



Connecting Europe Facility

**Czech Permanent Representation
7 December 2011**

● The Connecting Europe Facility: EU added value

- Europe's economic future requires smart, sustainable and fully interconnected transport, energy and digital networks => key for the Europe 2020 Strategy.
- Effective interconnection of networks can only be achieved at the European level, guaranteeing minimum cost to all citizens.
- CEF aims at supporting infrastructures with a European and Single Market dimension, targeting EU support on priority networks to be implemented by 2020 where European action is most warranted.
- CEF aims at building an environment conducive to private investment and develop instruments that will be attractive vehicles for specialised infrastructure investors.
- CEF seeks to find common solutions for all sectors, wherever possible and practical.
- Smart performance indicators common to CEF aligned on Europe 2020 strategy and 20-20-20 energy and climate change objectives, as well as specific sectoral objectives and indicators.

● Investment needs identified

- **Energy:** €1 trillion of investment needs by 2020. €200 billion into gas pipelines and power grids and storage of EU relevance necessary to meet the 20/20/20 targets. €100 billion at risk of not being delivered due to obstacles linked to permitting and financing difficulties.
- **ICT:** Up to €270 billion to bring ultra-fast broadband to all households by 2020. Without the stimulating effect of CEF the market plans to invest no more than €50 billion by 2020.
- **Transport:** €1.5 trillion of investment needs by 2030. TEN-T alone: €500 billion by 2020. Core Network alone requires €250 billion by 2020.

● Connecting Europe Facility: budget proposed

- Budget: **€50 Billion** (2011 prices)

€31.7 billion for transport (including €10 Billion from Cohesion Fund)

€9.2 billion for broadband and digital services

€9.1 billion for energy infrastructure

- Connecting Europe Facility does not replace or displace cohesion policy funding. Transport: Cohesion Fund will have €24 billion for TEN-T projects + ERDF available for secondary or tertiary connectivity
- Coordination with CEF to be ensured through Common Strategic Framework and partnership Contracts

● Connecting Europe Facility: joint implementation

- Centralised management for grants
 - » Competitive calls (or beneficiaries identified in the work programme) for the allocation of funding
 - » ‘Use it or lose it principle’ to ensure effective implementation
 - » Economies of scale and synergies between sectors to lower administrative costs
- Partnership with financial intermediaries (like EIB) for financial instruments
- An option to externalise administrative tasks (as part of overall proposal of Commission on Agencies)
- Implementation of projects (procurement, etc) remains responsibility of beneficiaries and MS.

● The Connecting Europe Facility: simplification in line with EU Budget review

- **One single regulation** for financing, common to three sectors (transport, energy, ICT), replacing existing legal bases TEN-T/TEN-E and eTEN.
- **Maximum integration and harmonisation** to ensure common rules to simplify for beneficiaries and MS: a single committee, possibility of common annual work programmes whenever synergies can be found.
- **Flexibility**: midterm revision of amounts between three sectors based on performance and absorption of funds.
- Innovative **financial instruments (multi-sector)** to create a new asset class.
- **Coordination with other EU instruments**: cohesion policy instruments as well as Horizon 2020 and external instruments.
- Specific provisions to reflect differences between sectors: multi-annual work programmes, treatment of third countries.
- CEF forms the necessary complement for the **Sectoral Policy Guidelines** which determine the priorities and regulatory measures of implementation, and the **Communication on the Financial Instruments**.

Connecting Europe Facility: new TEN-T Guidelines

- **Problems:** TEN-T today remains a patchwork of national networks:
 - » Cross-border sections are missing, especially for rail and inland waterways, road network is very advanced.
 - » Links between the different modes of transport are weak: ports, airports, logistic platforms need to be well connected to the various modes
 - » National operational rules and technical systems (interoperability) block the internal transport market.
- **Solutions: from a patchwork to a network**
 - » Realise the missing links (cross-border, bottlenecks)
 - » Make the network intermodal: link in the nodes that allow exchange between transport modes
 - » Make the network interoperable and efficient: ERTMS, RIS, ITS, SESAR, etc and operational rules
 - » Use the existing infrastructure better
 - » Make a more binding framework for realising the network
- **Guidelines propose: (after 2 years of intense preparations with MS)**
 - » Two layer approach: core network and comprehensive network
 - » Comprehensive network will cover entire EU, accessibility for all citizens and businesses
 - » **Core network:** a selection of the most important parts of the network to be realised as a priority until 2030



**EU 27 Core Network
to be completed in 2030**



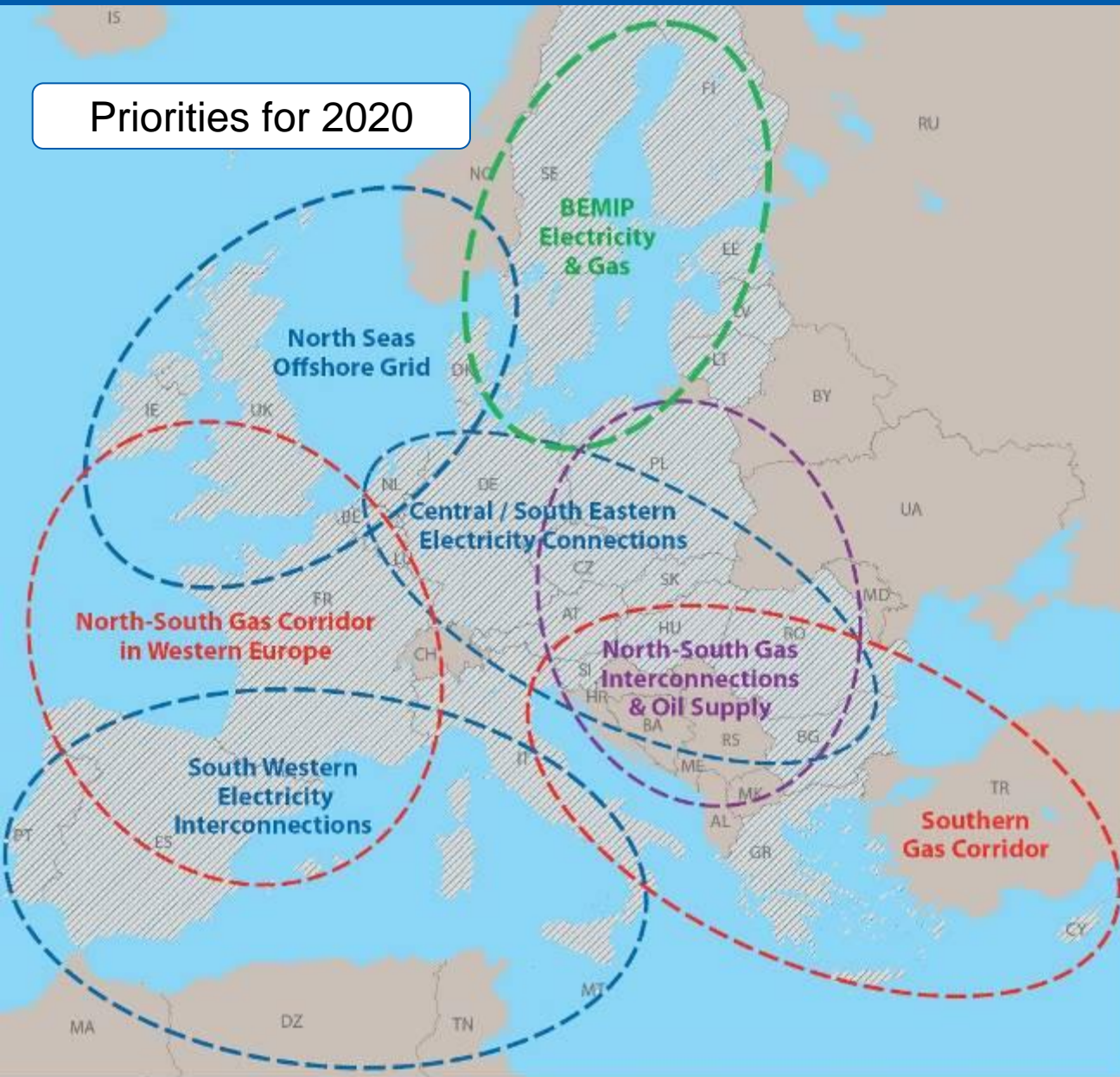
Connecting Europe Facility: new Guidelines for Energy

- **Aim:** To provide **policy and regulatory certainty to leverage the necessary investments** in the priority corridors/thematic areas, necessary to meet EU's energy and climate policy goals by 2020 and beyond
- 12 Priority Corridors and Areas – to be translated into projects (PCI) in regional context by applying pre-defined objective technical criteria
- Toolbox to accelerate project implementation:
 - » Efficient **permit granting** procedure by removing red tape and shortening administrative delays
 - » Increasing **transparency** and public involvement in the process
 - » Strengthening the **regulatory framework** by introducing cross-border cost allocation (beneficiary pays principle) and risk related tariff incentives (user pays principle)
 - » **Financing** through **CEF** to:
 - develop projects (studies to help turning concepts and ideas into bankable and environmentally sound projects)
 - assist project implementation by facilitating access to sufficient equity and debt finance, and in exceptional cases, by providing grants for works for projects having external or non-commercial benefits

Energy priorities for 2020 and beyond

Priorities for 2020

Priorities beyond 2020



Electricity
Highways

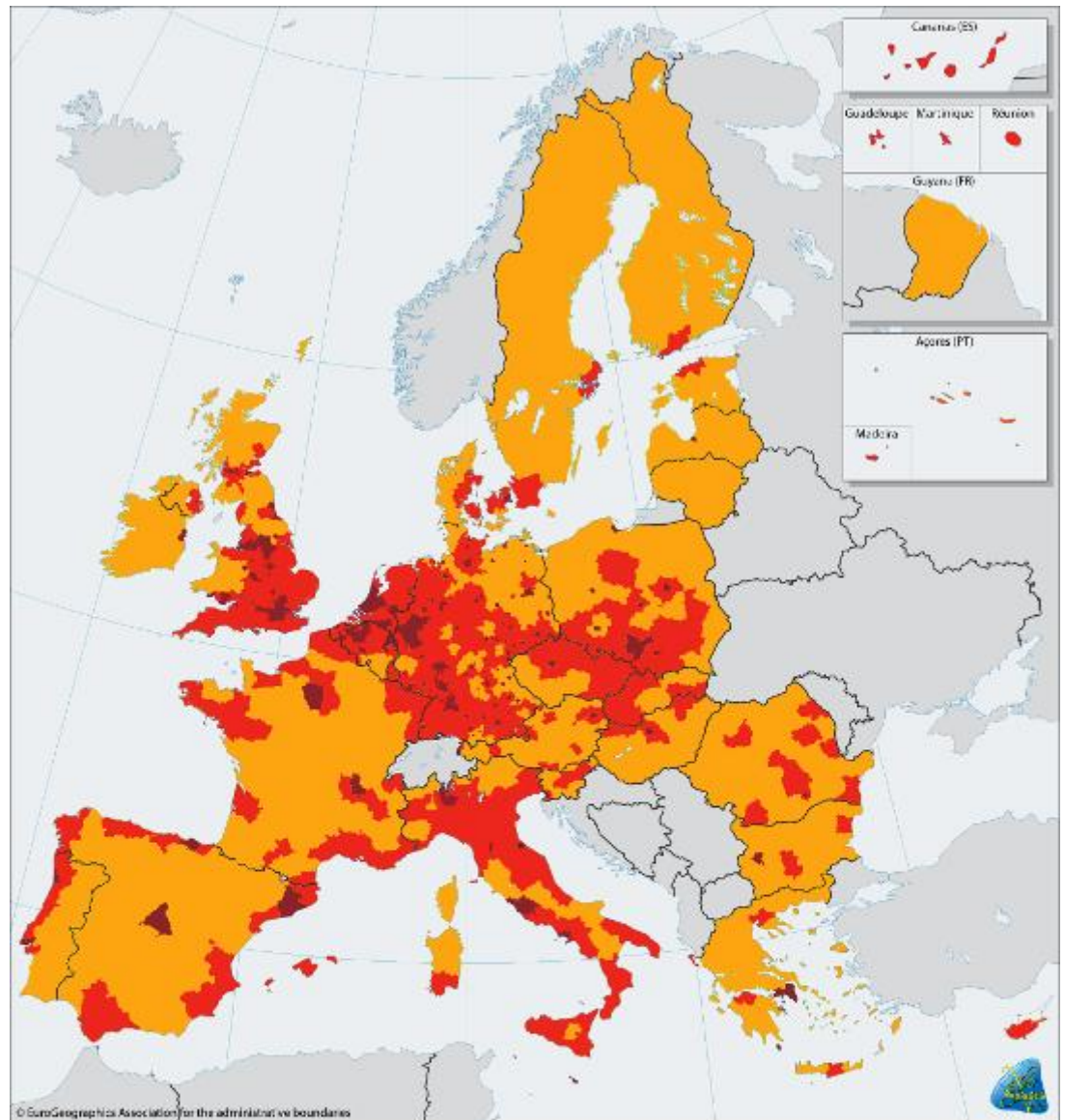
CO2 transport
network

● Connecting Europe Facility: new ICT Guidelines

- Broadband deployment:
 - » Portfolio of projects enabling fast and ultra-fast internet access
 - » Europe 2020 broadband objectives (access: 100% of households at 30 Mbps; use: 50% of households at 100 Mbps)
 - » Market driven
- Networked ICT services
 - » Common digital service architectures Digital Single Market logic
 - » Grant to project consortia and procurement of European platforms
- Move on-line and render European key services of public interest
 - » Trans-European high-speed backbone connections for public administrations
 - » Cross-border delivery of e-Government services (including e-Health)
 - » Enabling access to public sector information and multilingual services
 - » Safety and security
 - » Deployment of information and communication technology solutions for intelligent energy networks and for the provision of Smart Energy Services
 - » Other services to be considered at mid term review

Areas for broadband deployment

High correlation between the attractiveness of broadband deployment and population density and wealth



Population density by NUTS3 region, 2004





ICT Digital Services


Enabling interoperable services across Europe


As an example of priority projects, access to cultural media for the EU citizen and re-use by businesses.

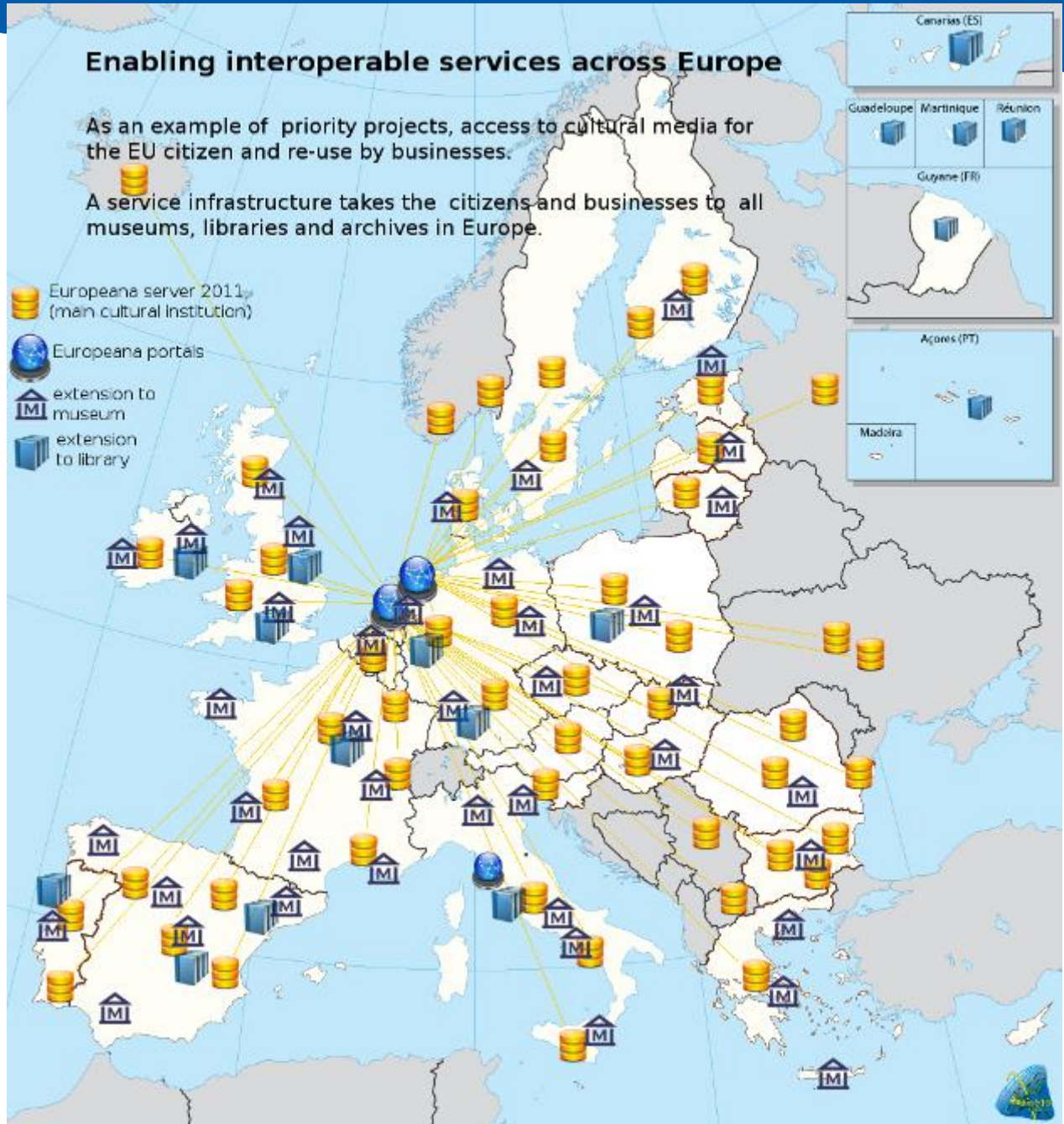
A service infrastructure takes the citizens and businesses to all museums, libraries and archives in Europe.

 Europeana server 2011
(main cultural institution)

 Europeana portals

 extension to museum

 extension to library



● The Connecting Europe Facility: eligibility and project list

Financial instruments:

- all actions contributing to projects of common interest

Grants (funding rates to vary depending on sectors, with flexibility to maximise leverage and accelerate implementation):

- Energy
 - » For all projects of common interest (except oil) for studies to help prepare bankable and environmentally sound projects
 - » For works only for projects of common interest providing external or non-commercial benefits (oil and hydro pump storage excluded)
- ICT:
 - » projects of common interest identified in ICT Guidelines, certain actions contributing to broadband objectives
- Transport:
 - » only projects of common interest on core network, including deployment of new technologies & innovation, in particular works for rail and IWW

Annex contains list of pre-identified priorities and/or projects in the three sectors, delegated act foreseen to amend lists.

● The Connecting Europe Facility: financial instruments

- 2 types of financial instruments:
 - » Equity (such as Marguerite Fund)
 - » Risk-sharing instruments to provide loans and/or guarantees
- Estimates of the market take-up of the instruments (adjustment possible)
 - » €2bn for transport, €1bn for energy, higher for ICT
 - » Leverage: up to 1:15 to 1:20.
- Implementation by financial partners, such as EIB, in accordance with Financial Regulation
- **No risk for EU budget:** no guarantee entered in EU budget (same as LGTT). Residual risk with the financial partner.
- Combination of innovative financial instruments (e.g. Project bonds) and EU direct support to optimise the impact of financing
- Possibility for MS (directly or through Structural Funds), other EU funds and/or investors to top up the CEF financial instruments

● The Connecting Europe Facility: financial instruments and financial partners

- Working with a financial partner such as EIB:
 - » Commission guidelines (see previous slides)
 - » Details of instruments set up in cooperation agreement with financial partner
 - » Budgetary transfer to the financial partner to be decided every year based on expected project pipeline and needs.
 - » Financial partner decides on economic and financial viability of project to be supported on first come first serve basis, but efforts should be made to ensure sectoral and gradual geographical diversification
- Project bonds: Lessons learned from LGTT and RSFF
 - » EIB should be the partner for Project bonds
 - » Other financial institutions are not excluded

● Europe 2020 Project Bond Initiative

A pilot phase in 2012-2013

- Project bonds to be an integral part of the CEF 2014-2020
- Past experience (especially LGTT) shows time lag for banks and project sponsors to incorporate complex new ideas into their financing structures
- In the case of project bonds also have to allow investors (pension funds, insurers) time to analyse and adapt asset allocation
- Propose a pilot in order to start this phase now rather than in 2014
- Funded by reallocating up to EUR 200 million from TEN-T, up to EUR 10 million from TEN-E and up to EUR 20 million from CIP ICT budget lines
- Aim to support 5-10 projects in transport, energy and/or ICT

The Connecting Europe Facility: the €10 billion from Cohesion Fund (only for transport)

- Reason: difficulties to deliver complex cross-border projects with high EU added value, especially in rail in Cohesion MS. In order to ensure synchronised investments to give all MS access to the internal market.
- Mechanism: transfer pro-rata of €10 billion from Cohesion Fund
- Eligibility: only MS eligible to Cohesion Fund
- Co-funding rate: like Cohesion Fund: up to 85% (80% for phasing-out, with possibility of top-up)
- Implementation: separate competitive calls for projects with benchmark of 'greatest possible priority given to national allocations under Cohesion Fund'. Goal remains to deliver core network in **all MS**. Core network completion decisive to ensure access to internal market for all MS.
- Preparation to ensure quality and maturity of projects: support from Commission services (specific call for proposals under TEN-T programme prior to 2014) as well as Jaspers to develop adequate project pipeline

● The Connecting Europe Facility: External dimension

- Co-operation with third countries is encouraged
- Transport & ICT – Actions contributing to the implementation of Projects of Common Interest (strictly in the EU interest) on territory of third countries can be supported through grants and financial instruments.
- Energy – Projects of Common interest extend beyond the EU territory to connect with neighbouring countries. Actions to implement such a Project may be eligible for grants and financial instruments.

● CZ transport system and the Connecting Europe Facility

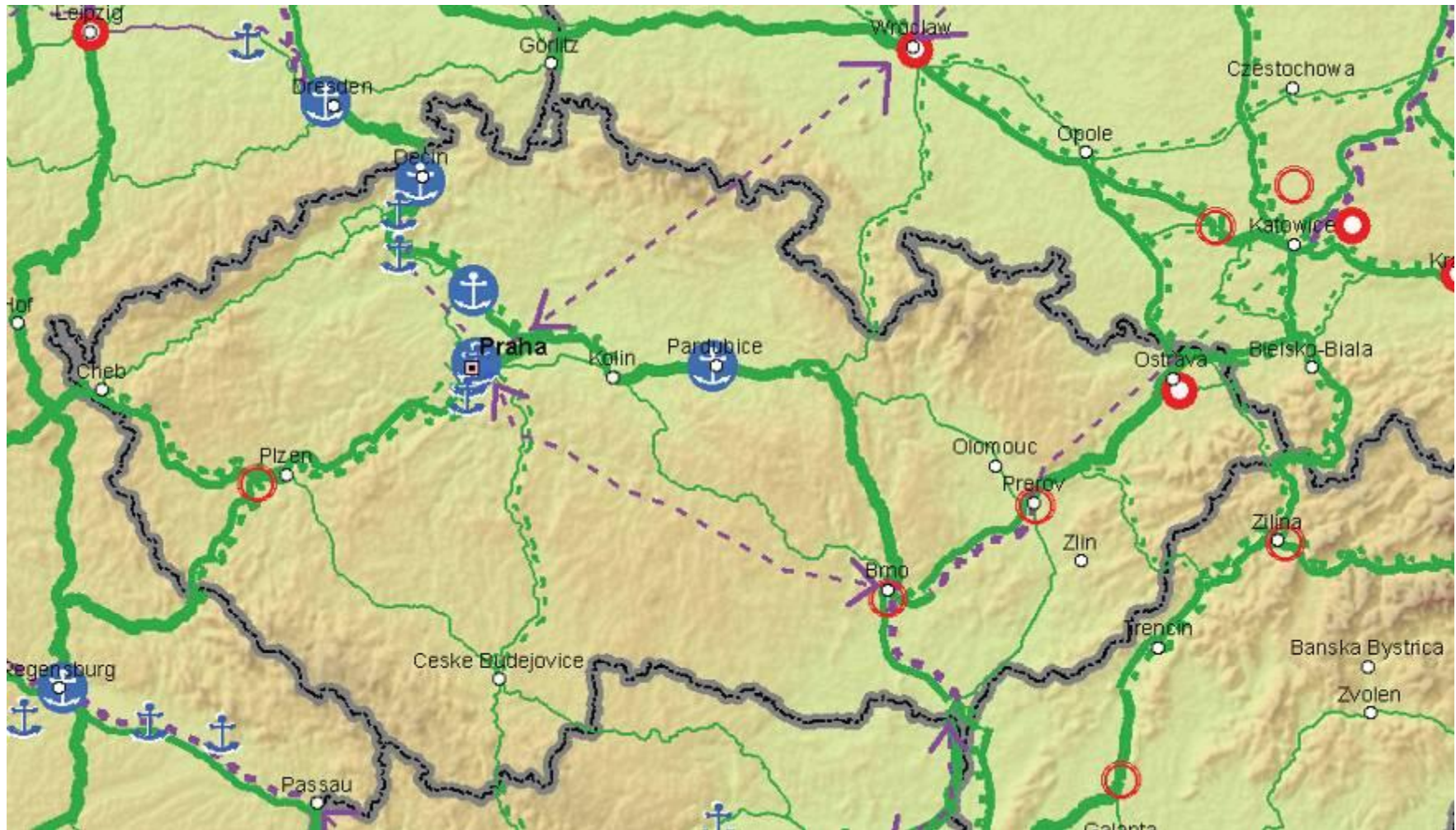
- CZ can propose projects to be co-funded up to 85% under the € 10 bn ring fenced from the Cohesion fund
- CZ could also apply for projects under the other € 21.7 bn of the CEF, with TEN-T rates
- CZ has a good project portfolio on Core Network and Corridors, as discussed between the authorities and the Commission
 - » More than € 5 bn of eligible projects on the Core Network

CZ transport system and the Connecting Europe Facility

- CZ is well covered by the list of pre-identified projects under the Annex 1 of the CEF Regulation
 - » **Corridor 1: Baltic –Adriatic:**
 - Upgrading of rail section Katowice - Ostrava - Brno - Wien
 - » **Corridor 4: Hamburg – Rostock – Piraeus – Lefkosia**
 - Dresden – Praha, studies for high-speed rail
 - Praha rail freight bypass
 - Rail connection to Praha airport
 - Dresden - Praha – Pardubice River Elbe upgrading
 - Děčín locks, studies
 - Breclav – Bratislava, Rail cross-border upgrading
 - » **Other Sections on the Core Network (rail)**
 - München - Praha
 - Nürnberg – Praha
 - Wroclaw - Praha

● CZ transport system and the Connecting Europe Facility

- Railways, ports and rail-road terminals in CZ, from the TEN-T Guidelines





Thank you for your attention