Connecting Europe Facility 2014-2020

2011/0302(COD) - 19/10/2011 - Legislative proposal

PURPOSE: creation of the Connecting Europe Facility (CEF) with a view to accelerating investments in trans-European networks and mobilising funding from both the public and the private sectors.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: in the past decade, infrastructure spending in Europe has been, on average, on a declining path. The economic and financial crisis has, however, brought renewed interest in the need for infrastructure investment. **A fully functioning single market depends on modern, highly performing infrastructure** connecting Europe particularly in the areas of transport, energy and telecommunications. Yet, while regulatory integration advances within the EU and markets become more integrated, **cross-border physical interconnection is lagging**. Missing links exist, notably in the new Member States, creating dividing lines between the centre and peripheries of the European Union and hampering the further development of intra-Union exchanges or the growth of new economic sectors.

Substantial investment needs have been identified.

In the energy sector, it is estimated that Europe's energy system would require investments of around **EUR 1 trillion by 2020**. Of this amount, about EUR 200 billion of investment is needed for electricity and gas networks of European importance alone. EUR 100 billion of this total investment should be delivered by the market unaided, whereas the other EUR 100 billion will require public action to leverage the necessary investments.

In the transport sector, the cost of EU infrastructure development to match the demand for transport has been estimated at over **EUR 1.5 trillion for 2010-2030** for the entire transport networks of the EU Member States. The completion of the trans-European transport networks requires about EUR 500 billion by 2020, of which EUR 250 billion would be needed to complete missing links and remove bottlenecks on the core network.

As far as the telecommunication networks are concerned, the investment needs for achieving these objectives are estimated at up to **EUR 270 billion, in particular for fast and ultra-fast broadband for all European households and businesses by 2020**. However, in the absence of Union intervention, private sector investment is expected to be not more than EUR 50 billion for the period until 2020. This results in an investment gap of up to EUR 220 billion.

In order to increase the impact of EU budgetary resources, the Commission proposes to tap more systematically into the use of **innovative financial instruments** to offer an alternative to the traditional grant funding and plug financing gaps for strategic investments.

Building on the experience of financial instruments under the current financial framework put in place in cooperation with the European Investment Bank (EIB), such as the Loan Guarantee Instrument for trans-European transport networks projects (hereafter LGTT), the Commission proposes to implement a significant part of its interventions within the **CEF** through financial instruments.

The Europe 2020 Project Bond Initiative will be used as a means of securing investment resources for infrastructure projects of key strategic European interest.

IMPACT ASSESSMENT: **nine main policy options** were initially considered, starting from the central rationale underlying the Commission's decision to propose the establishment of the Connecting Europe Facility, namely simplifying the existing EU funding framework by drawing on sectoral synergies.

The policy alternatives were built on combinations of scenarios corresponding to three basic options for financial rules simplification – minimal, maximal and variable (or "à la carte") harmonisation of sectoral rules – in the two areas of policy intervention corresponding to the two main specific objectives identified earlier – investment leverage and programme implementation.

The Commission concluded that the policy option where the **harmonisation of rules would be variable** – i.e. with a number of rules common and a number remaining sector specific – in both the area of investment leverage and that of programme implementation – would be the best option from the perspective of coherence with all the relevant EU policy goals.

LEGAL BASIS: **Article 172** of the Treaty on the functioning of the European Union (TFEU).

CONTENT: in its proposal for the next Multi-Annual financial framework for the period 2014-2020: "A Budget for Europe 2020", the Commission decided to propose the creation of a **new integrated instrument** for investing in EU infrastructure priorities in Transport, Energy and Telecommunications: the "Connecting Europe Facility" (CEF).

Optimise the impact of funding: the CEF will complement EU direct support with financial instruments in order to optimise the impact of funding. Through the high multiplier effects of financial instruments (which could be as high as 1:15 to 1:20), access to capital for the substantial investment needs will be facilitated.

Together with the successful absorption of direct EU support, the increased reliance on financial instruments will contribute significantly to mitigating risks to project promoters and therefore ensure implementation of projects of common interest. Furthermore, the task is to build an environment **conducive to private investment** and develop instruments that will be attractive vehicles for specialised infrastructure investors.

General objectives: the CEF's general objectives in the energy, transport and telecommunications sectors are the following:

to contribute to smart, sustainable and inclusive growth by developing modern and high performing trans-European networks, thus i) bringing forward benefits for the entire European Union in terms of competitiveness and economic, social and territorial cohesion within the Single Market, ii) creating an environment more conducive to private and public investment through a combination of financial instruments and Union direct support and iii) by exploiting synergies across the sectors;

to enable the Union to achieve its targets of a 20% reduction of greenhouse gas emissions, a 20% increase in energy efficiency and raising the share of renewable energy to 20% up to 2020, while ensuring greater solidarity among Member States.

Specific objectives: the CEF's specific objectives are as follows:

In the field of transport:

- removing bottlenecks and bridging missing links;
- ensuring sustainable and efficient transport in the long run;

- optimising the integration and interconnection of transport modes and enhancing interoperability of transport services.

In the energy sector:

- promoting the further integration of the internal energy market and the interoperability of electricity and gas networks across borders, including by ensuring that no Member State is isolated from the European network;
- enhancing Union security of supply;
- contributing to sustainable development and protection of the environment, notably by fostering the integration of energy from renewable sources into the transmission network and developing carbon dioxide networks.

In the telecommunications sector:

- accelerating the deployment of fast and ultrafast broadband networks and their uptake, including by small and medium sized enterprises (SMEs);
- promoting the interconnection and interoperability of national public services online as well as access to such networks.
- **Simplification**: the proposal introduces simplification, in particular addressing the following issues: i) alignment of indicators on the Europe 2020 Strategy's objectives; ii) flexibility on budget allocations; iii) centralised management for the three sectors, possibly through implementation via an executive agency; iv) common funding instruments; v) common award criteria; vi) common conditions for financial assistance; vii) one stop visibility through common annual work programmes (important for sectors) and a common committee (important for Member States).

The CEF in the context of the next multiannual financial framework: the Connecting Europe Facility will be an essential element of an EU growth agenda focussed on increasing the EU's long-term growth potential. The Facility will be coordinated with the other interventions coming from the EU budget such as "Horizon 2020" and the Cohesion and Structural Funds. Moreover, the Connecting Europe Facility will be a centrally managed facility.

BUDGETARY IMPACT: the Commission’s proposal for the next Multi-Annual financial framework includes a proposal for **EUR 50 billionfor the period 2014-2020** divided up as follows:

- ***Energy:*** EUR 9.1 billion;
- ***Transport:*** EUR 21.7 billion;
- ***Telecommunications/Digital:*** EUR 9.2 billion
- ***Amounts ring-fenced in the Cohesion Fund for transport infrastructures***: EUR 10 billion.

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.