



2018/0197(COD)

04.6.2021

*****II**

DRAFT RECOMMENDATION FOR SECOND READING

on the Council position at first reading with a view to the adoption of a regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund
(06168/1/2021 – C9-0194/2021 – 2018/0197(COD))

Committee on Regional Development

Rapporteur: Andrea Cozzolino

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ▬ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the Council position at first reading with a view to the adoption of a regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund
(06168/1/2021 – C9-0194/2021 – 2018/0197(COD))**

(Ordinary legislative procedure: second reading)

The European Parliament,

- having regard to the Council position at first reading (06168/1/2021),
 - having regard to the opinion of the European Economic and Social Committee of 17 October 2018¹,
 - having regard to the opinion of the Committee of the Regions of 5 December 2018²,
 - having regard to the opinion of the Commission (COM(2021)0283),
 - having regard to its position at first reading³ on the Commission proposal to Parliament and the Council (COM(2018)0372),
 - having regard to the Commission proposal to Parliament and the Council (COM(2018)0372),
 - having regard to the amended Commission proposal to Parliament and Council (COM(2020)452),
 - having regard to Article 294(7) of the Treaty on the Functioning of the European Union,
 - having regard to the provisional agreement approved by the committee responsible under Rule 74(4) of its Rules of Procedure,
 - having regard to Rule 67 of its Rules of procedure,
 - having regard to the recommendation for second reading of the Committee on Regional Development (A9-0000/2021),
1. Approves the Council position at first reading;
 2. Notes that the act is adopted in accordance with the Council position;
 3. Instructs its President to sign the act with the president of the Council, in accordance

¹ OJ C 62, 15.2.2019, p. 90.

² OJ C 86, 7.3.2019, p. 115.

³ Texts adopted of 27 March 2019, P8_TA(2019)0303.

with Article 297(1) of the Treaty on the Functioning of the European Union;

4. Instructs its Secretary-General to sign the act, once it has been verified that all the procedures have been duly completed, and, in agreement with the Secretary-General of the Council, to arrange for its publication in the *Official Journal of the European Union*;
5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

SHORT JUSTIFICATION

1. The European regional Development Fund and Cohesion Fund

The European Union finds its origin in the concept of peaceful cooperation between different people at global, national, regional and local level in order to promote economic, social and territorial cohesion and solidarity between the different EU regions.

These goals have to be pursued through cohesion policy, the main policy for EU investment in growth and employment in order to reduce regional disparities and help close the gap between the EU's citizens and regions and the European project.

The financial crises created distortions that have made these tasks more difficult in that inequalities between regions have increased, despite inequalities between Member States decreasing during the same period. This is why neither EU nor national budget obligations, nor the repercussions of UK's leaving the EU ("Brexit"), nor the dramatic consequences of the climate emergency and the COVID-19 pandemic must be allowed to weaken the EU's fundamental aim of cohesion.

2. The Commission proposal

The publication of the European Regional Development Fund and Cohesion Fund (ERDF-CF) proposal on 29 May and presentation by the Commission in REGI on 20 June marked the beginning of the EP legislative work on this file.

The general rules governing Cohesion Policy after 2020 are set out in the Common Provisions Regulation (CPR). The specific provisions applicable to the ERDF and Cohesion Fund are detailed in a separate proposal, which includes:

- a list of specific objectives to be supported by the ERDF and Cohesion Fund;
- the thematic concentration;
- the exclusion of support from the ERDF and CF;
- specific provisions on the treatment of particular territorial features; and
- a list of indicators to be collected and transmitted by the managing authorities;

On 28 May 2020 the European Commission presented some targeted amendments to the 2021-

2027 ERDF-CF proposal. These amendments aim to ensure a prompt and sustainable recovery of the EU economy after the COVID-19 pandemic and are concentrated on the sectors most affected by the crisis to reach a COVID-19-fit-regulation including for culture, sustainable tourism, digitalisation and resilience of the public health systems introducing at the same time a flexible mechanism, which would allow for special derogations in case such exceptional circumstances arise in the future.

3. Interinstitutional negotiations

Following the adoption of Parliament's first reading position on 27 March 2019, interinstitutional negotiations (aimed at an early second reading agreement) took place, from September 2019 to February 2021, under the Finnish, Croatian, German and the Portuguese Presidencies of the Council. After six rounds of trilogues, Parliament's negotiating team reached a provisional agreement with the Council Presidency during the last trilogue on 9 February 2021.

The text of the provisional agreement was presented to the Committee on Regional Development (REGI) and confirmed on 16 March 2021. On the basis of the Committee's approval, the Chair of the REGI Committee, in his letter to the Chair of the Committee of Permanent representatives (COREPER I), indicated that he would recommend to the Plenary to approve the Council's position without amendments, provided that it is in conformity with the provisional agreement reached between the two institutions. Following legal-linguistic verification, the Council formally adopted its position (by written procedure) on 2 June 2021 in accordance with the provisional agreement.

4. Main elements of the agreement

The overall agreement that Parliament reached with the Council further strengthened the scope of support for both funds which represent roughly one fourth of the Multiannual Financial Framework (MFF) for the years 2021 to 2027.

In particular, the following was achieved:

Tasks of the ERDF and the Cohesion Fund

The Parliament proposed the addition of this new Article to reiterate the importance of the contribution of the ERDF to reducing the gap between the levels of development of the different regions and the extent to which the least favoured regions are lagging behind, in particular in the field of environment in line with the European Green Deal and in the area of trans-European transport infrastructure.

Specific objectives for the ERDF and the Cohesion Fund

The most changes agreed with the Council bear on the switch of digital connectivity from Policy Objective 3 to Policy Objective 1 and of sustainable multimodal mobility from Policy Objective 3 to Policy Objective 2. Another important improvement is the inclusion of sustainable tourism in the scope of intervention of the ERDF.

Thematic concentration

An agreement was found on the deletion of the minimum thematic concentration of 50 % for Policy objective 1 for more developed regions.

An agreement was also reached to allow Member States to take into account allocation to Policy objective 2 of more than 50% of their total Cohesion Fund resources when calculating compliance with the thematic concentration requirements, while excluding double-counting of the investments on multimodal urban mobility. It has been as well agreed that policy objective 2 aims for a minimum spending target of at least 30 % in the field such as climate action and circular economy and with a special focus on biodiversity spending up to 10 %.

Scope of support from the ERDF

In addition to the investments in infrastructure, the ERDF will support productive investments in SMEs and investments aiming at sustainable growth, safeguarding existing jobs and creating new jobs.

Furthermore, it will be possible to support investments in enterprises other than SMEs when they involve cooperation with SMEs in research and innovation activities and when they primarily support measures in the field of energy, and in particular renewable energy.

Exclusion from the scope of the ERDF and the Cohesion Fund

One of the main issues under discussion was the one concerning fossil fuels exclusion. The agreement reached foresees that the ERDF and the Cohesion Fund shall not support investment related to the production, processing, transport, distribution, storage or combustion of fossil fuels with the following exceptions:

1. the replacement of solid fossil fuels fired, namely coal, peat, lignite, oil-shale, heating systems with gas-fired heating systems;
2. investment in the expansion and repurposing, conversion or retrofitting of gas transmission and distribution networks provided that such investment makes the networks ready for adding renewable and low carbon gases, such as hydrogen, biomethane and synthesis gas, into the system and allows to substitute solid fossil fuels installations;
3. investment in clean vehicles for public purposes and vehicles, aircraft and vessels designed and constructed or adapted for use by civil protection and fire services.

Limits to allocation for the exceptions as referred above have been established in consideration of the GNI per capita and the share of solid fossil fuels in gross inland energy consumption by Member State and with an overall time limit by 31 December 2025

Support for disadvantaged areas

The Council accepted the Parliament's view to have an Article dedicated to disadvantaged regions and areas, notably rural areas and areas which suffer from severe and permanent natural or demographic handicaps such as decline of population, in accordance with Article 174 TFEU.

Sustainable urban development and environmental goals

The ERDF will support strategies that are focused on urban areas, including functional urban areas. The spending target for sustainable urban development has been raised from 6 to 8 %. Special attention will be given to tackling environmental challenges and climate emergency, notably the transition towards a climate-neutral economy by 2050 with the EU climate targets by 2030 to facilitate as well the achievement of a decarbonised building stock by 2050, reducing energy consumption and creating savings for households affected by energy poverty.

The ERDF and the Cohesion Fund will support activities that respect the climate, biodiversity and environmental standards and priorities of the Union and do no significant harm to the environmental objectives outlined in the Taxonomy regulation on sustainable finance. It respects the obligations from the Paris Agreement and contributes to the UN Sustainable Development Goals (SDGs) as part of the ambitions of the European Green Deal. Investments in the area of waste respect the principles of the circular economy.

Strengthening of the social dimension and equality

The ERDF will be available for contributing to the goals of the European Pillar of Social Rights, social housing for low income households and also for integration measures by adopting an approach aimed at protecting the dignity and rights of third country nationals and migrants and the inclusion of Roma. Gender equality including its aim for gender balance for expert groups is foreseen as well.

Temporary measures to respond to exceptional or unusual circumstances

An agreement was reached to enhance the role of the EP in the procedure for the adoption of temporary measures to respond to exceptional or unusual circumstances by supporting the financing of working capital in SMEs.

A “soft golden rule”

Within the framework of the relevant rules under the Stability and Growth Pact, Member States may make a duly justified request for further flexibility for the public or equivalent structural expenditure supported by the public administration by way of co-financing of investments activated as part of ERDF and CF and the Commission will evaluate this request.

5. Recommendation

The Rapporteur believes that the compromise reached represents a balanced result. As Council’s position is in conformity with the provisional agreement reached during the interinstitutional negotiations, the Rapporteur recommends endorsing it without amendments.