

COMMITTEE OF THE REGIONS
DIRECTORATE E – Horizontal Policies and Networks
DIRECTORATE C – Consultative Work, COTER Commission



**Background note on the targeted consultation on the Regulation of the European
Parliament and of the Council establishing the Connecting Europe Facility
COM (2011) 665**

The current financial, economic and political crisis has drawn attention to the need for further investment in the area of infrastructure to create growth and further jobs, ensure the mobility of people and goods across Europe and to complete the integration of the Single Market and the economic, social and territorial cohesion of the EU.

In response to these challenges, the Commission is proposing that the next Multi-Annual financial framework for the period 2014-2020, which was announced on 29 June 2011, provide for the creation of a new integrated infrastructure instrument, the Connecting Europe Facility (CEF), which the EU will use to invest in the priority areas of Transport, Energy and Telecommunications. The European Commission delivered its final proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility COM (2011) 665 on 19 October 2011.

The EUR 50 billion budget of the Connecting Europe Facility will be used to finance projects that fill the missing links in Europe's energy, transport and digital backbone. It will also make Europe's economy greener by promoting cleaner modes of transport, high speed broadband connections and by facilitating the use of renewable energy in line with the Europe 2020 Strategy. In addition, the funding for energy networks will further integrate the internal energy market, reduce the EU's energy dependency and bolster the security of supply. By focusing on smart, sustainable and fully interconnected transport, energy and digital networks, the Connecting Europe Facility will truly help complete the European Single Market.

The Commission has singled out a list of projects where additional EU investment can have the most impact. In particular, the Commission expects the Connecting Europe Facility investments to act as a catalyst for further funding from the private and public sector by giving infrastructure projects credibility and lowering their risk profiles. For the first time, the Commission is proposing a single funding instrument and a common legal framework for the three network sectors, staying true to its commitment to create synergies and simplify rules.

The Common Framework and the single funding instrument of the CEF aim to simplify the current EU framework for trans-European network infrastructure funding.

Firstly, the European Commission is attempting to ensure a coherent approach to EU project financing across all three sectors (transport, energy and telecommunications).

Secondly, the European Commission anticipates that the Common Framework of the CEF for infrastructure projects will achieve economies of scale due to administrative cost savings, the more efficient use of resources and the higher returns which will result from these synergies.

Furthermore, it will create a more transparent, coherent and simplified approach to EU financing, which should help promote a more investment-friendly atmosphere capable of attracting the private sector financing needed to achieve the EU's objectives. In addition, the initiative will allow further cooperation between the three sectors, and thus increase the exchange of best practices. This will, in turn, enhance the effectiveness and efficiency of EU financing in every sector of investment.

Connecting Europe Facility: Transport

The CEF instrument will invest a total of EUR 31.7 billion in helping to upgrade Europe's transport infrastructure by completing missing links and removing bottlenecks. Of this amount, a total of some EUR 10 billion will be ring-fenced in the Cohesion Fund for investment in transport projects in the relevant cohesion countries. The remaining EUR 21.7 billion will be earmarked for transport infrastructure investments in all Member States.

Transport systems in Europe have traditionally been developed along national lines and are therefore not fully adapted to the mobility of goods and people throughout Europe. The development of trans-national transport corridors is therefore absolutely vital for achieving the objectives of the Single Market, cohesion policy and the Europe 2020 strategy. Accordingly, the European Commission has identified a Europe-wide 'core network' made up of multi-modal corridors, which carry freight and passenger traffic with high efficiency and low emissions. The investment will help to improve the efficiency and sustainability of existing infrastructure and will also complete the missing links and alleviate bottlenecks.

Connecting Europe Facility: Energy

The Commission's proposed regulation on the guidelines for the implementation of European energy infrastructure priorities outlines twelve main infrastructure priority corridors and areas, four in each of the following sectors: electricity, gas transportation (including the deployment of smart grids), electricity highways and cross-border carbon dioxide networks.

The development of the electricity and gas networks alone will cost an estimated EUR 200 billion by 2020. The Commission anticipates that half of this total investment will be financed by the market, whilst the other half will require public action to leverage the necessary private investments.

Connecting Europe Facility: Telecommunications

The main EU objective in the telecommunications sector is to remove the digital bottlenecks holding back the completion of the Digital Single Market. To achieve this objective, the EU aims to create a whole broadband network and to establish key digital service infrastructure platforms to enable the coherent digital deployment of European public services. Both these networks are vital for achieving the EU's Digital Agenda and for contributing to the EU 2020 objective of smart growth. As highlighted above, the investments required to achieve these objectives by 2020 are estimated to amount to upwards of EUR 270 billion. However, the European Commission believes that without EU public intervention, the private sector will only invest the rather modest sum of EUR 50 billion. As the social benefits to be gained from investment in digital infrastructure are of such importance for both Europe's citizens and the Single Market, public intervention is vital for stimulating the market.
