



2016/0282(COD)

25.4.2017

OPINION

of the Committee on Industry, Research and Energy

for the Committee on Budgets and the Committee on Budgetary Control

on the proposal for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council (COM(2016)0605 – C8-0372/2016 – 2016/0282(COD))

Rapporteur (*): Jerzy Buzek

(*) Associated committee – Rule 54 of the Rules of Procedure

PA_Legam

SHORT JUSTIFICATION

Commission proposal

The Financial Regulation sets out the principles and procedures to be followed in establishing and spending the budget of the EU and in controlling the EU funds. With the proposed revision the Commission aims to achieve simpler and more flexible rules which should help to optimise the spending and impact of the current MFF running until 2020. The revision includes extensive changes to the general financial rules (part 1 of the proposal), corresponding changes to the rules for the sectorial funds and changes a range of specific provisions in the basic acts of EU funding programmes (part 2).

Concerning the proposed changes where ITRE has exclusive competence, the proposal amends:

The Connecting Europe Facility (CEF) Regulation (EU) No 1316/2013 (Article 272, Recital 239 to 241).

a) by introducing a CEF specific blending facility

The Financial Regulation proposal on blending in Part 1 (Art. 2, 153) recognises the concept of blending operations and addresses a number of issues which rose in the implementation of Blending Facilities where those facilities include financial instruments. The proposal clarifies that where financial instruments are implemented through Blending Facilities, Title X applies to those agreements/investments. It also clarifies that the ex-ante assessment required under Title X shall be carried out for the entire facility (and not individually for each financial instrument financed) and that the annual reports shall be established at the level of the blending facility.

In order to be consistent with these proposed changes and to highlight in a transparent way towards the European Parliament, the Member States and all stakeholders who are the potential beneficiaries of CEF funds, that this new option to implement the EU budget is available also under the CEF Regulation, the Commission proposed to introduce changes in the CEF Regulation.

CEF blending facilities aim to increase the effectiveness of EU funding for projects of common interest in the trans-european networks, by

- Simplifying and streamlining the process of project identification and financing
- attracting additional resources from private investors and Increase the ownership and commitment of the financial institutions involved.
- leveraging public funding through the combination of CEF grants or financial/ risk-sharing instruments with financing from institutional partners and investors,
- enhancing coordination in project preparation, financing and submission
- allowing for a more flexible line-up of projects over time, e.g. with respect to financial
- Increase flexibility as regard to the timeline to submit projects.

It should be also noted, that Blending Facilities can be provisioned with budget from both CEF grants and as well financial instruments and deliver both investment grants and financial instruments. At the same time, the priorities for the eligibility of projects would remain the same as now- they are set in the CEF Regulation and in the sectorial guidelines, in each of the CEF sectors.

Like any other spending, Member States sitting at the CEF Committee would be consulted on the Commission Decision to create and fund through CEF a Blending Facility. The Selection Decision would be transmitted simultaneously to the European Parliament and the Council.

b) by introducing changes on the Certification of the expenditure incurred in CEF telecom projects

The Commission estimates that the proposed amendment is in line with the "Omnibus" Regulation's objective of simplification, while not weakening the principle of sound financial management.

In its current version Art. 22(2) means that at the end of the project, each project participant has to ask the Member States where it is based to certify that the information provided in the final report and financial statement is full, reliable and true; and that the costs declared in the final financial statement are real and eligible in accordance with the grant agreement.

Due to the different nature of the CEF Telecom sector (average size of grants, type of costs, type of projects...), the MS certification imposes an unnecessary burden on beneficiaries and Member States participating in related actions. The amendment lifts the obligation for cost certification in the Telecom sector, as the current provision is more suitable for the CEF Transport and CEF Energy sectors.

To be noted that before the entry into force of the "Omnibus" a similar change may be introduced for WiFi4EU projects.

The Telecom guidelines Regulation (EU) No 283/2014 (Article 274, recital 242, 243)

- Amending Article 2, paragraph 1, point (e) on the definition of generic services

The proposed amendment aims at increasing legal certainty for intervention in the area of Digital Service Infrastructures (DSI), as it clarifies that under the category of "Interoperable cross-border online services", generic services can cover elements of a given DSI, including computing, data storage and management, and connectivity.

It allows exploiting better the potential of CEF by addressing with legal certainty evolutions in the digital sector as i.a. identified in the Strategy on digitising European Industry and in particular the European Cloud Initiative.

- Amending Article 5(4), on the support to projects of common interest in the field of digital service infrastructures

In its current version, Article 5(4) limits the support to Digital Service Infrastructures to grants and/or procurement. The proposed amendment aims at extending the modes of

intervention to the financial instruments, as the inflexibility in the current version is deemed unnecessary.

The Space Surveillance and Tracking (SST) support framework, Decision No 541/2014/EU (Article 276, Recital 251)

When the 'SST Decision' was adopted in 2014, it was not possible to create a program per se with a dedicated budget line, due to the specific context for space programs at the time. The SST Support Framework has therefore been financed since 2015 through 4 separate budget lines, linked to the Copernicus, EGNSS, H2020 Space and H2020 Security programs.

The 2015 credits have therefore been used via 3 grants to the SST Consortium, 2 being managed by the Research Executive Agency (REA) (for the budget coming from H2020 space and H2020 Security) and one by DG GROW (for the budget coming from Galileo and Copernicus).

However, the administrative and financial rules and procedures applicable to the H2020 grants differ from the rules applicable to the DG GROW grants.

This funding scheme is the source of complexity, of risk of duplication or divergence between the actions and of additional administrative efforts for the Commission services but also for the beneficiaries.

With a view to enhance efficiency and to rationalize the management of the EU action, it is therefore proposed to use the opportunity of the Financial rules simplification proposal to establish for the SST one single set of rules for the award and management of the implementing grants. The application of this single set of rules does not affect the aims, objectives and scope of each of the three funding programs.

The proposed model/solution has already been applied in other precedents, related to the CEF (Connecting Europe Facility). It consists in applying the administrative and financial rules and procedures of one program to the management of funds coming from the other programs, without modifying the nature of the later.

It is expected that the totality of these budgets could then be grouped and executed according to the same administrative and financial rules and procedures.

The choice of the Copernicus program is justified by:

- the fact that the Copernicus satellites, in low orbit, are the EU space infrastructure the most exposed to the risk of collision with space debris;
- The rules and procedures applicable to Copernicus are simpler than those applicable to H2020;
- It will be the same administrative entity who will manage Copernicus and SST, so the implementation will be facilitated.

The budget corresponding to the upgrade of the performance of sensors at European level will not be part of the simplification and will remain managed by the REA in accordance with the

rules applicable to the H2020 program. This action is indeed not directly linked to the implementation of the SST Decision.

The new paragraph introduced by the proposal provides that the Copernicus, EGNSS and H2020 programs may contribute to the financing of the actions referred to under the first paragraph of the Article, in conformity with their scope, aims and objectives.

If adopted, the simplification proposal could take effect in 2018. This would allow having only 2 grants as of that year:

- One covering Copernicus, EGNSS, H2020 Space and H2020 Security for all actions related to the implementation of the SST Decision
- One covering H2020 Space for the upgrade of sensors (not part of the implementation of the SST Decision)

Rapporteur's position

In general, the changes proposed as regards ITRE exclusive competence, seem rather limited and of technical nature.

For the changes proposed on the telecom issue (CEF and telecom guidelines), the rapporteur would like to highlight that they should be coordinated with the WIFI4all proposal that Parliament addresses in parallel.

More relevant for internal coherence on the European Parliament position is the issue of blending inside the CEF and in the general part of the proposal.

It appears that discussions between Commission and EIB on the possible future realisation of blending facilities are more advanced in the transport part than in energy or telecom but the changes should be drafted in a way to incentivise also acceleration for energy and telecom projects. It is expected that the blending facility would make it leaner, quicker and overall more attractive for private investors to invest in PCIs.

Commission services (DG BUDG, DG ENER, DG Connect, DG Move) have provided detailed explanation to the Parliament. The rapporteur considers the explanations and justification convincing.

The proposed changes therefore aim at clarifying the concept and intentions of this option and explaining the purpose and expectations of this modification.

AMENDMENTS

The Committee on Industry, Research and Energy calls on the Committee on Budgets and the Committee on Budgetary Control, as the committees responsible, to take into account the following amendments:

Amendment 1

Proposal for a regulation Recital 239

Text proposed by the Commission

(239) In order to increase the efficiency of the intervention, **a blending facility or** blending facilities may be established under the Connecting Europe Facility (CEF). Such blending facilities **should** finance blending operations which are actions combining non-reimbursable forms of support and/or financial instruments from the Union budget, including **combination** of CEF equity and CEF debt financial instruments, and financing from EIB Group (including EIB financing under EFSI) development or other finance institutions as well as investors.

Amendment

(239) In order to increase the efficiency of the intervention, blending facilities may be established under the Connecting Europe Facility (CEF). Such blending facilities **could** finance Blending Operations which are actions combining non-reimbursable forms of support, **such as Member States' budget and CEF grants**, and/or financial instruments from the Union budget, including **combinations** of CEF equity and CEF debt financial instruments and financing from **the** EIB Group (including EIB financing under EFSI), **or national promotional banks** development or other finance institutions as well as investors **and/or private financial support, including both direct and indirect financial contributions, including through Public Private Partnerships.**

Justification

Blending should promote a wide combination of contributions from national and EU budgets or private investors, in order to optimise the use of available resources and attract private investments as much as possible.

Amendment 2

Proposal for a regulation Recital 239 a (new)

(239a) The governance of blending facilities should be based on an ex-ante assessment in accordance with the Financial Regulation and should reflect on the results of lessons learned from the implementation of the CEF "Blending Call" referred to in the CEF Multi Annual Work Programme 2017 published on 20 January 2017. CEF blending facilities should be established by the multiannual and/or annual work programmes and adopted in accordance with Article 17 and Article 25 of Regulation (EU) No 1316/2013. The Commission should ensure a transparent and timely reporting to the European Parliament and the Council and on the implementation of any blending facility.

Justification

It is important that the setting-up and use of blending facilities follows a well-defined and transparent governance process and includes lessons to be drawn from the ongoing CEF coordination call of 2017 ("blending call"). In particular regarding Parliament's scrutiny of CEF, blending facilities and blending operation need be set up following the established planning and decision-making mechanisms in the CEF work programme cycle.

Amendment 3

**Proposal for a regulation
Recital 239 b (new)**

(239b) The objective of CEF Blending Facilities is to facilitate and streamline one application for all forms of support, including Union grants from CEF and private sector finance. Those blending facilities should aim to optimise the application process for project promoters by providing a single evaluation process, from the technical and financial points of view.

Amendment 4

Proposal for a regulation Recital 239 c (new)

Text proposed by the Commission

Amendment

(239c) CEF Blending Facilities should increase flexibility as regards the timeline for submitting projects and simplify and streamline the process of project identification and financing. They should also increase the ownership and commitment of the financial institutions involved and mitigate the risk that projects for which grants are committed fail to achieve financial closure, and therefore fail to receive payments.

Amendment 5

Proposal for a regulation Recital 239 d (new)

Text proposed by the Commission

Amendment

(239d) CEF Blending Facilities should bring enhanced coordination, exchange of information and cooperation between Member States, the Commission, EIB, national promotional banks and private investors with the aim of generating and supporting a healthy pipeline of projects pursuing CEF policy objectives.

Amendment 6

Proposal for a regulation Recital 240

Text proposed by the Commission

Amendment

(240) *A* blending ***facility under CEF*** should aim to enhance the multiplier effect of Union spending by attracting additional resources from private investors. In addition, it should ensure that the actions

(240) ***CEF Blending Facilities*** should aim to enhance the multiplier effect of Union spending by attracting additional resources from private investors, ***thus ensuring a maximum degree of private***

supported become economically and financially viable.

investor involvement; In addition, it should ensure that the actions supported become economically and financially viable ***and help to avoid a lack of investment leverage***.

Amendment 7

Proposal for a regulation Recital 241 a (new)

Text proposed by the Commission

Amendment

(241a) Due to the different nature of the CEF Telecom sector as compared to CEF Transport and CEF Energy sectors (smaller average size of grants, type of costs and type of projects), unnecessary burden on beneficiaries and Member States participating in related actions should be avoided through a lighter cost of certification obligation, without weakening the principle of sound financial management.

Amendment 8

Proposal for a regulation Recital 242

Text proposed by the Commission

Amendment

(242) Only grants and procurement may currently be used to support actions in the area of Digital Service Infrastructures. In order to ensure ***as efficient*** as possible, financial instruments should also be made available to support these actions.

(242) Only grants and procurement may currently be used to support actions in the area of Digital Service Infrastructures. In order to ensure ***that the Digital Service Infrastructures function as efficiently*** as possible, ***other*** financial instruments ***which are currently used under CEF, including innovative financial instruments***, should also be made available to support these actions.

Amendment 9

Proposal for a regulation

Article 272 – paragraph 1 – point 1

Regulation (EU) No 1316/2013

Article 16a – paragraph 3 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

If the 10 % of the overall financial envelopes of the CEF referred to in Article 5(1) is not fully used for CEF Blending Facilities, the remaining amount shall be made available for and redistributed to the overall financial envelopes of the CEF referred to in Article 5(1).

Justification

Support given to blending facilities must take into account the availability of the Union budget. Where resources for blending are or cannot be fully used, they should flow back to overall budgetary envelopes in the different sectors, in particular those for grants in transport.

Amendment 10

Proposal for a regulation

Article 272 – paragraph 1 – point 1

Regulation (EU) No 1316/2013

Article 16a – paragraph 4

Text proposed by the Commission

Amendment

4. Support provided under the CEF Blending Facility in the form of grants shall comply with the eligibility and conditions for financial assistance set out in Article 7. The amount of financial assistance to be granted to the Blending operations supported by means of a CEF Blending Facility shall be modulated on the basis of a cost-benefit analysis and the need to maximise the leverage of Union funding.

4. Support provided under the CEF Blending Facility in the form of grants shall comply with the eligibility and conditions for financial assistance set out in Article 7. The amount of financial assistance to be granted to the Blending operations supported by means of a CEF Blending Facility shall be modulated on the basis of a cost-benefit analysis, ***the availability of Union budget resources*** and the need to maximise the leverage of Union funding.

Amendment 11

Proposal for a regulation

Article 272 – paragraph 1 – point 1

Regulation (EU) No 1316/2013

Article 16a – paragraph 6

Text proposed by the Commission

6. Blending operations supported by means of a CEF Blending Facility shall be selected on the basis of maturity and shall seek sectoral diversification in accordance with Articles 3 and 4 as well as geographical balance across the Member States. They shall:

Amendment

6. Blending operations supported by means of a CEF Blending Facility shall be selected on the basis of maturity **taking into account a minimum set of criteria which are to be set by the Commission** and shall seek sectoral diversification in accordance with Articles 3 and 4 as well as geographical balance across the Member States. They shall:

Justification

It is important that projects under a blending facility are screened based on both their quality merits and maturity in a transparent and balanced manner. The Commission should set the necessary criteria to provide clear rules to the partner institutions it entrusts with the implementation of a blending facility. Those criteria should be set by the multi-annual and annual CEF work programmes to be adopted by the Commission pursuant to Article 17 under the usual committee procedure of Article 25.

Amendment 12

Proposal for a regulation

Article 272 – paragraph 1 – point 1

Regulation (EU) No 1316/2013

Article 16a – paragraph 7

Text proposed by the Commission

7. Blending operations in third countries may be supported by means of a CEF **Transport** Blending Facility if those actions are necessary for the implementation of a project of common interest.

Amendment

7. Blending operations in third countries may be supported by means of a CEF Blending Facility if those actions are necessary for the implementation of a project of common interest.

Justification

Support to projects of common interest within blending facilities should be made possible for all CEF sectors, including transport, energy and telecommunication, also when third

countries are involved.

Amendment 13

Proposal for a regulation

Article 274 – paragraph 1 – point 2 a (new)

Regulation (EU) No 283/2014

Article 5 – paragraph 4 a (new)

Text proposed by the Commission

Amendment

4 a. The overall contribution from the Union budget to financial instruments under point (c) of paragraph 4 of this Article shall not exceed 10 % of the overall financial envelopes of the CEF as referred to in Article 5(1)(b);

Amendment 14

Proposal for a regulation

Article 274 – paragraph 1 – point 2 b (new)

Regulation (EU) No 283/2014

Article 5 – paragraph 4 b (new)

Text proposed by the Commission

Amendment

4 b. The introduction of such measures as financial instruments in that field shall take due account of the results of the evaluations of existing Union financial instruments under the mid-term evaluation process provided for in Article 27 of Regulation (EU) No 1316/2013 of the European Parliament and of the Council^{1a} ;

^{1a} **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(OJ L 348, 20.12.2013, p. 129).**

Amendment 15

Proposal for a regulation

Article 274 – paragraph 1 – point 2 c (new)

Regulation (EU) No 283/2014

Article 5 – paragraph 4 c (new)

Text proposed by the Commission

Amendment

4 c. By [two years after the the entry into force of this amending Regulation] at the latest, the Commission shall produce a review of the impact of the financial instruments on the functioning of actions in the field of digital services;

Amendment 16

Proposal for a regulation

Article 276 – paragraph 1 a (new)

Decision No 541/2014/EU

Article 4 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

3 a. By ... [two years after the implementation of this Regulation] at the latest, the Commission shall carry out a review of the functioning of the financing of the SST support framework under the revised financial rules.

PROCEDURE – COMMITTEE ASKED FOR OPINION

Title	Financial rules applicable to the general budget of the Union
References	COM(2016)0605 – C8-0372/2016 – 2016/0282(COD)
Committees responsible Date announced in plenary	BUDG CONT 21.11.2016 21.11.2016
Opinion by Date announced in plenary	ITRE 21.11.2016
Associated committees - date announced in plenary	19.1.2017
Rapporteur Date appointed	Jerzy Buzek 9.11.2016
Rule 55 – Joint committee procedure Date announced in plenary	19.1.2017
Date adopted	25.4.2017
Result of final vote	+: 52 –: 6 0: 2
Members present for the final vote	Bendt Bendtsen, Xabier Benito Ziluaga, David Borrelli, Cristian-Silviu Buşoi, Reinhard Bütikofer, Jerzy Buzek, Edward Czesak, Jakop Dalunde, Pilar del Castillo Vera, Christian Ehler, Ashley Fox, Adam Gierek, Rebecca Harms, Roger Helmer, Hans-Olaf Henkel, Eva Kaili, Krišjānis Kariņš, Seán Kelly, Jeppe Kofod, Jaromír Kohlíček, Miapetra Kumpula-Natri, Janusz Lewandowski, Paloma López Bermejo, Edouard Martin, Angelika Mlinar, Dan Nica, Angelika Niebler, Miroslav Poche, Carolina Punset, Michel Reimon, Herbert Reul, Paul Rübig, Massimiliano Salini, Algirdas Saudargas, Jean-Luc Schaffhauser, Neoklis Sylikiotis, Dario Tamburrano, Patrizia Toia, Evžen Tošenovský, Claude Turmes, Vladimir Urutchev, Kathleen Van Brempt, Martina Werner, Lieve Wierinck, Hermann Winkler, Anna Záborská, Carlos Zorrinho
Substitutes present for the final vote	Amjad Bashir, Soledad Cabezón Ruiz, Isabella De Monte, Francesc Gambús, Constanze Krehl, Werner Langen, Olle Ludvigsson, Gesine Meissner, Clare Moody, Anne Sander, Theodor Dumitru Stolojan, Pavel Telička
Substitutes under Rule 200(2) present for the final vote	Georgi Pirinski

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

52	+
ALDE	Gesine Meissner, Angelika Mlinar, Carolina Punset, Pavel Telička, Lieve Wierinck
ECR	Amjad Bashir, Edward Czesak, Ashley Fox, Hans-Olaf Henkel, Evžen Tošenovský
PPE	Bendt Bendtsen, Jerzy Buzek, Cristian-Silviu Buşoi, Christian Ehler, Francesc Gambús, Krišjānis Kariņš, Seán Kelly, Werner Langen, Janusz Lewandowski, Angelika Niebler, Herbert Reul, Paul Rübig, Massimiliano Salini, Anne Sander, Algirdas Saudargas, Theodor Dumitru Stolojan, Vladimir Urutchev, Hermann Winkler, Anna Záborská, Pilar del Castillo Vera
S&D	Soledad Cabezón Ruiz, Isabella De Monte, Adam Gierek, Eva Kaili, Jeppe Kofod, Constanze Krehl, Miapetra Kumpula-Natri, Olle Ludvigsson, Edouard Martin, Clare Moody, Dan Nica, Georgi Pirinski, Miroslav Poche, Patrizia Toia, Kathleen Van Brempt, Martina Werner, Carlos Zorrinho
VERTS/ALE	Reinhard Bütikofer, Jakop Dalunde, Rebecca Harms, Michel Reimon, Claude Turmes

6	-
EFDD	Roger Helmer
ENF	Jean-Luc Schaffhauser
GUE/NGL	Xabier Benito Ziluaga, Jaromír Kohlíček, Paloma López Bermejo, Neoklis Sylikiotis

2	0
EFDD	David Borrelli, Dario Tamburrano

Key to symbols:

+ : in favour

- : against

0 : abstention