assets and the future integration of tokenised financial ecosystems, but these serve as experimental infrastructure tracks for wholesale settlement and innovation, not as the primary deployment architecture for the retail digital euro.[6]

Legislative Framework and Political Negotiations

Further, the ECB has also reiterated that the final decision on whether to issue a digital euro will be taken only once the relevant EU legislation has been adopted.[7] During the preparation phase (November 2023 to October 2025), a draft scheme rulebook[8] with operational standards was developed, prototypes were tested on an innovation platform, and banks, fintechs, and merchants worked closely to understand potential distribution channels. Privacy and offline functionality were given particular attention, because citizens and lawmakers worry that a digital euro might give the state excessive visibility into personal transactions. Following the conclusion of the preparation phase, the project has pivoted to a broader political arena. The European Commission tabled a legislative package in June 2023[9] that lays out the legal framework for a retail central bank digital currency.

The proposal defines the digital euro's legal tender status, consumer rights, and the responsibilities of private intermediaries. Despite a broad consensus on the need to modernise Europe's payment infrastructure, negotiations have been contentious. Northern European countries prioritise fiscal prudence and fear destabilising deposit flows, while southern members view the digital euro as a tool for further unwarranted sovereignty and monetary integration[10]. The Commission has largely stepped back from introducing new proposals and is now shepherding negotiations between the Council of the European Union and the European Parliament.

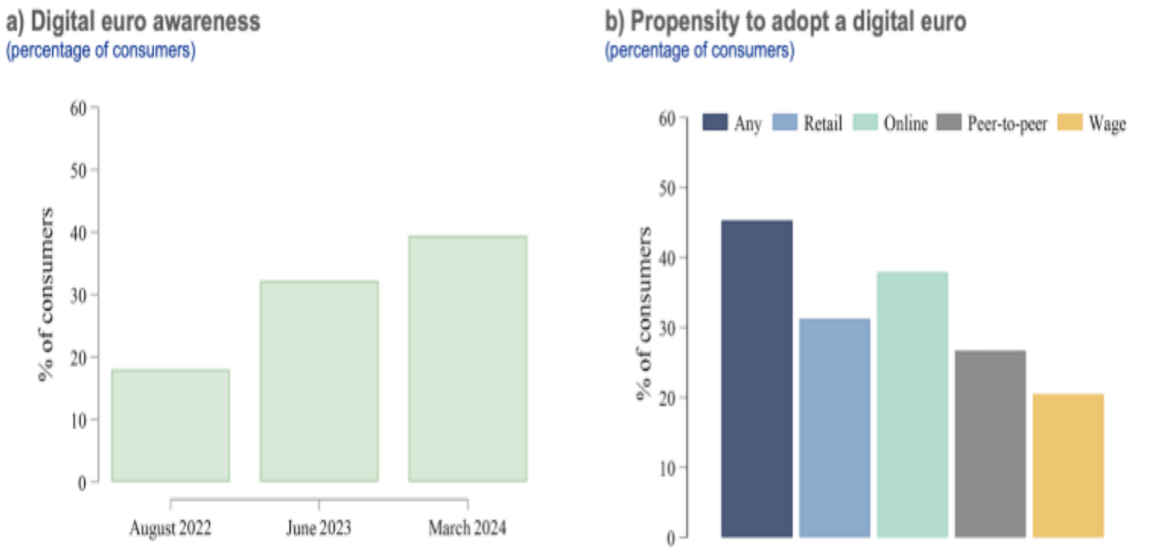
Council Position and Parliamentary Debate

In December 2025, the Council adopted a "general approach" that endorses the introduction of a digital euro under certain conditions. The Council's position clarifies that the currency should be available both online and offline, offer high privacy safeguards, and complement cash rather than replace it. It supports capping individual holdings to protect financial stability and proposes that basic digital euro services be provided to consumers free of charge. Payment service providers (PSPs) would be allowed to levy fees only for value-added services. The Council also insists that device manufacturers must grant equal access to mobile hardware and software so that multiple digital euro providers can compete fairly. With its mandate secured, the Council is ready to start trilogue negotiations with the Parliament and the Commission[11].

Meanwhile, the European Parliament is still debating its position. The Committee on Economic and Monetary Affairs (ECON) has published draft amendments that modify the Commission's proposal, but political divisions run deep.[12]

Support for the digital euro in the European Parliament is strongest among centre-left, liberal, and pro-European parties, which see it as a tool to strengthen the euro's strategic autonomy and modernise Europe's payments infrastructure. According to recent reporting, centre-left groups and liberals back the plan but currently lack an absolute majority in the Parliament.[13] Opposition and scepticism toward the digital euro are more pronounced among some conservative and eurosceptic lawmakers. Members of the European Conservatives and Reformists Group have publicly questioned the viability and institutional readiness of the project following ECB operational issues,[14] while national-sovereignty-focused groups such as Patriots for Europe state that the ECB could use the digital euro to stop citizens from buying certain goods or services.[15]

Figure 1: Awareness Of, And Willingness To Adopt, A Digital Euro



Sources: ECB Consumer Expectations Survey (CES) and authors' calculations. Notes: The chart shows pooled and population-weighted data from the 11 CES countries collected as experimental data in August 2022, June 2023 and March 2024 (panel a) and March 2024 (panel b). Panel a) shows the share of consumers who report having heard of the digital euro. Panel b) is based on CES data from the March 2024 survey round and displays the share of consumers who considered it "likely" or "very likely" (on a five-point Likert scale) that they would use a digital euro for four different use cases: (i) in-person day-to-day payments ("retail"), (ii) online purchases ("online"), (iii) peer-to-peer transactions ("peer-to-peer") and (iv) receiving their salary or wage ("wage"). The dark-blue bar indicates the share of respondents reporting "likely" or "very likely" for at least one of these use cases.

Financial Sector and Civil Liberties Concerns

Specifically, major European banking associations and industry analysts have warned that a retail central bank digital currency could lead to significant outflows of deposits from commercial banks and create financial-stability challenges, especially under certain holding limits,[16] while cost estimates commissioned by bank groups suggest multi-billion-euro expenses for adapting bank infrastructure, positioning many banks as cautious about the digital euro's design rather than outright supportive.[17]

Civil liberties groups are concerned about surveillance, despite the ECB's pledges to build in strong privacy measures (**Figure 1**). The Parliament is expected to vote in the first half of 2026, with commentators predicting a close result. Scepticism around the digital euro was also reflected in a draft report by European Parliament rapporteur Fernando Navarrete Rojas, who proposed a more limited model initially focused on offline peer-to-peer use and conditional online deployment, and emphasised concerns about financial stability, privacy, and competition with private payment solutions.[18] Navarrete's draft has been criticised by other political groups for narrowing the project's scope,[19] the same time, subsequent EU institutional positions, such as the Council's negotiating stance, favour a broader online–offline model and include design features (such as holding limits) to address financial stability and privacy within the EU's legislative proposals.[20]

Beyond Brussels, geopolitical forces are shaping the urgency. China's digital yuan is already in pilot use and may accrue interest, signalling ambitions that go beyond domestic payments. Countries in Africa and Asia are exploring CCs, and private stablecoins continue to grow. Europe risks being squeezed between American dominance of digital payments and Chinese innovation. Proponents argue that a digital euro is vital to maintain monetary sovereignty and reduce dependence on US payment providers and foreign tech firms.[21] This view is echoed by more than 60 European economists, including Thomas Piketty, who argued that the digital euro represents a last credible instrument to preserve European monetary integrity and strategic autonomy in the digital age.[22]

Timeline, Delays, and Strategic Risks

All said, the timeline has already slipped. Early aspirations for a mid-2020s launch have shifted (**Key Picture**). Under current projections, if legislation is adopted in 2026, a pilot with real users could start in 2027, and a public rollout might occur in 2029. The prolonged timeline reflects political risk aversion rather than technical constraints. However, delay carries its own strategic cost: euro-denominated payments risk being crowded out by US-dollar stablecoins and American payment rails.[23] Several policymakers warn that by the end of the decade, Europe could face a de facto digital dollarisation of everyday transactions, weakening monetary sovereignty before a digital euro is even launched.[24]

This delay underscores how political considerations outweigh technical readiness. Ultimately, the digital euro has evolved into a test of the EU's capacity to reach consensus on a complex, transformative project. Its future hinges less on whether the ECB can build a secure and efficient system and more on whether Europe's leaders can agree on its rules, manage the risks, and demonstrate the strategic foresight to implement a CBDC.

NOTES

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