

Connecting Europe Facility

50 bn euro for major transport, energy and telecom projects

By Isabelle Smets | Monday 17 October 2011

Wednesday 19 October will see the unveiling of the draft regulation setting up the EU's future infrastructure fund, baptised the Connecting Europe Facility ⁽¹⁾. The €50 billion fund will finance the EU's priority transport, energy and telecommunications projects. The proposal will be matched with new EU guidelines for the use of EU funds in each of the three sectors concerned (for the draft guidelines related to the transport network, see *Europolitics* 4268). With this presentation, all rules, conditions and procedures for supporting major infrastructure projects will be on the table. For details on the proposal for energy infrastructure, see 4286).

The infrastructure fund proposal confirms what the Commission proposed, on 29 June, with respect to the budget: the fund will have an allocation of €50 billion, of which €10 billion will come from the Cohesion Fund to finance transport infrastructure projects in eligible member states (ie those with national gross income of less than 90% of the EU average). The greater share of the allocation will go to transport infrastructure: €31,7 billion of the €50 billion total (including the €10 billion from the Cohesion Fund). The other two sectors are practically on an equal footing: €9.2 billion for telecommunication projects and €9.1 billion for energy. The money will serve primarily to finance the transport, energy and telecommunications priority corridors, listed in the annex to the proposal (this list was already included in the technical sheet that came with the proposal on the financial perspectives 2014-2020). The Commission will manage everything, with the assistance of an executive agency like the one that exists for the Trans-European Transport Network (TEN-T).

The fund will provide direct aid for projects or support financial engineering instruments (loans, guarantees, investment funds, debenture loans, etc). It will be possible to combine the two types of support. The idea is to set up an environment that stimulates private investment, which is more necessary than ever as states tighten their budgets. The needs are huge. The Commission's studies show that to meet transport demand, the costs of upgrading EU infrastructure are estimated at more than €1,500 billion for 2010-2030. Completion of the TEN-T alone will take around €500 billion to 2020, of which €250 billion to remove the main bottlenecks. In the energy sector, around €200 billion worth of investments are needed for gas pipelines and electricity grids. To make broadband available to all households by 2020, some €180 billion to €270 billion worth of investments will be needed.

As is the case today, projects will be selected through invitations to tender. The co-financing rate will depend on the sector, type of project and geographic location. For transport, for example, studies can be co-financed at 50% level at most and works at 20% (as a general rule, because the maximum can rise to 30% for projects aimed at reducing bottlenecks and 40% for cross-border sections of projects). The co-financing of traffic management systems will be limited to 20% at most, except for rail. To put in place the future European Rail Traffic Management System (ERTMS), the Commission is willing to finance up to 50% of project costs. For projects to be funded out of the €10 billion from the Cohesion Fund, this fund's co-financing rates will apply, ie a maximum of 75% of project costs. In the energy sector, EU co-financing can amount to 80% of costs for projects of particular importance for energy

security. For telecommunications projects, co-financing can amount to 75% or even 100% in certain cases.

Since performance is the watchword, the Commission makes provision for an evaluation of the infrastructure fund and of the progress of projects in 2017. Transfers between sectors would be possible at that time, excluding the €10 billion from the Cohesion Fund, which will necessarily remain allocated to transport projects. If there are major delays in project implementation, the Commission can decide to cancel EU support.

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⁽¹⁾ *The draft is available at www.europolitics.info > Search = 301536*

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