



## FINANCING THE TRANS-EUROPEAN NETWORKS

The Trans-European Networks (TENs) are partly funded by the European Union and partly by the Member States. Financial support from the EU serves as a catalyst, the Member States being required to provide the bulk of the financing. The financing of the TENs can also be complemented by Structural Fund assistance, aid from the European Investment Bank or contributions from the private sector. A major reform was introduced across the TENs with the establishment of the Connecting Europe Facility in 2013.

### LEGAL BASIS

Title XVI of the Treaty on the Functioning of the European Union (TFEU), Article 171 of which stipulates that EU aid may be granted to projects of common interest that meet the requirements laid down in the guidelines.

Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010.

### OBJECTIVES

To contribute to the establishment of Trans-European Networks in the fields of transport, energy and telecommunications, through targeted EU support ([3.5.1](#)).

### ACHIEVEMENTS

#### A. Defining general conditions for project funding

Generally, EU funding has served as a catalyst for projects. Member States must raise most of the funding, except in the case of Cohesion Fund aid, where the EU has traditionally made a more substantial contribution.

The first principles governing funding were laid down in Council Regulation (EC) No 2236/95 of 18 September 1995, which sets out general rules for the granting of Community financial aid in the field of trans-European networks.

#### 1. EU aid for projects has taken one or several of the following forms:

- Co-financing of project-related studies and other technical support measures (in general not exceeding 50% of the total cost);
- Contributions towards fees for guarantees for loans from the European Investment Fund or other financial institutions;



- Interest subsidies for loans granted by the European Investment Bank (EIB) or other public or private financial bodies;
  - Direct grants for investments in duly justified cases.
- 2.** The following project criteria have been progressively laid down:
- EU aid to telecommunications and energy networks must not cause distortions of competition between businesses in the sector concerned;
  - Projects must help to achieve the networks' objectives;
  - Projects must be economically viable;
  - The maturity of the project, and the stimulative effect of EU intervention;
  - Direct or indirect effects on the environment and employment, progressively including increasingly complete cost-benefit analyses (CBAs), environmental impact analyses (AIAs), etc.;
  - Coordination of the timing of different parts of the project, for example in the case of cross-border projects.

The financed projects had to comply with EU law and EU policies, in particular in relation to environmental protection, competition, and the awarding of public contracts. Successive regulations laying down general rules for the granting of EU financial aid introduced a range of new elements, including the following:

- Multiannual and annual programmes in the fields of transport and energy for granting EU financial aid to selected projects;
- EU aid for studies was capped at 50%, irrespective of the project, and aid for priority projects at 10% to 30% in the field of transport (with a maximum of 30% for cross-border sections of priority projects);
- Risk capital was included and interlinked as part of EU financial aid;
- The financial framework for the 2007-2013 period allocated EUR 8 168 million to the TENs, of which EUR 8 013 million to transport (TEN-T) and EUR 155 million to energy (TEN-E).

**B.** Additional funding possibilities

**1.** EU Structural and Cohesion Funds

In the 2000-2006 period, these funds contributed approximately EUR 26 billion to TEN projects — particularly through the Cohesion Fund in Greece, Ireland (until 2003), Portugal, Spain and the EU-10 Member States. The latter were allocated EUR 2.48 billion in pre-accession aid, as well as EUR 4.24 billion from the Cohesion Fund and EUR 2.53 billion from other structural funds. Of the aggregate pre-accession and cohesion funding in question, approximately 50%, or EUR 3.9 billion, was allocated to TEN-T projects.

**2.** European Investment Bank aid

No territorial restrictions apply to EIB loans, as they are granted on the basis of banking criteria, which include the financial (ability to repay), technical and environmental



feasibility of the project. For example, between 1995 and 2005, the EIB granted loans for TEN projects totalling approximately EUR 65 billion.

### **C. 2007-2013 financial framework**

For the 2007-2013 financing period, the Commission, with Parliament's support, initially proposed EUR 20.35 billion for TEN-Transport and EUR 0.34 billion for TEN-Energy. However, the Council insisted on a drastic reduction, and ultimately the TEN financial framework provided for EUR 8.01 billion in the area of transport and EUR 0.16 billion in the area of energy (i.e. only 40% of the amount originally proposed in the area of transport and 45% of the proposed amount for energy). Given the scarcity of resources, Regulation (EC) No 680/2007 stipulated that, in order to complement national (public or private) sources of financing, EU resources were to be focused on certain categories of projects with the greatest added value for the network as a whole (such as cross-border sections and projects aimed at removing bottlenecks). In addition, the contribution to TEN-T from the general cohesion policy operational programmes adopted by the Commission was EUR 43 billion.

## **CONNECTING EUROPE FACILITY**

Since December 2013, a new TEN infrastructure policy has been in place in the EU, with a budget of over EUR 30.4 billion for the period up to 2020: the Connecting Europe Facility (CEF) aims to achieve synergies in the transport, telecommunications and energy sectors, enhancing the effectiveness of EU action and enabling implementing costs to be optimised. It aims to accelerate investment in the field of trans-European networks and to leverage funding from both the public and private sectors, while increasing legal certainty and respecting the principle of technological neutrality.

### **A. General objectives**

The CEF aims to:

- Support the implementation of projects of common interest which seek to develop and construct new infrastructure and services, or to upgrade existing infrastructure and services, in the transport, telecommunications and energy sectors;
  - Help support projects with European added value and significant societal benefits which do not receive adequate financing from the market;
  - Contribute to the Europe 2020 strategy by developing trans-European networks which take into account expected future traffic flows and creating an environment more conducive to private, public or public-private investment;
  - Enable the EU to achieve its sustainable development targets, thus contributing to its mid- and long-term decarbonisation objectives.
- 1.** In the transport sector, support will be reserved for projects of common interest aimed at:
- Removing bottlenecks, bridging missing links and, in particular, improving cross-border sections;



- Ensuring sustainable and efficient transport systems in the long run, with a view to preparing for expected future transport flows, as well as enabling all modes of transport to be decarbonised; and
  - Optimising the integration and interconnection of transport modes and enhancing the interoperability of transport services, while ensuring the accessibility of transport infrastructure.
- 2.** In the energy sector, support will aim to:
- Boost competitiveness by fostering further integration of the internal energy market and interoperability of electricity and gas networks across borders;
  - Enhance the security of EU energy supply; and
  - Contribute to sustainable development by integrating energy from renewable sources into the transmission network and developing smart energy networks and carbon dioxide networks.
- 3.** In the telecommunications sector, the CEF will support:
- Generic services, core service platforms and programme support actions to be financed through grants and/or procurement;
  - Actions in the field of broadband networks to be financed through financial instruments.

**B.** 2014-2020 CEF budget

The financial envelope for the implementation of the CEF for the 2014-2020 period was initially set at over EUR 33.2 billion. However, in 2015 this initial amount was reduced to EUR 30.4 billion as a result of EUR 2.8 billion being shifted to the newly created European Fund for Strategic Investments (EFSI). The CEF budget is distributed as follows:

- Transport sector: EUR 24.05 billion, of which EUR 11.3 billion has been transferred from the Cohesion Fund to be spent, in line with the CEF Regulation, exclusively in those Member States eligible for funding from the Cohesion Fund;
- Telecommunications sector: EUR 1.04 billion;
- Energy sector: EUR 5.35 billion.

Some 80% to 85% of the overall CEF budget will be allocated to projects based on multiannual programmes (along core network corridors and reflecting horizontal priorities), while 15% to 20% will serve objectives within annual programmes (i.e. of a shorter-term nature, with the possibility of being adjusted on an annual basis).

The majority of projects will be co-financed from the CEF through grants allocated following competitive calls for proposals. At the same time, no more than 8.4% of the total CEF budget can be dedicated to projects to be co-funded through innovative financial instruments such as guarantees and project bonds (the CEF debt instrument). In general, the financial instruments used under the CEF must address specific market needs for actions that have a clear European added value, and should not crowd out



private financing. They must improve the leverage effect of EU budget spending and achieve a higher multiplier effect in terms of attracting private-sector financing.

In the transport sector, the bulk of the CEF budget — i.e. EUR 22.5 billion — is to be distributed to project promoters through grants. So far, the Commission has announced five calls for proposals exclusively in the field of transport and one call open to synergy actions in the transport and energy sectors. The first two calls announced in 2014 and 2015 had the largest allocations (of EUR 11.93 billion and EUR 7.6 billion respectively). On both occasions, the Commission reported that the total value of grants requested by the project promoters exceeded the allocated amount.

### **C. CEF budget 2021-2027**

Within the framework of the EU budget for 2021-2027, on 6 June 2018 the Commission proposed extending the CEF programme beyond 2020 with the overall goal of supporting investment in European infrastructure networks in the transport, energy and telecommunications sectors. The proposed CEF total budget amounts to EUR 42.3 billion (in current prices) and specifically earmarks EUR 30.6 billion for transport, EUR 8.7 billion for energy and EUR 3 billion for digital networks. Synergies between the three sectors and enhanced cross-border cooperation in the field of renewable energy are among the key areas to be targeted by the post-2020 CEF to accelerate the digitalisation and decarbonisation of the EU economy. Moreover, the Commission proposes dedicating 60% of the total CEF budget to climate objectives.

In transport, the CEF aims to accelerate completion of both layers of the TEN-T, the deployment of European traffic management systems, such as the European Railway Traffic Management System (ERTMS) and Single European Sky ATM Research (SESAR) project, and to support the transition towards smart, sustainable, inclusive, safe and secure mobility, by introducing a European network of charging infrastructure for alternative fuels. The proposal envisages that the new CEF will also support civilian/military dual-use transport infrastructure to adapt Europe's transport networks to military requirements and improve military mobility in the EU.

The proposed CEF transport budget is to consist of three components:

- A general envelope of EUR 12.8 billion;
- A EUR 11.3 billion contribution from the Cohesion Fund;
- EUR 6.5 billion in support for military mobility.

## **ROLE OF THE EUROPEAN PARLIAMENT**

In support of the TENs, Parliament has consistently called for more environment-friendly modes of transport to be given priority in terms of funding, allocating over 50% of infrastructure funding to rail projects (including combined transport) and setting a ceiling of 25% for road projects. Furthermore, Parliament has consistently emphasised the need for the Commission to ensure the coordination and coherence of projects financed by contributions from the EU budget, the EIB, the Cohesion Fund, the European Regional Development Fund or other EU financing instruments.



After the Council agreed massive reductions to the original Commission proposal at the end of 2005, Parliament, in subsequent negotiations on the financial aspects of the proposal, called for the amount allocated to the TENs to be increased. In the final agreement with the Council, Parliament obtained an increase of EUR 500 million and extra EIB funding for the construction of the TENs.

On 7 June 2011, as part of the review of road transport taxation rules (the 'Eurovignette' directive), Parliament approved the compromise with the Council according to which at least 15% of the revenue from the external cost charges and infrastructure charge of each Member State would be used to fund TEN-T projects in order to improve transport sustainability. This percentage is set to increase steadily over time.

Parliament's involvement in shaping the CEF Regulation (a collaborative effort by three rapporteurs, across two parliamentary committees and all political groups) has seen it take on a major role in securing sizeable EU funds for the TENs during the 2014-2020 period.

When taking decisions on the yearly EU budgets, Parliament has paid attention to the appropriations allocated to both the CEF and Horizon 2020. In its resolution of 8 July 2015 on the mandate for the trilogue on the 2016 draft budget, Parliament welcomed the mobilisation of the Global Margin for Commitments to partly fund the EUR 8 billion EFSI Guarantee Fund, instead of it relying only on the cuts to the CEF and Horizon 2020. However, Parliament recalled its ultimate goal of minimising, as far as possible, the impact on the two programmes. Accordingly, it insisted on further offsetting the cuts to Horizon 2020 and the CEF in order to allow those programmes to fully accomplish their objectives.

Furthermore, in its resolution of 9 March 2016 on general guidelines for the preparation of the 2017 budget, Parliament reiterated its commitment to reinforcing Horizon 2020 and the CEF through the annual budgetary procedure, in order to compensate as much as possible for the CEF cuts agreed during the negotiations on the creation of the European Fund for Strategic Investments.

In response to the Commission's 2018 proposal on the post-2020 CEF, the Committees on Transport and Tourism (TRAN) and Industry, Research and Energy (ITRE) have prepared a joint draft report. The three rapporteurs agreed that the Commission's proposal lacked ambition in terms of CEF allocation for transport and highlighted the investment needs of the sector, in addition to the benefits that improved connectivity could deliver for the EU. Among other points, they also emphasised the need to further simplify the rules of the CEF and the importance of ensuring coherence between the various EU funds supporting projects in the transport, energy and digital sectors. The rapporteurs pointed out the need to reinforce parliamentary scrutiny of the priorities of the CEF and to improve how it is monitored.

The joint report was adopted by the two Committees in November 2018 and included an increase of around 10% in the budget allocated to transport projects. Parliament adopted the decision at first reading in April 2019 and the co-decision process is ongoing ([2018/0228\(COD\)](#)).



