



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 8 July 2013

11840/13

**Interinstitutional File:
2011/0302 (COD)**

LIMITE

**TRANS 366
FIN 398
CADREFIN 173
POLGEN 131
REGIO 143
ENER 346
TELECOM 189
COMPET 537
MI 599
ECO 128
CODEC 1658**

REPORT

from: Council General Secretariat
to: COREPER

No. prev. doc.: 11266/13 TRANS 342 FIN 353 CADREFIN 152 POLGEN 113 REGIO 132
ENER 326 TELECOM 175 COMPET 509 MI 566 ECO 123 CODEC 1532

No. Cion prop.: 16176/11 CADREFIN 117 POLGEN 177 REGIO 111 ENER 345 TRANS 292
TELECOM 161 COMPET 472 MI 533 ECO 129
+ REV 4 + ADD 1 + ADD 2

Subject: Proposal for a Regulation of the European Parliament and of the Council
establishing the Connecting Europe Facility (first reading)
– *Analysis of the final compromise text with a view to agreement*

Introduction

On 24 October 2011, the Commission transmitted the above mentioned proposal to the EP and to the Council. The Connecting Europe Facility (hereinafter referred to as the CEF) is part of the package proposed in the context of the next MFF.

Content of the proposal

The proposed Regulation lays down the general rules for the granting of Union financial assistance in the field of the trans-European transport, energy and telecommunication networks, replacing the existing legal bases. Sectoral policy guidelines (TEN-T Guidelines, TEN-E Guidelines and INFSO Guidelines) determining priorities and complementary measures of implementation are also proposed in each sector. The TEN-E Guidelines were agreed and published in the Official Journal¹. A first reading agreement was reached recently on the TEN-T Guidelines as well.

Work within Council bodies

The examination of the proposal by the Budget Committee and subsequently by the Friends of the Presidency (CEF) working group (hereafter "the Working Group") started in January 2012. In February 2012, the Budget Committee also examined the impact assessment related to the proposal.

As some budgetary provisions of the CEF were related to the ongoing negotiations on the next MFF and on the new Financial Regulation, the Transport, Telecommunications and Energy Council adopted a partial general approach on 7 June 2012. A progress report was presented to the Transport, Telecommunications and Energy Council on 20 December 2012 and on 10 June 2013.

Work within the EP

In November 2011, the EP nominated Mr Riquet (EPP - FR), Mrs Ayala Sender (S&D - ES) and Mrs Valean (ALDE - RO) as co-rapporteurs. On 18 December 2012, the Joint TRAN-ITRE committee adopted the EP first reading amendments.

¹ OJ L 115, 25.4.2013, p. 39.

NEGOTIATIONS WITH THE EUROPEAN PARLIAMENT

The TRAN amendments were examined by the Working Group at its meetings on 13 and 22 February, 12 and 24 April, 21 and 30 May 2013, 12, 17 and 20 June 2013.

From February 2013, the Presidency held several technical meetings as well as a eight informal trilogues (on 19 March, 16 April, 15, 22 and 28 May, 18, 20 and 27 June 2013) with the European Parliament.

In view of the final trilogue on 27 June, intensive discussions took place in Coreper on 26 June to identify the necessary compromise proposals for a first reading agreement on this file. At this trilogue, the EP could accept most of the changes which had been discussed at Coreper on 26 June.

Only a few changes were requested by the EP in order to reach a first reading agreement in this file:

1. In recital 7, the EP insisted on including a reference to interoperability.
2. The EP suggested to slightly redraft the wording on public financial assistance to broadband in recitals 23 and 23a by including a reference to financial instruments. Likewise, the EP asked to include part of its amendment 30 on telecommunications in recital 42b.
3. The EP also requested the inclusion of a sentence in recital 48i in relation to the eligibility of projects of common interest in third countries for which the TEN-T Guidelines do not include indicative maps.
4. The EP asked to underline in recital 48h that the CEF is made EEA relevant to allow the participation of EFTA States in CEF, in particular in the field of telecommunications.
5. Concerning the flexibility mechanism (recital related to Article 5), the EP asked for the inclusion of a reference indicating that "*A text will be agreed in the light of the MFF outcome*".
6. In the second indent of Article 7(4), the EP asked the deletion of the words "*as a rule*".

7. In Article 10(4)(d), the EP asked for the words "*horizontal priorities*" to be replaced by "*horizontal actions*", in order to align the wording with the revised Commission proposal for telecommunications guidelines.
8. The EP asked for Article 17(4) to be deleted (strategic orientations for projects of common interest in multiannual work programmes for the energy and telecommunications sectors).
9. The EP could accept the compromise on delegated acts endorsed by Coreper on 26 June with two precisions:
 - Recital 48f will clarify that the first part applies to the three sectors, while its last part referring to digital services will apply to telecom sector only;
 - the last sentence of part VI of the Annex will be aligned with the text of Article 11(1).

If endorsed by both co-legislators, the text will undergo further legal-linguist revision in all language versions before being adopted by the plenary of the European Parliament.

CONCLUSION

Following the above, the Permanent Representatives Committee is invited to:

- examine and approve the final compromise text in the Annex with a view to reaching an agreement at first reading with the European Parliament;
- allow the Presidency to send a letter to the European Parliament stating that if the plenary of the European Parliament were to adopt, subject to previous revision of the text by the legal-linguist experts, the amended text of the draft Regulation in the same form as set out in the Annex to this report, the Council would adopt the Regulation in the form of the Commission proposal as thus amended by the Parliament.

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
ESTABLISHING THE CONNECTING EUROPE FACILITY**

(Text with EEA relevance)

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 172 thereof,

- (1) In order to achieve smart, sustainable and inclusive growth and to stimulate job creation in line with the objectives of the Europe 2020 Strategy¹, the Union needs up-to-date, high-performance infrastructure to help connect and integrate the Union and all its regions, in the fields of transport, energy and telecommunications. Those connections should help improve the free movement of persons, goods, capital and services. The trans-European networks should facilitate cross-border connections, foster greater economic, social and territorial cohesion, and contribute to a more competitive social market economy and to combating climate change.
- (2) The aim of the creation of the Connecting Europe Facility (CEF) is to accelerate investment in the field of trans-European networks and leverage funding from both the public and the private sectors, while increasing legal certainty and respecting the principle of technological neutrality. The CEF should enable synergies between the transport, energy and telecommunications sectors to be harnessed to the full, thus enhancing the effectiveness of Union action and enabling implementing costs to be optimised.
- (2b) According to the European Commission, the estimated investment requirement for trans-European networks in the transport, energy and telecommunications sectors for the period up to 2020 is EUR 970 000 000 000.

- (3) The financial envelope for the implementation of the CEF for the period 2014 to 2020 should be EUR [XXX]², which is to be the prime reference for the budgetary authority during the annual budgetary procedure, within the meaning of point [17] of the Interinstitutional agreement of XX/XX/2013 between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management.
- (3a) In order to optimise the use of budgetary funds allocated to the CEF, the Commission should, following the midterm evaluation of the CEF, be able to propose to transfer appropriations between the sectors; this proposal should be subject to the annual budgetary procedure.
- (3b) The EUR 10 000 000 000 transferred from the Cohesion Fund should not be used to commit budgetary resources to financial instruments under this Regulation before 31/12/2016.
- (4) The creation of efficient transport and energy infrastructure networks is one of the 12 key actions identified by the Commission in its Communication on a Single Market Act³.

² Commission figures: EUR 31 694 000 000, including EUR 10 000 000 000 for Cohesion countries (transport), EUR 9 121 000 000 (energy), EUR 9 185 000 000 (telecommunications). European Council figures: EUR 23 174 000 000, including EUR 10 000 000 000 for Cohesion countries (transport), EUR 5 126 000 000 (energy), EUR 1 000 000 000 (telecommunications). Figures pending agreement on the Multiannual Financial Framework for the period 2014-2020.

³ Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions "Single Market Act Twelve levers to boost growth and strengthen confidence "Working together to create new growth"", 13.4.2011, COM(2011) 206 final.

- (5) The Commission has committed to mainstream climate change into Union spending programmes and to direct at least 20% of the Union budget to climate-related objectives. It is important to ensure that climate change mitigation and adaptation as well as risk prevention and management are promoted in the preparation, design and implementation of projects of common interest. Infrastructure investments covered by this Regulation should contribute to promoting the transition to a low-carbon and climate- and disaster-resilient economy and society, taking into account the specificities of regions with natural and demographic disadvantages, in particular the outermost and island regions. In the energy and transport sectors in particular, the CEF should contribute to the Union's mid-term and long-term objectives in terms of decarbonisation.
- (6) The European Parliament in its 8 June 2011 Resolution on "Investing in the future: a new Multiannual Financial Framework ("MFF") for a competitive, sustainable and inclusive Europe" stressed the importance of ensuring the rapid execution of the Union's Digital Agenda and of continuing efforts towards reaching by 2020 the targets of making the access to high-speed internet available to all Union citizens, also in less developed regions.⁴ The European Parliament also underlined that investing in effective transport infrastructure had a key role for Europe to defend its competitiveness and pave the way for post crisis, long term economic growth and that the trans-European transport network ("TEN-T") was vital in order to guarantee the proper functioning of the internal market and provide important Union added value. The European Parliament expressed that it strongly believed that TEN-T should, accordingly, be a key priority in the MFF and that an increase in TEN-T funds is necessary in the MFF. In addition, the Parliament emphasised the need to maximise the impact of Union funding and the opportunity offered by the Cohesion and Structural Funds and financial instruments to fund key national and cross-border European priority energy infrastructure projects and stressed the need for a substantial allocation from the Union budget for financial instruments in this field.

⁴ European Parliament resolution 2010/2211(INI).

- (6a) With a view to financing infrastructure in cross-border regions as part of the development of the networks as a whole, synergies should be encouraged between the financial instruments of the CEF and other EU funds.
- (7) On 28 March 2011, the Commission adopted the White Paper "A Roadmap to a Single Transport Area — Towards a competitive and resource-efficient transport system"⁵. The White Paper aims at reducing by at least 60% the greenhouse gas emissions ("GHG") of the transport sector by 2050 with respect to 1990. As far as infrastructure is concerned, the White Paper aims at establishing a fully functional and Union-wide multimodal TEN-T 'core network' by 2030. Interoperability could be enhanced by innovative solutions that improve compatibility between the systems involved. The White Paper also aims at optimising the performance of multimodal logistic chains, including by making greater use of more energy-efficient modes. Therefore, it sets the following relevant targets for TEN-T policy: 30% of road freight over 300 km should shift to other modes by 2030, and more than 50% by 2050; the length of the existing high-speed rail network should triple by 2030 and by 2050 the majority of medium-distance passenger transport should go by rail; by 2050, all core network airports should be connected to the rail network; all seaports to the rail freight and, where possible, to the inland waterway system.
- (8) The European Parliament, in its resolution of 6 July 2010 on a sustainable future for transport, emphasised that an efficient transport policy required a financial framework that was appropriate to the challenges arising and that, to that end, the current resources for transport and mobility should be increased, it further considered necessary the creation of a facility to coordinate and optimise the use of different sources of transport funding and of all the financial means and mechanisms available at Union level.

⁵ A Roadmap to a Single Transport Area (COM(2011) 144).

- (9) The Transport, Telecommunication and Energy (TTE) Council, in its conclusions of 11 June 2009 on the TEN-T policy review⁶ reaffirmed the need to continue investing in transport infrastructure to ensure proper development of the TEN-T in all transport modes, as a basis for the internal market and competitiveness, economic, social and territorial cohesion of the Union and its connection to neighbouring countries, focusing on the European added value. The Council underlined the need for the Community to make available the financial resources necessary to stimulate investment in TEN-T projects and, in particular, the need to reconcile adequate financing support from the TEN-T budget to the priority projects which involve relevant cross-border sections and the implementation of which would extend beyond 2013 within the institutional constraints of the financial programming framework. In the view of the Council, public-private partnership approaches should be further developed and supported in this context where appropriate.
- (10) On the basis of the objectives set by the White Paper, the TEN-T guidelines as laid down in Regulation (EU) No XXX/2012 of the European Parliament and of the Council of ... identify the infrastructure of the TEN-T, specify the requirements to be fulfilled by it and provide for measures for their implementation. The guidelines envisage in particular the completion of the core network by 2030 through the creation of new infrastructure as well as the substantial upgrading and rehabilitation of existing infrastructure.
- (11) Based on an analysis of the transport infrastructure plans of Member States, the Commission estimates that investment needs in transport amount to EUR 500 billion in the entirety of the TEN-T network for the period 2014-2020, of which an estimated EUR 250 billion will need to be invested in the core network of the TEN-T.

⁶ Council document 10850/09.

- (11a) The geographical alignment of Rail Freight Corridors foreseen under Regulation (EU) No 913/2010⁷ and core network corridors under Part I of the Annex to this Regulation should be ensured where appropriate, taking into consideration the objectives of the respective instruments, in order to reduce administrative burden and streamline the development and use of the railway infrastructure. The Rail Freight Corridors should be subject solely to the provisions of Regulation (EU) No 913/2010, including for changes to their alignment.
- (12) Within the framework of the TEN-T policy review launched in February 2009, a dedicated expert group was created to support the Commission and look into the issue of the funding strategy and financing perspectives for the TEN-T. Expert Group No 5 drew from the experience of external experts from various fields: infrastructure managers, infrastructure planners, national, regional and local representatives, environmental experts, academia, and private sector representatives. The final report of Expert Group No 5⁸ adopted in July 2010 contains 40 recommendations, some of which have been taken into account in this Regulation. The report recommends *inter alia* that the Commission should provide a standard framework for the blending of EU Grants and (TEN-T) PPPs, covering both the Cohesion funds and the TEN-T budget.

⁷ Regulation (EU) No 913/2010 of the European Parliament and of the Council of 22 September 2010 concerning a European rail network for competitive freight, OJ L 276, 20.10.2010, p. 22–32.

⁸ http://ec.europa.eu/transport/infrastructure/ten-t-policy/review/doc/expert-groups/expert_group_5_final_report.pdf.

(13) Experience with the current financial framework shows that some Member States which are eligible for the Cohesion Fund are facing significant obstacles in delivering on time complex cross-border transport infrastructure projects with a high Union added value, as well as allowing efficient use of European funds. Therefore, in order to improve the delivery of transport projects – in particular cross-border ones – with a high Union added value, part of the Cohesion Fund allocation (EUR 10 billion) should be transferred to finance transport projects on the transport core network or transport projects related to horizontal priorities in the Member States eligible for the Cohesion Fund under the CEF. In an initial phase, the selection of projects eligible for financing should respect the national allocations under the Cohesion Fund. The Commission should support Member States eligible for the Cohesion Fund to develop an adequate pipeline of projects, in particular by strengthening the institutional capacity of the public administrations concerned and by organising additional calls for proposals, while ensuring a transparent process for the selection of projects.

(13aa) The EUR 10 000 000 000 transferred from the Cohesion Fund [Regulation XXXX Article XX] to be spent exclusively in Member States eligible for funding from the Cohesion Fund should not be used to finance actions with synergies between sectors contributing to projects of common interest resulting from a multi-sectoral call for proposals.

(13a) Institutional and administrative capacity are essential prerequisites for effective delivery of the objectives of the CEF. The Commission should, insofar as possible, offer appropriate means of support to permit the design and implementation of projects in the Member State concerned.

- (14) In the Communication on "Energy infrastructure priorities for 2020 and beyond – a Blueprint for an integrated energy network" adopted in November 2010⁹, the Commission identified the priority corridors, which are necessary to allow the Union to meet its ambitious energy and climate targets by 2020 for completing the internal energy market, ensuring security of supply, enabling the integration of renewable sources of energy and to prepare the networks for further decarbonisation of the energy system beyond 2020.
- (15) Major investments are needed to modernise and expand Europe's energy infrastructure and to interconnect networks across borders and end the energy isolation of Member States, in order to meet the Union's energy and climate policy objectives of competitiveness, sustainability and security of supply in a cost-effective way. According to the Commission, the estimated investment needs in energy infrastructure up to 2020 amount to EUR 1 trillion, including approximately EUR 200 billion in electricity and gas transmission and storage infrastructures considered to be of European relevance. Among projects of European relevance, approximately EUR 100 billion of investments is at risk of not being delivered due to obstacles related to permit granting, regulation and financing, according to the Commission Staff Working Paper submitted to the Transport, Telecommunications and Energy Council of 10 June 2011, entitled "Energy infrastructure investment needs and financing requirements".
- (16) The urgency to build the energy infrastructure of the future and the significant increase in investment volumes compared to past trends requires a step change in the way energy infrastructure is supported at EU level. In its conclusions¹⁰, the Transport, Telecommunication and Energy (TTE) Council of 28 February 2011 endorsed the energy corridors as priorities for Europe.

⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Energy infrastructure priorities for 2020 and beyond – a Blueprint for an integrated energy network", 17.11.2010, COM(2010) 677 final.

¹⁰ Council document 6950/11.

- (17) As regards the energy sector, the 4 February 2011 European Council called upon the Commission to streamline and improve authorisation procedures and to promote a regulatory framework attractive to investment. The European Council underlined that the bulk of the investment would have to be delivered by the market with costs recovered through tariffs. The European Council recognised that public finance is needed for projects required from a security of supply or solidarity perspective, which are unable to attract market-based financing. It furthermore underlined the need to modernise and expand Europe's energy infrastructure and to interconnect networks across borders, in order to make solidarity between Member States operational, to provide for alternative supply or transit routes and sources of energy and to develop renewable energy sources in competition with traditional sources. It insisted that the internal market should be completed by 2014 so as to allow gas and electricity to flow freely and that no Member State should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardised by lack of the appropriate connections. The first two annual work programmes adopted under this regulation should give priority consideration to projects of common interest and related actions aiming at ending energy isolation and eliminating energy bottlenecks, towards the completion of the Internal Energy Market.
- (18) Regulation (EU) No XXX/2012 of the European Parliament and of the Council of ... [Guidelines for trans-European energy infrastructure]¹¹ defines trans-European energy infrastructure priorities, which should be implemented by 2020 to meet the Union's energy and climate policy objectives; sets rules to identify projects of common interest necessary to implement these priorities, introduces measures in the field of permit granting, public involvement and regulation to speed up and/or facilitate the implementation of these projects, including criteria for general eligibility of such projects for Union financial aid.

¹¹ OJ L..., p.

- (19) Telecommunications are increasingly becoming internet-based infrastructures, with broadband networks infrastructure catalysing the use of digital services across a whole range of activities in society. The internet is becoming the dominant platform for communication, for doing business, for providing public and private services, and for social and cultural cohesion. Furthermore, cloud computing and software-as-a-service emerge as the new paradigms of computing. Therefore, the trans-European availability of ubiquitous, fast internet access and innovative digital services is essential for economic growth and the single market.
- (20) Modern fast internet networks are a crucial infrastructure for the future in terms of connectivity for European companies, in particular SMEs, that want to use cloud computing in order to improve cost-efficiency. In order to avoid duplication of infrastructure, prevent the displacement of private investment and enhance capacity-building to create new investment opportunities and to promote the implementation of cost-reduction measures, actions should be taken to improve coordination of Union support to broadband from the CEF and broadband support from all other available sources, including through national broadband plans.
- (21) The Europe 2020 Strategy calls for the implementation of the Digital Agenda for Europe that establishes a stable legal framework to stimulate investment in an open and competitive high-speed internet infrastructure and in related services. The aim should be for Europe to have the fastest broadband in the world by 2020 based on state-of-the-art technologies.
- (22) On 31 May 2010, the Council concluded that Europe should put the necessary resources into the development of a digital single market based on fast and ultra-fast internet and interoperable applications, and acknowledged that efficient and competitive investment in next-generation broadband networks would be necessary for innovation, consumer choice and the competitiveness of the Union, and could provide better quality of life through better health care, safer transport, new media opportunities and easier access to goods, services and knowledge, in particular across borders.

- (23) The private sector should play a leading role in rolling out and modernising broadband networks, supported by a competitive and investment-friendly regulatory framework. Where private investment falls short, Member States should undertake the necessary efforts to achieve the targets of the Digital Agenda. Public financial assistance to broadband should be limited to financial instruments for programmes or initiatives targeting projects which cannot be solely financed by the private sector, confirmed by an ex-ante assessment identifying market imperfections or sub-optimal investment situations.
- (23a) Consequently, it is essential to stimulate, in accordance with the principle of technological neutrality, Union-wide deployment of fast and ultra-fast broadband networks and to facilitate the development and deployment of trans-European digital services. Public investment through financial instruments in fast and ultra-fast broadband networks must not lead to market distortions or create disincentives to invest. It should be used to attract private investment and only in cases where there is a lack of commercial interest to invest.
- (25) Several methods of implementation are necessary and require different funding rates and financial instruments to increase the efficiency and impact of the Union financial aid, to encourage private investment, and to respond to the specific requirements of individual projects.
- (29) A Regulation of the European Parliament and of the Council on guidelines for trans-European telecommunications networks will identify the criteria under which projects of common interest may be financially supported under this Regulation.
- (30) Horizon 2020 – the Framework Programme for Research and Innovation –will focus inter alia on tackling societal challenges (e.g. smart, green, accessible and integrated transport, secure, clean and efficient energy, and information- and communication technology-enabled health, government and sustainable development) in order to respond directly to the challenges identified in the Europe 2020 Strategy by supporting activities covering the entire spectrum from research to market. Horizon 2020 will support all stages in the innovation chain, especially activities closer to the market including innovative financial instruments. With the aim of ensuring that the Union funding has a greater impact, and in order to ensure coherence, the CEF will develop close synergies with Horizon 2020.

- (30a) In its Communication entitled "Towards a European road safety area: policy orientations on road safety 2011-2020", the Commission set a framework for policy actions in favour of safe infrastructure as a key element to reduce road casualties by 50% by 2020. The CEF should therefore ensure that requests for Union funding comply with the safety requirements, recommendations and targets established in all relevant Union legislation on road safety. The evaluation of the performance of the CEF should take into account the reduction of casualties on the road network of the EU 28.
- (31) The European Union and most Member States are party to the United Nations Convention on the Rights of Persons with Disabilities while the remaining Member States are in the process of ratifying it. It is important in the implementation of the relevant projects that accessibility for persons with disabilities as mentioned in Article 9 of the Convention is considered in the specification of the projects.
- (34) Even though a large proportion of the investment under the Europe 2020 Strategy can be delivered by markets and regulatory measures, the financing challenges may require public interventions and Union support by grants and innovative financial instruments.
- (34a) In order to optimise the utilisation of the Union's budget, grants should be targeted at those projects which receive insufficient financing from the private sector.
- (34b) Rail projects should not be excluded from receiving grants under this Regulation because they generate mandatory income on the basis of the directive 2012/34/EU establishing the single European railway area.

(34d) Fiscal measures in many Member States will drive or have already driven public authorities to reassess their infrastructure investment programmes. In this context, PPPs have been viewed as an effective means of delivering infrastructure projects ensuring the achievement of policy objectives such as combating climate change; promoting alternative energy sources as well as energy and resource efficiency, supporting sustainable transport and the deployment of broadband networks. The Commission committed in its PPP Communication of 19 November 2009¹² to improving access to finance for PPPs by broadening the scope of existing financial instruments.

(35) The EU Budget Review emphasised that the norm for projects with long-term commercial potential should be the use of Union funds in partnership with the financial and banking sectors, particularly the European Investment Bank (“EIB”) and Member States’ public financial institutions, but also with other international financial institutions and the private financial sector, including at national and regional level.

(35a) Financial instruments should be used to address specific market needs, for actions which have a clear European added value and which are in line with the objectives of the CEF, and should not crowd out private financing. They should improve the leverage effect of the Union's budget spending and achieve a higher multiplier effect in terms of attracting private-sector financing. This is particularly relevant in the context of difficulties in accessing credit and constraints on public finances, and in view of the need to underpin Europe's economic recovery. Before deciding to use financial instruments, the Commission should carry out an ex-ante assessment of the instrument concerned, as set out in Article 140(2)(f) of Regulation (EU) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union.

¹² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions “Mobilising private and public investment for recovery and long term structural change: developing Public Private Partnerships”, COM(2009) 615 final.

- (36) In the Europe 2020 Strategy, the Commission pledged to mobilise Union financial instruments as part of a consistent funding strategy, that pulls together Union and national public and private funding for infrastructures. This is based on the rationale that in many cases sub-optimal investment situations and market imperfections may be more efficiently tackled by financial instruments than by grants.
- (37) The CEF should propose financial instruments to promote substantial participation by private sector investors and financial institutions in infrastructure investment. To be sufficiently attractive to the private sector, financial instruments should be designed and implemented with due regard to simplification and reduction of administrative burden, but at the same time with a sufficient level of flexibility to be able to respond to identified financing needs in a flexible manner. The design of these instruments should draw upon the experience gained in the implementation of financial instruments in the 2007-2013 Multi-Annual Financial Framework, such as the Loan Guarantee instrument for TEN-T projects (LGTT), the Risk Sharing Finance Facility (RSFF), the 2020 European Fund for Energy, Climate Change and Infrastructure (the “Marguerite Fund”) and the Europe 2020 Project Bond Initiative.
- (37a) The potential for innovative financial instruments, such as project bonds, to support the financing of transport infrastructure with European added value should be explored, in line with the results of ex-ante assessments and other related evaluations, notably the independent evaluation of the project bond initiative in 2015.
- (37b) In order to optimise the use of budgetary funds allocated to the CEF, the Commission should ensure continuity of all financial instruments established under Regulation (EC) No 680/2007 and project bonds established under Decision 1639/2006/EC within their succeeding debt and equity financial instruments under this Regulation, on the basis of an ex-ante assessment, as set out in Article 140(2)(f) of Regulation (EU) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union.

(38) When selecting the most effective form of financial aid, due consideration should be given to the sector- and project-specific characteristics of eligible projects. To allow for the most efficient use of the Union budget and to enhance the multiplier effect of EU financial assistance, in the energy sector, to the extent possible and subject to market take-up, the Commission should endeavour to give priority to the use of financial instruments whenever appropriate, whilst respecting the ceiling for the use of financial instruments in accordance with the provisions of Article 14(1a) and Article 20(3). Energy project promoters should be encouraged to explore the possibility of using financial instruments before applying for grants for works. In this respect, the Commission should give appropriate support to maximise the uptake of financial instruments.

(38a) Projects of common interest in the fields of electricity, gas and carbon dioxide should be eligible to receive Union financial assistance for studies and, under certain conditions, for works in the form of grants or in the form of innovative financial instruments. This will ensure that tailor-made support can be provided to those projects of common interest which are not viable under the existing regulatory framework and market conditions. In the field of energy, it is important to avoid any distortion of competition, in particular between projects contributing to the achievement of the same Union priority corridor. Such financial assistance should ensure the necessary synergies with the Structural Funds, which will finance smart energy distribution networks of local or regional importance. A three-step logic applies to investments in projects of common interest. First, the market should have the priority to invest. Second, if investments are not made by the market, regulatory solutions should be explored, if necessary the relevant regulatory framework should be adjusted, and the correct application of the relevant regulatory framework should be ensured. Third, where the first two steps are not sufficient to deliver the necessary investments in projects of common interest, Union financial assistance could be granted if the project of common interest fulfils the applicable eligibility criteria.

- (38b) Pursuant to article 14 of Regulation (EU) No 347/2013, all projects of common interest falling under the categories set out in Annex II.1, 2 and 4 of Regulation (EU) No 347/2013 are eligible for Union financial assistance in the form of grants for studies and financial instruments. Grants for works may be used for actions contributing to those projects of common interest that, in accordance with Article 14 of Regulation (EU) No 347/2013 [Guidelines for trans-European energy infrastructure] show in particular significant positive externalities and that are not commercially viable, according to the project's business plan and other assessments carried out, notably by potential investors, creditors or the national regulatory authority.
- (39) In order to ensure sectoral diversification of beneficiaries of financial instruments as well as to encourage gradual geographical diversification across the Member States, and with particular attention to those Member States which are eligible for support from the Cohesion Fund, the Commission in partnership with the EIB, through joint initiatives such as the European PPP Expertise Centre (EPEC) and Jaspers, should provide support to the Member States in developing an appropriate pipeline of projects that could be considered for project financing.
- (39a) The financial instruments to be implemented under this Regulation should reflect the rules provided in Title VIII of Regulation (EU) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and the Delegated Act and in line with best practice rules applicable to financial instruments.¹³
- (40) With respect to the conditions for the financial instruments, it might be necessary to add additional requirements in the Work Programmes, for example to ensure competitive markets in view of the development of the Union's policies, technological developments and other factors that may become relevant.

¹³ COM(2011)xxx, A framework for the next generation of financial instruments.

- (41) Multi-annual programming for support from the CEF should be directed towards supporting the Union's priorities by ensuring the availability of the necessary financial resources and the consistency, transparency and continuity of joint action by the Union and the Member States. For proposals submitted following the implementation of the first multiannual work programme in the sector of transport, eligibility of cost should start on 1 January 2014 to ensure the continuity of projects already covered by Regulation (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks.
- (42) Due to the high budget needed for the implementation of some infrastructure projects, there should be a possibility to divide budgetary commitments relative to the financial assistance for some actions into annual instalments.
- (42a) Given the resources available at Union level, concentration on the projects with the highest European added value is necessary to achieve the desired impact. Support should therefore be focussed on the core network and on the projects of common interest in the field of traffic management systems (notably the air traffic management systems resulting from SESAR which require Union budgetary resources of about EUR 3 billion, as well as ITS, VTMS, RIS and ERTMS). In the energy sector, financial aid should focus on completing the internal energy market, ensuring security of supply, promoting sustainability *inter alia* by ensuring the transmission of renewable electricity from generation to centres of demand and storage, and attracting public and private investment. In the telecom sector, financial aid should primarily be targeted at projects that will generate demand for broadband, including the building of a European digital service infrastructure, which should in turn stimulate investment in broadband network deployment.

- (42b) In the energy sector, the budget envisaged should as a priority be allocated in a form of financial instruments, subject to market uptake. Projects of common interest in the telecommunications sector should be eligible for Union financial support in the form of grants and procurement for core service platforms, generic services and horizontal actions. Actions in the field of broadband deployment, including actions generating demand for broadband, should be eligible for Union financial support in the form of financial instruments.
- (42c) According to analysis carried out in the impact assessment for the Regulation on guidelines for trans-European energy infrastructure, the number of projects of common interest contributing the most to the implementation of the strategic energy infrastructure priority corridors and areas is estimated at some 100 in the field of electricity and 50 in the field of gas. Furthermore, based on the expected preponderance of electricity in Europe's energy system over the next two decades it is estimated that the assistance to electricity projects of common interest will require the major part of the energy envelope under the Connecting Europe Facility. While noting that this estimate will be subject to change as more information becomes available, and taking into account the need to ensure compliance with provisions of the Regulation on guidelines for trans-European energy infrastructure, the Commission should give due consideration to electricity projects, with the aim of making the major part of the financial assistance available to these projects over the period 2014 to 2020, subject to market uptake, the quality and maturity of actions proposed and their financing requirements. This aim is without prejudice to any possible re-allocation of available funding for energy projects.
- (43) Mid-term and ex-post evaluations should be carried out by the Commission and communicated to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions in order to assess the effectiveness and efficiency of the funding and its impact on the overall goals of the CEF and the priorities of the Europe 2020 Strategy. The Commission should make public the information about specific projects under the CEF. This information should be updated on an annual basis.

- (44) As far as transport and energy are concerned, on the basis of the sector-specific guidelines laid down in separate Regulations, lists of projects, priority corridors and areas for which this Regulation should apply has been drawn up and should be included in the Annex. As for transport, in order to take into account possible changes in political priorities and technological capabilities, as well as traffic flows, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of adopting amendments to Part I of the Annex and to detail the funding priorities for eligible actions under Article 7(2) to be reflected in the work programmes. The Commission should carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.
- (45) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission as regards multi-annual and annual work programmes. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers¹⁴.
- (46) Council Regulation (EC) 2236/95 of 18 September 1995¹⁵ laying down general rules for the granting of Community financial aid in the field of trans-European networks and Regulation (EC) No 680/2007 of the European Parliament and of the Council should accordingly be repealed.

¹⁴ OJ L 55, 28.2.2011, p. 13.

¹⁵ OJ L 228, 23.9.1995, p. 1.

- (47) The financial interests of the Union should be protected through proportionate measures throughout the expenditure cycle, including the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of penalties in accordance with Regulation (EU) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the annual budget of the Union. The European Parliament should be kept informed of all such measures.
- (47b) In order to ensure broad and fair competition for projects benefitting from CEF funds, the form of the contract should be consistent with the objectives and circumstances of the project. Contract conditions should be drafted in a way as to fairly allocate the risks associated with the contract, in order to maximise cost-effectiveness and achieve the most efficient performance of the contract. This principle should apply irrespectively of whether a national or international contract model is used.
- (48) Some of the infrastructure projects of Union interest might need to link with and pass through neighbourhood, pre-accession and other third countries. The Connecting Europe Facility should offer simplified means of linking and financing these infrastructures, in order to ensure coherence between internal and external instruments of the Union budget.
- (48a) When third countries and entities established in third countries participate in actions contributing to projects of common interest, grants may be available only if the action is unlikely to be sufficiently supported by other forms of financial aid under the Connecting Europe Facility or under other Union programmes.

(48c) In order to take into account the actual level of demand for funding under the specific transport objectives and to give effect to the findings of the mid-term evaluation, where it proves necessary to deviate from the allocation for a specific transport objective set out in Part VI of the Annex by more than 5 percentage points, the power to adopt acts in accordance with Article 290 of the Treaty on the functioning of the European Union should be delegated to the Commission to amend the indicative percentages for each of the specific transport objectives. The indicative allocations for specific transport objectives do not prevent the EUR 10 000 000 000 transferred from the Cohesion Fund [Regulation XXXX Article XX] from being spent entirely on projects implementing the core network or for projects and horizontal priorities identified in Part I of the Annex to this Regulation. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

(48d) In order to reflect the conclusions drawn from the CEF implementation, including in the mid-term evaluation, the power to adopt acts in accordance with Article 290 of the Treaty on the functioning of the European Union should be delegated to the Commission to modify the list of general orientations to be taken into account when setting award criteria. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

(48e) The general orientation for the Commission to take into account the social, climate and environmental impact, detailed in Part VII of the Annex to this Regulation, should not be applied in the field of energy, in accordance with the approach taken in Article 4(4) of Regulation (EU) No 347/2013 on Guidelines for trans-European energy infrastructure.

- (48f) In the telecommunications sector, the general orientation to take into account the stimulating effect of Union support on public and private investment should only be applicable to those digital service infrastructures which aim at triggering additional investments.
- (48g) The general orientation to take into account the cross-border dimension should not be applicable in relation to broadband networks because all investments into broadband, including those realised within Member States borders, will enhance the connectivity of trans-European telecommunications networks.
- (48h) The participation of European Free Trade Association (EFTA) States which are members of the European Economic Area (EEA) should be in accordance with the conditions laid down in the EEA Agreement. For the purpose of the participation of EFTA States in the CEF, each sector covered by this regulation should be considered a separate programme. The participation of EFTA States in CEF should be foreseen in particular in the field of telecommunications.
- (48i) As far as transport is concerned, for the purpose of the eligibility of project of common interest in third countries under this Regulation, the indicative maps of Annex III of Regulation (EU) no XXX/2013 on the Guidelines for the development of the trans-European transport network should apply. In third countries for which regulation TEN-T does not include indicative maps, projects of common interest should be eligible when there is on-going mutual cooperation with a view to agree on such indicative maps.
- (49) Since the objectives of the action to be taken, and in particular the coordinated, development and financing of the trans-European networks, cannot be sufficiently achieved by the Member States and can therefore, by reason of the need for coordination of these objectives, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as also set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

(50) This Regulation should enter into force on the day following that of its publication in the official Journal of the European Union in order to allow for the timely adoption of the delegated and implementing acts under this Regulation,

TITLE I

COMMON PROVISIONS

CHAPTER I

THE CONNECTING EUROPE FACILITY

Article 1

Subject-matter

This Regulation establishes the Connecting Europe Facility (the "CEF") which determines the conditions, methods and procedures for providing Union financial assistance to trans-European networks in order to support projects of common interest in the sector of transport, energy and telecommunications infrastructures and to exploit potential synergies between those sectors. It also establishes the break-down of the resources to be made available under the Multiannual Financial Framework 2014-2020.

Article 2

Definitions

For the purposes of this Regulation, the following definitions shall apply:

- (1) "*project of common interest*" means a project identified in Regulation (EU) No XXXX/2012 of the European Parliament and of the Council of [to be completed when adopted including date of adoption and full title] [TEN-T Guidelines]¹⁶, Regulation (EU) No XXXX/2012 of the European Parliament and of the Council of [to be completed when adopted including date of adoption and full title] [Guidelines for trans-European energy infrastructure]¹⁷ or the relevant Regulation on guidelines for trans-European telecommunications networks¹⁸,

¹⁶ OJ L ... , p.

¹⁷ OJ L ... , p.

¹⁸ OJ L ... , p.

- (2) '*cross-border section*' means, in the field of transport, the section which ensures the continuity of a project of common interest between the nearest urban nodes on both sides of the border of two Member States or between a Member State and a neighbouring country;
- (2a) '*neighbouring country*' means a country falling within the ambit of the European Neighbourhood Policy including the Strategic Partnership¹⁹, the Enlargement Policy, the European Economic Area or the European Free Trade Association;
- (2b) '*third country*' means any neighbouring country and any other country with which the Union may cooperate to achieve the objectives pursued by this Regulation;
- (3) "*works*" means the purchase, supply and deployment of components, systems and services including software, the carrying out of development and construction and installation activities relating to a project, the acceptance of installations and the launching of a project;
- (4) "*studies*" means activities needed to prepare project implementation, such as preparatory, mapping, feasibility, evaluation, testing and validation studies, including in the form of software, and any other technical support measure, including prior action to define and develop a project and decide on its financing, such as reconnaissance of the sites concerned and preparation of the financial package;

¹⁹ COM(2004) 106 final.

- (5) ‘*programme support actions*’ means, at the level of the programme hereby established, all accompanying measures necessary for its implementation and the implementation of the individual sector-specific guidelines, such as services (notably technical assistance, including for the use of financial instruments), as well as preparatory, feasibility, coordination, monitoring, stakeholder consultation, control, audit and evaluation activities which are required directly for the management of the facility and the achievement of its objectives. These shall include in particular studies, meetings, infrastructure mapping, information, dissemination, communication and awareness raising actions, expenses linked to IT tools and networks focusing on information exchange about the facility, together with all other technical and administrative assistance expenses incurred by the Commission that may be required for the management of the facility or implementation of the individual sector-specific guidelines. Programme support actions shall also include activities required in order to facilitate the preparation of projects of common interest notably in countries eligible to the Cohesion Fund, with a view to obtaining financing under this Regulation or on the financial market. Programmes support actions shall also include, if appropriate, the costs of the Executive Agency entrusted by the Commission for the implementation of specific parts of the Connecting Europe Facility;
- (6) "*action*": means any activity, which has been identified as financially and technically independent, has a set time-frame and is necessary to implement a project of common interest;
- (7) "*eligible costs*" have the same meaning as in Regulation (EU) No XXXX/2012 [New Financial Regulation];
- (8) "*beneficiary*" means a Member State, an international organisation, a public or private undertaking or body that has been selected to receive Union financial aid under this Regulation and in accordance with the arrangements established in the relevant work programme referred to in Article 17;

- (9) "*implementing body*" means a public or private undertaking or body designated by a beneficiary, where the latter is a Member State or an international organisation, to implement the action. Such designation shall be decided upon by the beneficiary under its own responsibility and, if it requires the award of a procurement contract, in compliance with the applicable Union and national public procurement rules;
- (9a) "*comprehensive network*" means the transport infrastructure identified in accordance with Chapter II of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];
- (10) "*core network*" means the transport infrastructure identified according to Chapter III of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];
- (11) "*core network corridors*" means an instrument to facilitate the coordinated implementation of the core network as provided for in Chapter IV of Regulation (EU) No XXXX/2012 [TEN-T Guidelines] [and listed in Part I of the Annex to this Regulation];
- (12) "*bottleneck*" in the transport sector means a physical, technical or functional barrier that leads to a system break affecting the continuity of long-distance or cross-border flows and which can be surmounted by creating new infrastructure, or substantially upgrading existing infrastructure, that could bring significant improvements which will solve the bottleneck constraints;
- (13) "*priority*" means any of the energy infrastructure priorities 1 to 8 and 10 to 12 as designated in Annex I to Regulation (EU) No XXXX/2012 [Guidelines for trans-European energy infrastructure];
- (13b) "*telematic applications*" means the applications as defined in Article 3 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];
- (14) "*energy infrastructure*" means the infrastructure as defined in Article 2 of Regulation (EU) No XXXX/2012 [Guidelines for trans-European energy infrastructure];

- (20a) “*synergies between sectors*” means the existence across at least two of the three sectors covered by this Regulation (transport, energy and telecommunications) of similar or complementary actions that may enable costs or results to be optimised through the pooling of financial, technical or human resources;
- (20b) '*isolated network*' means the rail network of a Member State, or a part thereof, as defined by point (qq) of Article 3 of Regulation (EU) No XXXX/2012 [TEN-T guidelines].

Article 3

General objectives

The Connecting Europe Facility shall enable the preparation and implementation of projects of common interest within the framework of the trans-European networks policy in the sectors of energy, transport and telecommunications. In particular, the Connecting Europe Facility shall support the implementation of those projects of common interest aiming at the development and construction of new infrastructures and services or at the upgrading of existing infrastructures and services, in the field of transport, energy and telecommunications. It shall give priority to missing links, in the field of transport. The Connecting Europe Facility shall also contribute to supporting projects with a European added value and significant societal benefits which do not receive adequate financing from the market. The following objectives apply to the three sectors identified in the CEF:

- (a) contributing to smart, sustainable and inclusive growth, in line with the Europe 2020 Strategy, by developing modern and high performing trans-European networks which take into account expected future traffic flows, thus benefiting the entire European Union in terms of improving competitiveness on the global market and economic, social and territorial cohesion within the Single Market and creating an environment more conducive to private, public or public-private investment through a combination of financial instruments and Union direct support where projects could benefit from such a combination of instruments and by appropriately exploiting synergies across the sectors. The achievement of this objective will be measured by the volume of private, public or public-private partnership investment in projects of common interest, and in particular the volume of private investments in projects of common interest achieved through the financial instruments under this Regulation. Special focus will be on the efficient use of public investment;
- (b) enable the Union to achieve its sustainable development targets, including a minimum 20% reduction of greenhouse gas emissions compared to 1990 levels and a 20% increase in energy efficiency, and raising the share of renewable energy to 20% by 2020, thus contributing to the Union's mid-term and long-term objectives in terms of decarbonisation, while ensuring greater solidarity among Member States.

Article 4
Specific sectoral objectives

Without prejudice to the general objectives set out in Article 3, the CEF shall contribute to achieving the following specific sectoral objectives:

- (a) In the transport sector, the CEF shall support projects of common interest as identified in Article 7(2) of Regulation (EU) No XXXX/2012 [TEN-T Guidelines] pursuing the objectives set out below, as further specified under Article 4 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines]:
- (i) removing bottlenecks, enhancing rail interoperability, bridging missing links, and, in particular, improving cross-border sections. The achievement of this objective shall be measured by the number of new or improved cross-border connections, the number of kilometres of railway line adapted to the European nominal gauge standard and fitted with ERTMS and the number of removed bottlenecks and sections of increased capacity on transport routes for all modes which have received funding from the CEF, by the length of inland waterway network by class in the [EU-28], the length of the railway network in the [EU-28] upgraded following the requirements set out in Article 45(2) of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];
 - (ii) ensuring sustainable and efficient transport systems in the long run, with a view to preparing for expected future transport flows as well as enabling the decarbonisation of all modes of transport through transition to innovative low-carbon and energy efficient transport technologies, while optimising safety. The achievement of this objective shall be measured by the number of supply points for alternative fuels for vehicles using the TEN-T core network for road transport in the [EU-28], the number of inland and sea ports of the TEN-T core network equipped with supply points for alternative fuels in the [EU-28] and the reduction in casualties on the road network in the [EU-28];

- (iii) optimising the integration and interconnection of transport modes and enhancing interoperability of transport services, while ensuring the accessibility of transport infrastructures. The achievement of this objective shall be measured by the number of multimodal logistic platforms including inland and maritime ports and airports connected to the railway network, and improved rail-road terminals, and the number of improved or new connections between ports through Motorways of the Sea, the number of kilometres of inland waterways fitted with RIS and the level of deployment of SESAR, VTMISS and ITS for the road sector.

The indicators referred to in this paragraph shall not apply to Member States which do not have a rail network or an inland waterway network, as appropriate.

These indicators shall not be understood to constitute selection or eligibility criteria for actions for support from the CEF.

Indicative percentages reflecting the proportion of the overall budgetary resources referred to in Article 5(1)(a) to be allocated to each of the three transport specific objectives are set down in Part VI of the Annex to this Regulation. The Commission shall not deviate from those indicative percentages by more than 5 percentage points.

- (b) In the energy sector, the CEF shall support projects of common interest pursuing one or more of the following objectives:
- (i) increasing competitiveness by promoting the further integration of the internal energy market and the interoperability of electricity and gas networks across borders.

The achievement of this objective shall be measured *ex post* by:

- the number of projects effectively interconnecting Member states' networks and removing internal constraints;
- the reduction or elimination of Member States' energy isolation;

- the percentage of electricity cross border transmission power in relation to installed electricity generation capacity in the relevant Member States;
- price convergence in the gas and/or electricity markets of the Member States concerned; and
- the percentage of the highest peak demand of the two Member States concerned covered by reversible flow interconnections for gas;

(ii) enhancing Union security of energy supply;

The achievement of this objective shall be measured *ex post* by:

- the number of projects allowing diversification of supply sources, supplying counterparts and routes;
- the number of projects increasing storage capacity;
- *system resilience*, taking into account the number of supply disruptions and their duration;
- the amount of avoided curtailment of renewable energy;
- the connection of isolated markets to more diversified supply sources;
- the optimal utilisation of energy infrastructure assets.

(iii) contributing to sustainable development and protection of the environment, inter alia by the integration of energy from renewable sources into the transmission network, and by the development of smart energy networks and carbon dioxide networks.

The achievement of this objective shall be measured *ex post* by:

- the amount of renewable electricity transmitted from generation to major consumption centres and storage sites;

- the amount of avoided curtailment of renewable energy;
- the number of deployed smart grid projects which benefited from the CEF and the demand response enabled by them;
- the amount of CO₂ emissions prevented by the projects which benefited from the CEF.

(ba) The elements in the preceding paragraph 1(b) serving for the ex post measurement of the achievement of the objectives shall not constitute selection or eligibility criteria for actions of support from the CEF.

The conditions for eligibility for Union financial assistance for projects of common interest are set out in Article 14 of Regulation (EU) No 347/2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC, whilst the selection criteria for projects of common interest are set out in Article 4 of that Regulation.

(c) In the telecommunications sector, the CEF shall provide for actions to support projects of common interest pursuing the objectives specified in the relevant Regulation on guidelines for trans-European telecommunications networks.

Article 5

Budget

1. The financial envelope of the CEF for the period 2014 to 2020 shall be [EUR XXX]²⁰. That amount shall be distributed as follows:

[Text on flexibility to be drafted at a later stage in the light of the MFF outcome]

- (a) transport sector²¹: [EUR XXX][, out of which EUR XXX shall be transferred from the Cohesion Fund to be spent in line with this Regulation exclusively in Member States eligible for funding from the Cohesion Fund;]
 - (b) energy sector: [EUR XXX];
 - (c) telecommunications sector: [EUR XXX].
2. The financial envelope of the CEF shall cover expenses pertaining to:
 - (a) actions contributing to projects of common interest and programme support actions, as referred to in Article 7;

²⁰ All figures in constant 2011 prices. The corresponding amounts, expressed in current prices, can be found in the Legislative Financial Statement.

²¹ Commission figures: EUR 31 694 000 000, including EUR 10 000 000 000 for Cohesion countries (transport), EUR 9 121 000 000 (energy), EUR 9 185 000 000 (telecommunications). European Council figures: EUR 23 174 000 000, including EUR 10 000 000 000 for Cohesion countries (transport), EUR 5 126 000 000 (energy), EUR 1 000 000 000 (telecommunications). Figures pending agreement on the Multiannual Financial Framework for the period 2014-2020.

- (b) programme support actions consisting of technical and administrative assistance expenses incurred by the Commission for the management of the Facility, including those necessary to ensure the transition between the Facility and the measures adopted under Regulation (EC) No 680/2007²², up to 1% of the financial envelope; the costs of an executive agency entrusted by the Commission with the implementation of parts of the Facility established by this Regulation shall be included under this ceiling.
3. Following the mid-term evaluation referred to in Article 26(1), the European Parliament and the Council may upon a proposal by the Commission transfer appropriations between the sectors of the allocation set out in paragraph 1, with the exception of the EUR 10 000 000 000 transferred from the Cohesion Fund to finance transport sector projects in the Cohesion Fund eligible Member States.
4. The annual appropriations shall be authorised by the European Parliament and the Council within the limits of the multiannual financial framework.

CHAPTER II

FORMS OF FINANCING AND FINANCIAL PROVISIONS

Article 6

Forms of financial aid

1. The CEF shall be implemented by one or several of the forms of financial aid, provided for by Regulation (EU) No XXXX/2012 [New Financial Regulation], in particular, grants, procurements and financial instruments.

²² Regulation (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy network (OJ L 162, 22.6.2007, p. 1).

- 1a. The work programmes shall establish the forms of financial assistance i.e. grants, procurements and financial instruments that may be used.
2. The Commission may entrust, subject to a cost-benefit analysis, part of the implementation of the Connecting Europe Facility to the bodies referred to in Article 58(1)(a) and Article 62 of Regulation (EU, Euratom) No 966/2012 and notably to the TEN-T Executive Agency, gearing this to the optimum management and efficiency requirements of the Connecting Europe Facility in the three sectors. In addition, the Commission may also entrust part of the implementation of the Connecting Europe Facility to the bodies set out in Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 .

Article 7

Eligibility and conditions for financial assistance

1. Only actions contributing to projects of common interest according to Regulations (EU) No XXXX/2012 [TEN-T Guidelines], (EU) No XXXX/2012 [Guidelines for trans-European energy infrastructure] and the relevant Regulation on guidelines for trans-European telecommunications networks as well as programme support actions as defined in Article 2(5) shall be eligible for support through Union financial aid in the form of grants, financial instruments and procurement.
2. In the field of transport, only actions contributing to projects of common interest *in accordance with* Regulation (EU) No XXX/2012 [TEN-T Guidelines] and programme support actions shall be eligible for support through Union financial aid in the form of procurement and financial instruments under this Regulation. In the form of grants, only the following actions shall be eligible to receive Union financial aid under this Regulation:

- (a) actions implementing the core network according to Chapter III of Regulation (EU) No XXXX/2012 [TEN-T Guidelines], including the deployment of new technologies and innovation according to Article 39 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines] and projects and horizontal priorities identified in Part I of the Annex to this Regulation;
- (aa) actions implementing the comprehensive network according to Chapter II of Regulation (EU) No XXXX/2012 [TEN-T Guidelines], when such actions contribute to bridging missing links, facilitating cross-border traffic flows or removing bottlenecks and when these actions also contribute to the development of the core network or interconnect core network corridors or when such actions contribute to the deployment of ERTMS on principal routes of rail freight corridors as defined in the Annex of Regulation (EU) No 913/2010, up to a ceiling of 5% of the financial envelope for transport as specified in Article 5 of this Regulation;
- (bb) studies for cross-border priority projects defined in Annex III to Decision No 661/2010/EU of the European Parliament and of the Council of 7 July 2010 on Union guidelines for the development of the trans-European transport network;
- (c) actions supporting projects of common interest as defined in Article 8(1)(a), (d) and (e) of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];
- (ca) actions implementing transport infrastructure in nodes of the core network, including urban nodes, defined in Article 47 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];
- (d) actions supporting telematic applications systems in accordance with Article 37 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];
- (e) actions supporting freight transport services in accordance with Article 38 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];

- (f) actions to reduce rail freight noise including by retrofitting of existing rolling stock in cooperation with, inter alia, the railway industry;
- (g) programme support actions;
- (h) actions implementing safe and secure infrastructure in accordance with Article 40 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines];
- (i) actions supporting motorways of the sea as provided for in Article 25 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines].

Transport-related actions involving a cross-border section or a part of such a section shall be eligible to receive Union financial assistance only if there is a written agreement between the Member States concerned or between the Member States and third countries concerned relating to the completion of the cross-border section.

3. In the field of energy, all actions implementing those projects of common interest that relate to the priority corridors and areas referred to in Part II of the Annex to this Regulation and that meet the conditions set out in Article 14 of Regulation (EU) No 347/2013 [Guidelines for trans-European energy infrastructure], as well as programme support actions, are eligible for Union financial assistance in the form of financial instruments, procurement and grants under this Regulation.

To allow for the most efficient use of the Union budget to enhance the multiplier effect of EU financial assistance, the Commission shall provide financial assistance as a priority in the form of financial instruments whenever appropriate, subject to market take-up and whilst respecting the ceiling for the use of financial instruments in accordance with the provisions of Article 14(1a) and Article 20(3).

4. In the telecommunications sector, all actions implementing the projects of common interest and programme support actions identified in the relevant Regulation on guidelines for trans-European telecommunications networks and meeting eligibility criteria laid down in accordance with that Regulation shall be eligible to receive Union financial aid under this Regulation:
- generic services, core service platforms and programme support actions shall be financed through grants and/or procurement;
 - actions in the field of broadband networks shall be financed through financial instruments;
- 4a. Actions with synergies between sectors contributing to projects of common interest eligible under at least two Regulations referred to in article 2(1) shall be eligible to receive financial aid under this Regulation for the purpose of multi-sectoral calls for proposals referred to in article 17(7) only if such an action's components and costs can be clearly separated per sector in the meaning of Articles 7(2), 7(3) and 7(4).

CHAPTER III

GRANTS

Article 8

Forms of grants and eligible costs

1. Grants under this Regulation may take any of the forms provided for by Regulation (EU) No XXXX/2012 [New Financial Regulation].

The work programmes referred to in Article 17 shall establish the forms of grants that may be used to fund the actions concerned.

2. Without prejudice to the Financial Regulation, expenditure for actions resulting from projects included in the first multiannual and annual work programmes may be eligible as from 1 January 2014.
3. Only expenditure incurred in Member States may be eligible, except where the project of common interest involves the territory of third countries and where the action is indispensable to achieve the objectives of the given project.
4. The cost of equipment and infrastructure which is treated as capital expenditure by the beneficiary may be eligible up to its entirety.
5. Expenditure related to environmental studies on the protection of the environment and on compliance with the relevant Union legislation may be eligible.
6. Expenditure related to the purchase of land shall not be an eligible cost, except for funds transferred from the Cohesion Fund in the field of transport in accordance with Article 59 point 3 (b) of Regulation (EU) No XXXX/2012 [Regulation laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provision on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006].
7. Eligible costs shall include value added tax (“VAT”) in accordance with Article 126, paragraph 3(c) of Regulation (EU, EURATOM) N° 966/2012 of the European Parliament and the Council on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, EURATOM) N° 1605/2002.

As regards the EUR 10 000 000 000 transferred from the Cohesion Fund [Regulation XXXX Article XX] to be spent in Member States eligible for funding from the Cohesion Fund, the eligibility rules concerning VAT shall be those applicable to the Cohesion Fund referred to in Article XX of Regulation (EU) No XXXX/2012 [Regulation laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund].

8. Rules on the eligibility of costs incurred by beneficiaries shall apply *mutatis mutandis* to costs incurred by implementing bodies.

Article 9

Conditions for participation

1. Proposals shall be submitted by one or more Member States or, with the agreement of the Member States concerned, by international organisations, joint undertakings, or public or private undertakings or bodies established in Member States.
2. The proposals may be submitted by entities which do not have legal personality under the applicable national law, provided that their representatives have the capacity to undertake legal obligations on their behalf and offer guarantee for the protection of the Union's financial interests equivalent to that offered by legal persons.
3. The proposals submitted by natural persons shall not be eligible.
4. Where necessary to achieve the objectives of a given project of common interest and where duly motivated, third countries and entities established in third countries may participate in actions contributing to the projects of common interest.

They may not receive funding under this Regulation, except where it is indispensable to achieve the objectives of a given project of common interest.

5. [...]
6. Multiannual and annual work programmes referred to in Article 17 may provide additional specific rules on the submission of proposals.

Article 10

Funding rates

1. Except in those cases referred to in Regulation (EU) No XXXX/2012 [New Financial Regulation], proposals shall be selected through calls for proposals based on the work programmes referred to in Article 17.
2. In the transport sector, the amount of Union financial aid shall not exceed:
 - (a) with regard to grants for studies, 50 % of the eligible costs;
 - (b) with regard to grants for works:
 - (i) for rail and road networks in the case of Member States with no railway network established in their territory or in the case of a Member State, or part thereof, with an isolated network without long distance rail freight transport: 20% of the eligible cost; the funding rate may be increased to 30% for actions addressing bottlenecks; the funding rate may be increased to 40% for actions concerning cross-border sections and for actions enhancing rail interoperability;
 - (ia) for inland waterways : 20% of the eligible cost; the funding rate may be increased to 40% for actions addressing bottlenecks and to 40% for actions concerning cross-border sections;

- (ii) for inland transport, connections to and development of multimodal logistics platforms including connections to inland and maritime ports and airports, as well as development of ports: 20 % of the eligible cost;
- (iia) actions to reduce rail freight noise including by retrofitting of existing rolling stock: 20% of the eligible cost up to a combined ceiling of 1% of the budgetary resources referred to in point (a) of Article 5(1);
- (iib) better accessibility to transport infrastructure for disabled persons: 30% of the eligible cost of adaptation works, which shall not exceed in any case 10% of the total eligible cost of works.
- (iii) for actions supporting new technologies and innovation for all modes of transport, 20 % of the eligible cost;
- (iv) for actions to support cross-border road sections, 10 % of the eligible cost;
- (c) with regard to grants for telematic applications systems and services:
 - (i) for land-based components of the European Rail Traffic Management System (ERTMS), of SESAR, of the River Information Services (RIS) and of the Vessel Traffic Monitoring and Information System (VTMIS), 50% of the eligible cost;
 - (ii) for land-based components of Intelligent Transport System (ITS) for the road sector, 20% of the eligible cost;
 - (iii) for on-board components of ERTMS, 50% of the eligible cost;
 - (iv) for on-board components of SESAR, of RIS, of VTMIS and of ITS for the road sector, 20% of the eligible cost, up to a combined ceiling of 5% of the budgetary resources referred to in point (a) of Article 5(1);

- (ii) for actions to support the development of Motorways of the Sea, 30% of the eligible cost.

The Commission shall create conditions conducive to the development of projects involving Motorways of the Sea with third countries.

- (iii) for telematic applications systems other than those mentioned in points (i) to (iv) above, freight transport services, secure parkings on the road core network, 20 % of the eligible cost.

3. In the energy sector:

- (a) the amount of Union financial aid shall not exceed 50 % of the eligible cost of studies and/or works;
- (b) co-financing rates may be increased to a maximum of 75 % for actions which, based on the evidence referred to in Article 14(2) of Regulation (EU) No 347/2013 [Guidelines for trans-European energy infrastructure], provide a high degree of regional or Union-wide security of supply, or strengthen the solidarity of the Union or comprise highly innovative solutions.

4. In the telecommunications sector, the amount of Union financial aid shall not exceed:

- (a) (...)
- (b) for actions in the field of generic services, 75 % of the eligible costs;
- (c) core service platforms shall be typically funded by procurement. In exceptional cases, they may be funded by a grant covering up to 100% of eligible costs, without prejudice to the co-financing principle;
- (d) for horizontal actions including infrastructure mapping, twinning and technical assistance, 75 % of the eligible costs.

5. Co-financing rates may be increased by up to 10 percentage points over the percentages laid down in paragraphs 2, 3 and 4 for actions with synergies between at least two of the sectors covered by the Connecting Europe Facility. This increase should not apply to co-financing rates referred to in Article 11.
6. The amount of financial assistance to be granted to the actions selected shall be modulated based on a cost-benefit analysis of each project, the availability of Union budget resources, and the need to maximise the leverage of Union funding.

Article 11

Specific calls for funds transferred from the Cohesion Fund in the field of transport sector

1. As regards the EUR 10 000 000 000 transferred from the Cohesion Fund [Regulation XXXX Article XX] to be spent exclusively in Member States eligible for funding from the Cohesion Fund, specific calls shall be launched for projects implementing the core network or for projects and horizontal priorities identified in Part I of the Annex to this Regulation exclusively in Member States eligible for funding from the Cohesion Fund.
2. Applicable rules for the transport sector under this Regulation shall apply to these specific calls. Until 31 December 2016, the selection of projects eligible for financing shall respect the national allocations under the Cohesion Fund. As of 1 January 2017, resources transferred to the Connecting Europe Facility which have not been committed to a transport infrastructure project shall be made available to all Member States eligible for funding from the Cohesion Fund to finance transport infrastructure projects in accordance with this Regulation.

- 2a. In order to support Member States eligible for funding from the Cohesion Fund which may experience difficulties in designing projects that are of sufficient maturity and/or quality and which have sufficient added value for the Union, particular attention shall be given to programme support actions under the Connecting Europe Facility aimed at strengthening institutional capacity and the efficiency of public administrations and public services in relation to the development and implementation of projects listed in Part I of the Annex to this Regulation. To ensure the highest possible absorption of the transferred funds in all Member States eligible for funding from the Cohesion Fund, the Commission may organise additional calls.
- 2b. The EUR 10 000 000 000 transferred from the Cohesion Fund (Regulation XXX Article XX) may be used to commit budgetary resources to financial instruments under this Regulation only after 31 December 2016. From 1 January 2017, the EUR 10 000 000 000 transferred from the Cohesion Fund (Regulation XXX, Article XX) may be used to commit budgetary resources to projects for which contractual commitments have already been signed by the entrusted entities.
3. Notwithstanding Article 10, and as regards the EUR 10 000 000 000 transferred from the Cohesion Fund [Regulation XXXX Article XX] to be spent exclusively in Member States eligible for funding from the Cohesion Fund, the maximum funding rates shall be those applicable to the Cohesion Fund referred to in Article 22 and Article 110(3) of Regulation (EU) No XXXX/2012 [Regulation laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006]²³ for the following actions:
- (a) with regard to grants for studies;

²³ COM(2011) 615 final.

- (b) with regard to grants for works:
 - (i) rail and inland waterways;
 - (ii) actions to support cross-border road sections and, in the case of Member States with no rail networks, the TEN-T road network;
 - (iii) for inland transport, connections to and development of multimodal logistics platforms including connections to inland and maritime ports and airports, including automatic gauge-changing facilities, and development of ports including ice-breaking capacities, as well as interconnecting points, with particular attention being given to rail connections, except for Member States with no rail network;
- (c) with regard to grants for telematic applications systems and services:
 - (i) the European Rail Traffic Management System (ERTMS), the River Information Services (RIS) and the Vessel Traffic Monitoring and Information System (VTMIS), SESAR and ITS for the road sector;
 - (ii) telematic applications systems.
 - (iii) actions to support the development of motorways of the sea;
- (ca) with regard to grants for actions supporting new technologies and innovation for all modes of transport.

Article 12

Cancellation, reduction, suspension and termination of the grant

1. The Commission shall cancel, except in duly justified cases, financial aid granted for studies which have not been started within one year following the start date established in the conditions governing the granting of aid or within two years of that date for all other actions eligible for financial aid under this Regulation.

2. The Commission may suspend, reduce, recover or terminate the financial aid according to the conditions set out in Regulation (EU) No XXXX/2012 [New Financial Regulation] or following an evaluation of the progress of the project, in particular in the event of major delays in the implementation of the action.
3. The Commission may request the complete or partial reimbursement of the financial aid granted if, within two years of the finishing date established in the conditions governing the granting of aid, the implementation of the action receiving the financial aid has not been completed.
4. Before the Commission takes any of the decisions provided for in paragraphs 1, 2 and 3, it shall examine the case comprehensively in coordination with the respective bodies mentioned in Article 6(2) and consult the beneficiaries concerned so that they may present their observations within a reasonable timeframe. After the mid-term evaluation, the Commission shall notify the European Parliament and the Council of all decisions taken on the annual adoption of the work programmes under Article 17.

CHAPTER IV

PROCUREMENT

Article 13

Procurement

1. Public procurement procedures carried out by the Commission or one of the bodies referred to in Article 6(2) on its own behalf or jointly with Member States:
 - (a) may provide for specific conditions such as the place of performance of the procured activities, where duly justified by the objectives of the actions and provided such conditions do not infringe the Union and national public procurement principles;
 - (b) may authorise multiple award of contracts within the same procedure ("multiple sourcing").

2. Where duly justified and required by the implementation of the actions, paragraph 1 may also apply to procurement procedures carried out by beneficiaries of grants.

CHAPTER V

FINANCIAL INSTRUMENTS

Article 14

Type of financial instruments

1. Financial instruments set up in accordance with Title VIII of Regulation (EU) No XXXX/2012 [New Financial Regulation], may be used to facilitate access to finance by entities implementing actions contributing to projects of common interest as defined in Regulations (EU) No XXXX/2012 [TEN-T Guidelines], (EU) No XXXX/2012 [Guidelines for Trans-European energy infrastructure], and the relevant Regulation on guidelines for trans-European telecommunications networks, and to the achievement of their objectives. The financial instruments shall be based on ex-ante assessments of market imperfections or sub-optimal investment situations and investment needs. The main terms, conditions and procedures for each financial instrument are laid down in Part IV of the Annex.
 - 1a. The overall contribution from the general budget of the EU to the financial instruments shall not exceed 10% of the overall financial envelope of the CEF mentioned in Article 5(1).
2. All financial instruments established under Regulation (EC) No 680/2007 and project bonds established under Decision 1639/2006/EC²⁴ may be merged together, if applicable and subject to a prior evaluation, to those created under this Regulation.

²⁴ Decision 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013) (OJ L 310, 9.11.2006, p. 15).

The merger of project bonds is subject to the interim report to be carried out in the second half of 2013 as defined in Regulation (EC) No 680/2007 and in Decision 1639/2006/EC. The Project Bond Initiative will start up progressively within a ceiling of 230 million EUR during the years 2014 and 2015. The full implementation of the initiative is subject to the independent full evaluation to be carried out in 2015 as defined in Regulation (EC) No 680/2007 and in Decision 1639/2006/EC. In the light of that evaluation, taking into account all options, the Commission shall consider proposing appropriate regulatory changes, including legislative changes, in particular if the predicted market uptake is not satisfactory or in the event that alternative sources of long-term debt financing become sufficiently available.

3. The following financial instruments may be used:
 - (a) equity instruments, such as investment funds with a focus on providing risk capital for actions contributing to projects of common interest;
 - (b) loans and/or guarantees facilitated by risk-sharing instruments, including enhancement mechanism to project bonds, backing individual projects or portfolios of projects issued by a financial institution on its own resources with a Union contribution to the provisioning and/or capital allocation.

Article 15

Conditions for granting financial aid through financial instruments

1. Actions supported by means of financial instruments shall be selected on a 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 comply with the following criteria:
 - represent European added value;
 - respond to the objectives of the Europe 2020 strategy;

- present a leverage effect with regard to Union support, i.e. they shall aim at mobilising a global investment exceeding the size of the Union contribution according to the indicators defined in advance.
2. The Union, any Member State and other investors may provide financial aid in addition to contributions received by the use of financial instruments, provided that the Commission agrees to any changes to eligibility criteria of actions and/or the investment strategy of the instrument which may be necessary due to the additional contribution.
 3. The financial instruments shall aim to enhance the multiplier effect of Union spending by attracting additional resources from private investors. The financial instruments may generate acceptable returns to meet the objectives of other partners or investors, whilst aiming to preserve the value of assets provided by the Union budget.
 4. Financial instruments provided under this Regulation may be combined with grants funded from the Union budget.
 5. The Commission may establish additional conditions in the work programmes according to the specific needs of the sectors.

Article 16

Actions in third countries

Actions in third countries may be supported by means of the financial instruments if those actions are necessary for the implementation of a project of common interest.

CHAPTER VI

PROGRAMMING, IMPLEMENTATION AND CONTROL

Article 17

Multiannual and/or annual work programmes

1. The Commission shall adopt multiannual and annual work programmes for each of the transport, energy and telecommunications sectors. The Commission may also adopt multiannual and annual work programmes that cover more than one sector. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 24(2).
2. The multiannual work programmes shall be reviewed at least at mid-term. If necessary, the Commission shall revise the multiannual work programme by means of an implementing act. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 24(2).
3. Multiannual work programmes in the transport sector shall be adopted for projects of common interest as listed in Part I of the Annex to this Regulation.

The amount of the financial envelope shall lie within a range of 80 % to 85 % of the budgetary resources referred to in Article 5(1)(a).

The projects detailed in Part I of the Annex are not binding on the Member States for their programming decisions. The decision to implement these projects is a competence of Member States and will depend on public financing capacities, and on their socio-economic viability in accordance with the provisions of Article 7 of Regulation (EU) No XXXX/2012 [TEN-T Guidelines].

4. (...)

5. The annual work programmes, for the transport, energy and telecommunications sectors, shall be adopted for projects of common interest not included in the multiannual work programmes.
6. The Commission, when establishing multiannual and sectoral annual work programmes, shall establish the selection and award criteria in line with the objectives and priorities laid down in Articles 3 and 4 of this Regulation and in Regulation (EU) No XXXX/2012 [TEN-T Guidelines], (EU) No XXX 2012 [Guidelines for trans-European energy infrastructure] or the relevant Regulation on guidelines for trans-European telecommunications networks. The Commission shall take into account the general orientations laid down in Part VII of the Annex to this Regulation when setting the award criteria.
- 6a. In the field of energy, in the first two annual work programmes, priority consideration shall be given to projects of common interest and related actions aiming at ending energy isolation and eliminating energy bottlenecks, and at the completion of the internal energy market.
7. Work programmes shall be coordinated in order to exploit the synergies between transport, energy and telecommunications, notably in such areas as smart energy grids, electric mobility, intelligent and sustainable transport systems, joint rights of way or infrastructure coupling. The Commission shall at least adopt one multi-sectoral calls for proposals for actions eligible under Article 7(4a), with the financial amounts allocated for each sector weighted according to each sector's relative involvement in the eligible costs of the actions selected for financing under the CEF.

Article 17a

Granting of Union financial aid

1. Following every call for proposals, based on a multiannual or annual work programme referred to in article 17, the Commission, acting in accordance with the examination procedure referred to in Article 24, shall decide on the amount of financial aid to be granted to the projects or parts of projects selected. The Commission shall specify the conditions and methods for their implementation.

2. The beneficiaries and the Member States concerned shall be informed by the Commission of any financial aid to be granted.

Article 18

Annual instalments

The Commission may divide budgetary commitments into annual instalments. In that case, it shall commit the annual instalments taking into account the progress of the actions receiving financial aid, their estimated needs and the budget available.

The Commission shall communicate to the beneficiaries of grants, to the Member States concerned and, if applicable for financial instruments, to the financial institutions concerned an indicative timetable covering the commitment of the individual annual instalments.

Article 19

Carry-over of annual appropriations

Appropriations which have not been used at the end of the financial year for which they were entered shall be carried- over in accordance with Regulation (EU) No XXXX/2012 [New Financial Regulation].

Article 20

Delegated acts

1. Subject to the approval of the Member State(s) concerned provided for in the second paragraph of Article 172 TFEU, the Commission shall be empowered to adopt delegated acts in accordance with Article 25 concerning the modification of Part I of the Annex, to take account of changing financing priorities in the trans-European networks and of changes relating to projects of common interest identified in [Regulation (EU) No XXXX/2012 [TEN-T Guidelines]]. When amending Part I of the Annex, the Commission shall ensure:

- (a) that the projects of common interest according to Regulation (EU) No XXXX/2012 [TEN-T Guidelines], are likely to be realised fully or partly under the multiannual financial framework 2014-2020;
 - (b) that the modifications comply with the eligibility criteria set out under Article 7 of this Regulation;
 - (c) as regards Part I of the Annex, that all sections include infrastructure projects whose realisation will necessitate their inclusion in a multi-annual work programme under Article 17(3) of this Regulation, without changing the alignment of the core network corridors.
2. The Commission shall be empowered to adopt delegated acts in accordance with Article 25 to modify the main terms, conditions and procedures laid down in Part IV of the Annex to this Regulation governing the Union Contribution to each financial instrument established under the Debt Framework or Equity Framework laid down in Part IV of the Annex to this Regulation in accordance with the results of the interim report and the full independent evaluation of the pilot phase of the Europe 2020 Project Bond Initiative established under Regulation (EU) 670/2012 of 12 July 2012 amending the Decision No 1639/2006/EC and the Regulation (EC) No 680/2007 and in order to take into account changing market conditions with a view to optimising their design and implementation.

When amending Part IV of the Annex to this Regulation in the above cases, the Commission shall at all times ensure that:

- (a) the modifications are made in accordance with the requirements established in Regulation (EU) No 966/2012, including the *ex ante* evaluation referred to in its Article 140(2)(f), and

- (b) the modifications are limited to:
- (i) [...]
 - (ii) the modification of the threshold of the subordinated debt financing as referred in I.1(a) and I.1(b) of Part IV of the Annex to this Regulation, with the view to seek sectoral diversification and geographical balance across the Member States in accordance with Article 15;
 - (iii) the modification of the threshold of the senior financing as referred in I.1(a) of Part IV of the Annex to this Regulation, with the view to seek sectoral diversification and geographical balance across the Member States in accordance with Article 15;
 - (iv) the combination with other sources of funding as referred in I.3 and II.3 of Part IV of the Annex to this Regulation;
 - (v) the selection of Entrusted entities as referred in I.4 and II.4 of Part IV of the Annex to this Regulation; and
 - (vi) pricing, risk and revenue sharing as referred in I.6 and II.6 of Part IV of the Annex to this Regulation.

2a. In the transport sector, and within the general objectives set out in Article 3 and the specific sectoral objectives referred to in Article 4(1)(a), the Commission shall be empowered to adopt delegated acts in accordance with Article 25 detailing the funding priorities to be reflected in the work programmes according to Article 17 for the duration of the CEF for eligible actions under Article 7(2). The Commission shall adopt a delegated act within the first year of the entry into force of this Regulation.

3. The Commission shall be empowered to adopt delegated acts in accordance with Article 25 to raise the ceiling set out in Article 14(1a) up to 20% provided the following conditions are met:
 - (i) positive evaluation of the pilot phase of the Project Bond Initiative carried out in 2015; and
 - (ii) the take-up of financial instruments exceeds 8% in terms of project contractual commitments.
4. Where it proves necessary to deviate from the allocation for a specific transport objective by more than 5 percentage points, the Commission shall be empowered to adopt delegated acts in accordance with Article 25 to amend the indicative percentages set down in Part VI of the Annex to this Regulation.
5. The Commission shall be empowered to adopt delegated acts in accordance with Article 25 to modify the list of general orientations in Part VII of the Annex to this Regulation to be taken into account when setting award criteria in order to reflect the mid-term evaluation of this Regulation or conclusions drawn from its implementation. This shall be done in coherence with the respective sectoral guidelines.

Article 21

Responsibility of beneficiaries and Member States

Within the respective spheres of their responsibilities, and without prejudice to the obligations incumbent on beneficiaries under the conditions governing the grants, beneficiaries and Member States shall make every effort to implement the projects of common interest which receive Union financial aid granted under this Regulation.

Member States shall undertake the technical monitoring and financial control of actions in close cooperation with the Commission and shall certify that the expenditure incurred in respect of projects or parts of projects has been disbursed and that the disbursement was in conformity with the relevant rules. The Member States may request the participation of the Commission during on-the-spot checks and inspections.

Member States shall inform the Commission annually, if relevant through an interactive geographical and technical information system, about the progress made in implementing projects of common interest and the investments made for this purpose including the amount of support used for climate change objectives. On that basis, the Commission shall make public, and update at least annually, information about the specific projects under the Connecting Europe Facility.

Article 22

Compliance with Union policies and Union law

Only actions in conformity with Union law and which are in line with the relevant Union policies shall be financed under this Regulation.

Article 23

Protection of the Union's financial interests

1. The Commission shall take appropriate measures ensuring that, when actions financed under this Regulation are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and dissuasive administrative and financial penalties.

2. The Commission or its representatives and the Court of Auditors shall have the power of audit, on the basis of documents and on-the-spot, over all grant beneficiaries, implementing bodies, contractors and subcontractors who have received Union funds under this Regulation.
3. The European Anti-Fraud Office (OLAF) may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)²⁵ and Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities²⁶ with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement or grant decision or a contract funded under this Regulation.
4. Without prejudice to paragraphs 1, 2 and 3, cooperation agreements with third countries and with international organisations, contracts, grant agreements and grants decisions and contracts resulting from the implementation of this Regulation shall contain provisions expressly empowering the Commission, the Court of Auditors and OLAF to conduct such audits and investigations, according to their respective competences.

TITLE II

GENERAL AND FINAL PROVISIONS

Article 24

Committees

1. The Commission shall be assisted by the CEF Coordination Committee. The Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

²⁵ OJ L 136, 31.5.1999, p.1.

²⁶ OJ L 292, 15.11.1996, p. 2.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.
3. The committee shall ensure a horizontal overview of the work programmes referred to in Article 17 to ensure their consistency and that synergies are identified, exploited and assessed between sectors. It shall seek in particular to coordinate the work programmes with a view to allowing multi-sectoral calls for proposals.

Article 25

Exercise of delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The delegation of power referred to in Article 20 shall be conferred on the Commission for the duration of the Multiannual Financial Framework 2014-2020.
3. The delegation of power referred to in Article 20 may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

5. A delegated act adopted pursuant to Article 20 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and to the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 26

Evaluation

1. No later than 31 December 2017, the Commission, in cooperation with the Member States and beneficiaries concerned, shall establish an evaluation report to be presented to the European Parliament and the Council by the Commission on the achievement of the objectives of all the measures (at the level of results and impacts), the efficiency of the use of resources and its European added value, in view of a decision on the renewal, modification or suspension of the measures. The evaluation shall also address the scope for simplification, the internal and external coherence of the measures, the continued relevance of all objectives, and their contribution to the Union priorities of smart, sustainable and inclusive growth, including their impact on economic, social and territorial cohesion. The report shall include an assessment of the economies of scale made by the Commission at a financial, technical and human level when managing the Connecting Europe Facility and, where applicable, of the total number of projects harnessing the synergies between the sectors. That assessment shall also examine how to make financial instruments more effective. The report shall take into account evaluation results on the long-term impact of the predecessor measures.
 - 1a. The Connecting Europe Facility shall take into account the independent full-scale evaluation of the Europe 2020 Project Bond Initiative, to be carried out in 2015. On the basis of that evaluation, the Commission and the Member States shall assess the relevance of the Europe 2020 Project Bond Initiative and its effectiveness in increasing the volume of investment in priority projects and enhancing the efficiency of Union spending.

2. The Commission shall carry out *ex post* evaluation in close cooperation with the Member States and beneficiaries. The *ex post* evaluation shall examine the effectiveness and efficiency of the CEF and its impact on economic, social and territorial cohesion as well as its contribution to the Union priorities of smart, sustainable and inclusive growth and the scale and results of support used for climate change objectives.
3. Evaluations shall take account of progress against performance indicators as referred to in Articles 3 and 4.
4. The Commission shall communicate the conclusions of these evaluations to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.
5. The Commission and the Member States, assisted by the other possible beneficiaries, may undertake an evaluation of the methods of carrying out projects as well as the impact of their implementation, in order to assess whether the objectives, including those relating to environmental protection, have been attained.
6. The Commission may request a Member State concerned by a project of common interest to provide a specific evaluation of the actions and the linked projects financed under this Regulation or, where appropriate, to supply it with the information and assistance required to undertake an evaluation of such projects.

Article 27

Information, communication and publicity

1. Beneficiaries and, where appropriate, Member States concerned shall ensure that suitable publicity is given, and transparency applied, to aid granted under this Regulation in order to inform the public of the role of the Union in the implementation of the projects.

2. The Commission shall implement information and communication actions on the CEF projects and results. Resources allocated to communication actions under Article 5(2) of this Regulation shall also contribute to cover the corporate communication of the political priorities of the European Union as far as they are related to the general objectives of this Regulation.

Article 27a

Amendment to Regulation (EU) No 913/2010 replacing the Annex

Regulation (EU) No 913/2010 is hereby amended as follows:

Part V of the Annex to this Regulation shall replace the Annex to Regulation (EU) No 913/2010, thereby making the revised Rail Freight Corridors subject to the provisions of Regulation (EU) No 913/2010.

Article 28

Transitional provisions

This Regulation shall not affect the continuation or modification, including the total or partial cancellation, of the projects concerned, until their closure, or of financial aid awarded by the Commission on the basis of Regulations (EC) No 680/2007 and No 67/2010, or any other legislation applying to that assistance on 31 December 2013, which shall continue to apply to the actions concerned until their closure.

Article 29

Repeal

Notwithstanding Article 28 of this Regulation, Regulations (EC) No 680/2007 and No 67/2010 are repealed with effect from 1 January 2014.

Article 30
Entry into force

This Regulation shall enter into force on the 1st day following the publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2014.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

PART I: LIST OF PRE-IDENTIFIED PROJECTS ON THE CORE NETWORK IN THE FIELD OF TRANSPORT

1) Horizontal Priorities

Innovative Management & Services	<i>Single European Sky – SESAR</i>
Innovative Management & Services	<i>Telematic Applications Systems for Road, Rail, Inland Waterways and Vessels (ITS, ERTMS, RIS and VTMS)</i>
Innovative Management & Services	<i>Core Network Ports, Motorways of the Sea (MoS) and Airports, safe and secure infrastructure</i>
New technologies and innovation	<i>New technologies and innovation in accordance with points (a) to (d) of Article 39 of Regulation (EU) N°XXXX/2012 [TEN-T Guidelines]</i>

2) Core Network Corridors

Baltic – Adriatic

ALIGNMENT:

Gdynia – Gdańsk – Katowice/Sławków

Gdańsk – Warszawa – Katowice

Katowice – Ostrava – Brno – Wien

Szczecin/Świnoujście – Poznań – Wrocław – Ostrava

Katowice – Žilina – Bratislava – Wien

Wien – Graz – Villach – Udine – Trieste

Udine – Venezia – Padova – Bologna – Ravenna

Graz – Maribor – Ljubljana – Koper/Trieste

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

Gdynia - Katowice	Rail	Works
Gdynia, Gdańsk	Ports	port interconnections, (further) development of multimodal platforms
Warszawa - Katowice	Rail	Works
Wrocław – Poznań – Szczecin/Świnoujście	Rail	Works
Świnoujście, Szczecin	Port	port interconnections
Bielsko Biala – Žilina	Road	Works
Katowice - Ostrava - Brno - Wien & Katowice - Žilina - Bratislava - Wien	Rail	works, in particular cross-border sections PL-CZ, CZ-AT, PL-SK and SK-AT, Brno-Přerov line; (further) development of multimodal platforms and airport-rail interconnections
Wien - Graz - Klagenfurt - Udine - Venezia - Ravenna	Rail	partially construction of new lines (Semmering Base Tunnel and Koralm Railway line), rail upgrading; works on-going; (further) development of multimodal platforms; upgrading of existing two-track line between Udine - Cervignano and Trieste
Graz - Maribor - Pragersko	Rail	studies and works for second track
Trieste, Venice, Ravenna, Koper	Ports	port interconnections, (further) development of multimodal platforms

North Sea – Baltic

ALIGNMENT:

Helsinki – Tallinn – Riga

Ventspils – Riga

Riga – Kaunas

Klaipeda – Kaunas – Vilnius

Kaunas – Warszawa

BY border – Warszawa – Poznań – Frankfurt/Oder – Berlin – Hamburg

Berlin – Magdeburg – Braunschweig – Hannover

Hannover – Bremen – Bremerhaven/Wilhelmshaven

Hannover – Osnabrück – Hengelo – Almelo – Deventer – Utrecht

Utrecht – Amsterdam

Utrecht – Rotterdam – Antwerpen

Hannover – Köln – Antwerpen

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

Helsinki - Tallinn	Ports, MoS	port interconnections, (further) development of multimodal platforms and their interconnections, icebreaking capacity, MoS
Tallinn - Riga - Kaunas - Warszawa	Rail	(detailed) studies for new UIC gauge fully interoperable line; works for new line to start before 2020; upgrading and new line on PL territory; rail – airports/ports interconnections, rail-road terminals, MoS
Ventspils – Riga	Rail	Upgrading, port interconnections, MoS
Klaipeda – Kaunas	Rail	Upgrading, port interconnections, MoS
Kaunas – Vilnius	Rail	Upgrading, airports interconnections, rail-road terminals
Via Baltica Corridor	Road	works for cross-border sections (EE, LV, LT, PL)
BY border - Warszawa - Poznań - DE border	Rail	works on existing line, studies for high speed rail
PL Border - Berlin - Hannover - Amsterdam/Rotterdam	Rail	studies and upgrading of several sections (Amsterdam – Utrecht – Arnhem; Hannover – Berlin)

Wilhelmshaven - Bremerhaven - Bremen	Rail	Studies and works
Berlin - Magdeburg – Hannover, Mittellandkanal, West-German Canals, Rhine, Waal, Noordzeekanaal, IJssel, Twentekanaal	IWW	studies, works for better navigability and upgrading waterways and locks
Amsterdam locks & Amsterdam - Rijnkanaal	IWW	locks studies ongoing; port: interconnections (studies and works, including Beatrix lock upgrade)

Mediterranean

ALIGNMENT:

Algeciras – Bobadilla – Madrid – Zaragoza – Tarragona

Sevilla – Bobadilla – Murcia

Cartagena – Murcia – Valencia – Tarragona

Tarragona – Barcelona – Perpignan – Marseille/Lyon – Torino – Novara – Milano – Verona –

Padova – Venezia – Ravenna/Trieste/Koper - Ljubljana – Budapest

Ljubljana/Rijeka – Zagreb – Budapest – UA border

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

Algeciras - Madrid	Rail	studies ongoing, works to be launched before 2015, to be completed 2020
Sevilla - Antequera - Granada - Almería - Cartagena - Murcia - Alicante - Valencia	Rail	studies and works
Madrid-Zaragoza-Barcelona	Rail	Upgrading of existing lines (gauge, sidings, platforms)
Valencia - Tarragona - Barcelona	Rail	construction between 2014 - 2020
Barcelona	Port	interconnections rail with port and airport
Barcelona - Perpignan	Rail	cross-border section, works ongoing, new line completed by 2015, upgrading existing line (gauge, sidings, platforms)
Perpignan - Montpellier	Rail	bypass Nîmes - Montpellier to be operational in 2017, Montpellier - Perpignan for 2020
Lyon	Rail	Relieving Lyon bottlenecks: studies and works

Lyon – Avignon – Marseille	Rail	upgrading
Lyon - Torino	Rail	cross-border section, works base tunnel ; studies and works access routes
Milano - Brescia	Rail	partially upgrading, partially new high-speed line
Brescia - Venezia - Trieste	Rail	works to start before 2014 on several sections in synergy with upgrading actions undertaken in overlapping stretches as in Baltic Adriatic Corridor
Milano – Cremona- Mantova – Porto Levante/Venezia – Ravenna/Trieste	IWW	Studies and works
Cremona, Mantova, Venezia, Ravenna, Trieste	Inland Ports	Port interconnections, (further) development of multimodal platforms
Trieste - Divača	Rail	studies and partial upgrading ongoing; cross-border section to be realised until after 2020
Koper - Divača - Ljubljana – Pragersko	Rail	studies and upgrading/partially new line
Rijeka – Zagreb – Budapest	Rail	Studies and works (including construction of new track and second track between Rijeka and HU border)
Rijeka	Port	Infrastructure upgrading and development, development of multimodal platforms and interconnections
Ljubljana – Zagreb	Rail	Studies and works
Ljubljana node	Rail	rail node Ljubljana, including multi-modal platform; rail airport interconnection
Pragersko - Zalău	Rail	cross-border section: studies, works to start before 2020
Lendava - Letenye	Road	cross-border upgrading
Boba- Székesfehérvár	Rail	upgrading
Budapest-Miskolc-UA border	Rail	upgrading
Vásárosnamény-UA border	Road	cross-border upgrading

Orient/East-Med

ALIGNMENT:

Hamburg – Berlin

Rostock – Berlin – Dresden

Bremerhaven/Wilhelmshaven – Magdeburg – Dresden

Dresden – Ústí nad Labem – Melnik/Praha - Kolin

Kolin – Pardubice – Brno – Wien/Bratislava – Budapest – Arad – Timișoara – Craiova – Calafat –

Vidin – Sofia

Sofia – Plovdiv – Burgas

Plovdiv – TR border

Sofia – Thessaloniki – Athina – Piraeus – Lemesos – Lefkosia

Athina – Patra/Igoumenitsa

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

Dresden - Praha	Rail	studies for high-speed rail
Praha	Rail	upgrading, freight bypass; rail connection airport
Praha – Breclav	Rail	upgrading
Hamburg – Dresden – Praha – Pardubice	IWW	Elbe and Vltava studies, works for better navigability and upgrading
Děčín locks	IWW	studies
Prague - Brno - Breclav	Rail	upgrading, including rail node Brno and multi-modal platform
Breclav – Bratislava	Rail	cross-border, upgrading
Bratislava – Hegyeshalom	Rail	cross-border, upgrading
Mosonmagyaróvár – SK Border	Road	cross border upgrading
Tata – Biatorbágy	Rail	upgrading
Budapest – Arad – Timișoara – Calafat	Rail	upgrading in HU nearly completed, ongoing in RO
Vidin – Sofia – Burgas/TR border Sofia – Thessaloniki – Athens/Piraeus	Rail	studies and works Vidin – Sofia – Thessaloniki - Athens; upgrading Sofia – Burgas/TR border

Vidin – Craiova	Road	Cross-border upgrading
Thessaloniki, Igoumenitsa	Port	Infrastructure upgrading and development, multimodal interconnections
Athens/Piraeus/Heraklion – Lemesos	Port, MoS	port capacity and multimodal interconnections
Lemesos – Lefkosia	Ports, multimodal platforms	upgrading of modal interconnection, including Lefkosia South Orbital, studies and works, traffic management systems
Lefkosia – Larnaca	Multimodal platforms	Multimodal interconnections and telematic applications systems
Patras	Port	Port interconnections, (further) development of multimodal platforms
Athina - Patras	Rail	studies and works, port interconnections

Scandinavian – Mediterranean

ALIGNMENT:

RU border – HaminaKotka – Helsinki – Turku/Naantali – Stockholm – Malmö

Oslo – Goteburg – Malmö – Trelleborg

Malmö – København – Kolding/Lübeck – Hamburg – Hannover

Bremen – Hannover – Nürnberg

Rostock – Berlin – Leipzig – München

Nürnberg – München – Innsbruck – Verona – Bologna – Ancona/Firenze

Livorno/La Spezia - Firenze – Roma – Napoli – Bari – Taranto – Valletta

Napoli – Gioia Tauro – Palermo/Augusta – Valletta

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

HaminaKotka – Helsinki	Port, rail	port interconnections, rail upgrading, icebreaking capacities
Helsinki	Rail	airport-rail connection
RU border – Helsinki	Rail	Works ongoing
Helsinki – Turku	Rail	Upgrading
Turku/Naantali – Stockholm	Ports, MoS	port interconnections, icebraking capacity
Stockholm - Malmö (Nordic Triangle)	Rail	Works ongoing on specific sections
Trelleborg - Malmö – Göteborg – NO border	Rail, port, MoS	Works, multimodal platforms and port hinterland connections
Fehmarn	Rail	studies ongoing, construction works Fehmarn Belt fixed link to start in 2015
København - Hamburg via Fehmarn: access routes	Rail	access routes DK to be completed by 2020, access routes Germany to be completed in 2 steps: one track electrification with the completion of the fixed link and two-track seven years later
Rostock	Ports, MoS	interconnections ports with rail; low-emission ferries; ice-breaking capacity
Rostock - Berlin - Nürnberg	Rail	studies and upgrading
Hamburg/Bremen - Hannover	Rail	studies ongoing
Halle – Leipzig – Nürnberg	Rail	works ongoing, to be completed by 2017

München – Wörgl	Rail	access to Brenner Base Tunnel and cross-border section: studies
Brenner Base Tunnel	Rail	studies and works
Fortezza - Verona	Rail	studies and works
Napoli - Bari	Rail	studies and works
Napoli – Reggio Calabria	Rail	Upgrading
Verona – Bologna	Rail	Upgrading ongoing
Ancona, Napoli, Bari, La Spezia, Livorno	Ports	Port interconnections, (further) development of multimodal platforms
Messina - Catania – Augusta/Palermo	Rail	upgrading (remaining sections)
Palermo/Taranto - Valletta/Marsaxlokk	Ports, MoS	port interconnections
Valletta - Marsaxlokk	Port, airport	upgrading of modal interconnection, including Marsaxlokk-Luqa-Valletta
Bologna – Ancona	Rail	upgrading

Rhine – Alpine

ALIGNMENT:

Genova – Milano – Lugano – Basel

Genova – Novara – Brig – Bern – Basel – Karlsruhe – Mannheim – Mainz – Koblenz – Köln

Köln – Düsseldorf – Duisburg – Nijmegen/Arnhem – Utrecht – Amsterdam

Nijmegen – Rotterdam – Vlissingen

Köln – Liège – Bruxelles/Brussel – Gent

Liège – Antwerpen – Gent – Zeebrugge

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

Genova	Port	Port interconnections
Genova - Milano/Novara - CH border	Rail	studies; works starting before 2020
Basel – Antwerpen/Rotterdam - Amsterdam	IWW	works for better navigability
Karlsruhe - Basel	Rail	works ongoing
Frankfurt - Mannheim	Rail	studies ongoing
Liège	Rail	port and airport rail connection
Rotterdam – Zevenaar	Rail	studies ongoing, upgrading
Zevenaar - Emmerich - Oberhausen	Rail	works ongoing
Zeebrugge – Gent – Antwerp - DE border	Rail	Upgrading

Atlantic

ALIGNMENT:

Algeciras – Bobadilla – Madrid

Sines / Lisboa – Madrid – Valladolid

Lisboa – Aveiro – Leixões/Porto

Aveiro – Valladolid – Vitoria – Bergara – Bilbao/Bordeaux – Paris – Le Havre/Metz –

Mannheim/Strasbourg

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

High Speed rail Sines/Lisboa - Madrid	Rail, ports	studies and works ongoing, upgrading of modal interconnection ports of Sines/Lisboa
High speed rail Porto - Lisboa	Rail	studies ongoing
Rail connection Aveiro – Salamanca – Medina del Campo	Rail	cross-border: works ongoing
Rail Connection Bergara - San Sebastián - Bayonne	Rail	completion expected in ES by 2016, in FR by 2020
Bayonne - Bordeaux	Rail	ongoing public consultation
Bordeaux - Tours	Rail	works ongoing
Paris	Rail	southern high-speed bypass
Baudrecourt - Mannheim	Rail	upgrading
Baudrecourt - Strasbourg	Rail	works ongoing, to be completed 2016
Le Havre - Paris	IWW	Upgrading
Le Havre - Paris	Rail	Studies, upgrading
Le Havre	Port, Rail	Studies and works on port capacity, MoS and interconnections

North Sea – Mediterranean

ALIGNMENT:

Belfast – Dublin – Cork

Glasgow/Edinburgh – Liverpool/Manchester – Birmingham

Birmingham – Felixstowe/London/Southampton

London – Lille – Brussel/Bruxelles

Amsterdam – Rotterdam – Antwerp – Brussel/Bruxelles – Luxembourg

Luxembourg – Metz – Dijon – Macon – Lyon – Marseille

Luxembourg – Metz – Strasbourg – Basel

Antwerpen/Zeebrugge – Gent – Dunkerque/Lille – Paris

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

Cork - Dublin - Belfast	Rail	Studies and works; Dublin Interconnector (DART);
Belfast	Port, multimodal connections	upgrading
Glasgow - Edinburgh	Rail	Upgrading
Manchester – Liverpool	Rail	Upgrading and electrification, including Northern Hub
Birmingham – Reading – Southampton	Rail	Upgrading of the freight line
Dublin, Cork, Southampton	Ports, Rail	Studies and works on port capacity, MoS and interconnections
Dunkerque	Port	Further development of multimodal platforms and interconnections
Calais - Paris	Rail	preliminary studies
Bruxelles/Brussel	Rail	studies and works (North-South connection for conventional and high-speed)
Felixstowe – Midlands	Rail, port, multimodal platforms	rail upgrading, interconnections port and multimodal platforms
Maas, including Maaswerken	IWW	Upgrading
Albertkanaal/ Canal Bocht-Herentals	IWW	Upgrading

Rhine-Scheldt corridor: Volkeraklock and Kreekaklock, Krammerlock and Lock Hansweert	IWW	locks: studies ongoing
Terneuzen	Maritime	locks: studies ongoing; works
Terneuzen - Gent	IWW	studies, upgrading
Zeebrugge	Port	locks: studies, interconnections (studies and works)
Antwerp	Maritime, port, rail	locks: studies ongoing; port: interconnections (including second rail access to the port of Antwerp)
Rotterdam - Antwerp	Rail	upgrading rail freight line
Canal Seine Nord; Seine - Escaut	IWW	studies and works; upgrading including cross-border and multimodal connections
Dunkerque – Lille	IWW	studies ongoing
Antwerpen, Bruxelles/Brussels, Charleroi	IWW	upgrading
Waterways upgrade in Wallonia	IWW	studies, upgrading, intermodal connections
Brussel/Bruxelles - Luxembourg - Strasbourg	Rail	works ongoing
Antwerp – Namur - LUX border – FR border	Rail	upgrading of rail freight line
Strasbourg - Mulhouse - Basel	Rail	upgrading
Rail Connections Luxembourg - Dijon - Lyon (TGV Rhin - Rhône)	Rail	studies and works
Lyon	Rail	eastern bypass: studies and works
Canal Saône - Moselle/Rhin	IWW	preliminary studies ongoing
Rhône	IWW	upgrading
Port of Marseille-Fos	Port	interconnections and multimodal terminals
Lyon - Avignon - Port de Marseille - Fos	Rail	upgrading

Rhine – Danube

ALIGNMENT:

Strasbourg – Stuttgart – München – Wels/Linz

Strasbourg – Mannheim – Frankfurt – Würzburg – Nürnberg – Regensburg – Passau – Wels/Linz

München/Nürnberg – Praha – Ostrava/Přerov – Žilina – Košice – UA border

Wels/Linz – Wien – Bratislava – Budapest – Vukovar

Wien/Bratislava – Budapest – Arad – Braşov/Craiova – Bucureşti – Constanta – Sulina

PRE-IDENTIFIED SECTIONS INCLUDING PROJECTS:

Rail connection Strasbourg - Kehl Appenweier	Rail	works interconnection Appenweier
Karlsruhe - Stuttgart - München	Rail	studies and works ongoing
Ostrava/Prerov – Žilina – Košice – UA border	Rail	upgrading, multimodal platforms
Zlín – Žilina	Road	cross-border road section
München – Praha	Rail	studies and works
Nürnberg – Praha	Rail	studies and works
München - Mühldorf - Freilassing - Salzburg	Rail	studies and works ongoing
Salzburg - Wels	Rail	studies
Nürnberg - Regensburg - Passau - Wels	Rail	Studies and works
Rail connection Wels - Wien	Rail	completion expected by 2017
Wien – Bratislava / Wien – Budapest / Bratislava – Budapest	Rail	studies high speed rail (including the alignment of the connections between the three cities)
Budapest - Arad	Rail	studies for high speed network between Budapest and Arad
Komárom – Komárno	IWW	Studies and works for cross-border bridge
Arad - Braşov - Bucureşti - Constanta	Rail	upgrading of specific sections; studies high-speed
Main – Main-Donau-Canal	IWW	studies and works on several sections and bottlenecks; inland waterway ports:multimodal interconnections with rail
Slavonski Brod	Port	Studies and works
Giurgiu, Galaţi	Port	Further development of multimodal platforms and

		connections with the hinterland: studies and works
Danube (Kehlheim - Constanța/Midia/Sulina)	IWW	studies and works on several sections and bottlenecks; inland waterway ports:multimodal interconnections
Sava	IWW	Studies and works on several sections and bottlenecks (including cross-border bridge)
Bucharest – Danube Canal	IWW	Studies & works
Constanta	Port, MoS	port interconnections, MoS (including icebreaking services)
Craiova – Bucharest	Rail	Studies and works

3) Other Sections on the Core Network

Sofia to FYROM border	Cross-Border	Rail	studies ongoing
Sofia to Serbian border	Cross-Border	Rail	studies ongoing
Timișoara – Serbia border	Cross-Border	Rail	studies ongoing
Wrocław – Praha	Cross-Border	Rail	studies
Nowa Sól – Hradec Králové	Cross-Border	Road	works
Brno – AT border	Cross-Border	Road	upgrading
Budapest – Zvolen	Cross-Border	Road	upgrading
Budapest – SRB Border	Cross-Border	Rail	studies
Bothnian Corridor: Lulea – Oulu	Cross-Border	Rail	studies and works
Iasi-Republic of Moldova border	Cross-Border	Rail	studies ongoing and works
Suceava-Ukraina border	Cross-Border	Rail	studies and works
Priority Projects as defined in Annex III of Decision 661/2010 (Prague - Linz, New High-capacity rail: Central Trans-Pyrenees crossing, "Iron Rhine" (Rheidt-Antwerpen))	Cross-Border	Rail	studies ongoing
TarguNeamt–Ungheni	Cross-Border	Road	Upgrading
Marijampole-Kybartai (LT/RU border)	Cross-Border	Road	Upgrading
Vilnius-LT/BY border	Cross-Border	Road	Upgrading
Ioannina – Kakavia (EL/AL border)	Cross-Border	Road	Studies
Kleidi – Polikastro – Evzonoi (EL/FYROM border)	Cross-Border	Road	Upgrading
Serres – Promahonas – EL/BG border	Cross-Border	Road	works ongoing
Alexandroupoli – Kipoi EL/TR border	Cross-Border	Road	Studies and works
Dubrovnik – HR/ME border	Cross-Border	Road	works
Kędzierzyn Koźle – Chałupki-granica	Cross-Border	Rail	Works
A Coruña - Vigo - Palencia Gijón - Palencia	Bottleneck	Rail, MoS	works ongoing (including ports and multimodal platforms)

Frankfurt – Fulda – Erfurt – Berlin	Bottleneck	Rail	studies
Rail Egnatia	Bottleneck	Rail	studies ongoing
Sundsvall – Umea – Lulea	Bottleneck	Rail	studies and works
Zagreb – SR border	Bottleneck	Rail	Studies and works
A Coruña - Madrid (high-speed passenger service)	Bottleneck	Rail	works ongoing
Stockholm – Gävle – Sundsvall	Other Core Network	Rail	works
Mjölby – Hallsberg – Gävle	Other Core Network	Rail	works
Bothnian – Kiruna – NO border	Other Core Network	Rail	studies and works
Milford Haven – Swansea – Cardiff	Other Core Network	Rail	Upgrading
Rail connection Shannon Foynes - Limerick junction	Other Core Network	Rail	studies
High Speed 2	Other Core Network	Rail	Studies & works for a high speed line London – Midlands
UA Border – Kraków – Katowice – Wrocław – Dresden	Other Core Network	Rail	works
Riga – RU/BY border	Other Core Network	Rail	Upgrading
Vilnius – BY border	Other Core Network	Rail	Upgrading, airport interconnection
Kybartai – Kaunas	Other Core Network	Rail	upgrading
Tallinn – Tartu - Koidula – RU border	Other Core Network	Rail	upgrading
Marseille – Toulon – Nice – Ventimiglia - Genova	Other Core Network	Rail	studies high-speed
Bordeaux – Toulouse	Other Core Network	Rail	studies high-speed
Helsinki – Oulu	Other Core Network	Rail	upgrading of sections
Bilbao – Pamplona – Zaragoza – Sagunto	Other Core Network	Rail	studies and works

Brunsbüttel - Kiel (Kiel-canal)	Other Core Network	IWW	Optimisation of navigation status
Cardiff - Bristol - London	Other Core Network	Rail	Upgrading, including Crossrail
Alba-Iulia – Turda – Dej – Suceava – Paşcani – Iaşi	Other Core Network	Rail	studies and works
Bucuresti - Buzau	Other Core Network	Rail	Rail infrastructure improvement and repari, and connections with the hinterland
Ruhr area - Münster - Osnabrück - Hamburg	Other Core Network	Rail	upgrading of the section Münster - Lünen (doubletrack)
Nantes - Tours - Lyon	Other Core Network	Rail	studies and works
Ploiesti-Suceava	Other Core Network	Rail	studies
Heraklion	Other Core Network	Airport, compined transport infrastucture/systems	Studies and construction works, upgrade and development infrastucture, multimodal interconnections
Huelva – Sevilla	Other Core Network	Rail	Works ongoing
Fredericia-Frederikshavn	Other Core Network	Rail	Upgrading, including electrification'
Barcelona – Valencia – Livorno	Other Core Network	MoS	upgrading

PART II: LIST OF INFRASTRUCTURE PRIORITY CORRIDORS AND AREAS IN THE ENERGY SECTOR

1. PRIORITY ELECTRICITY CORRIDORS

- (1) Northern Seas offshore grid ("NSOG"): integrated offshore electricity grid development and the related interconnectors in the North Sea, the Irish Sea, the English Channel, the Baltic Sea and neighbouring waters to transport electricity from renewable offshore energy sources to centres of consumption and storage and to increase cross-border electricity exchange.

Member States concerned: Belgium, Denmark, France, Germany, Ireland, Luxemburg, the Netherlands, Sweden, the United Kingdom;

- (2) North-South electricity interconnections in Western Europe ("NSI West Electricity"): interconnections between Member States of the region and with the Mediterranean area including the Iberian peninsula, notably to integrate electricity from renewable energy sources and reinforce internal grid infrastructures to foster market integration in the region.

Member States concerned: Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Malta, Portugal, Spain, the United Kingdom;

- (3) North-South electricity interconnections in Central Eastern and South Eastern Europe ("NSI East Electricity"): interconnections and internal lines in North-South and East-West directions to complete the internal market and integrate generation from renewable energy sources.

Member States concerned: Austria, Bulgaria, Croatia, Czech Republic, Cyprus, Germany, Greece, Hungary, Italy, Poland, Romania, Slovakia, Slovenia;

- (4) Baltic Energy Market Interconnection Plan in electricity ("BEMIP Electricity"): interconnections between Member States in the Baltic region and reinforcing internal grid infrastructures accordingly, to end isolation of the Baltic States and to foster market integration inter alia by working towards the integration of renewable energy in the region;

Member States concerned: Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, and Sweden.

2. PRIORITY GAS CORRIDORS

- (5) North-South gas interconnections in Western Europe ("NSI West Gas"): gas infrastructure for North-South gas flows in Western Europe to further diversify routes of supply and for increasing short-term gas deliverability.

Member States concerned: Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, the United Kingdom;

- (6) North-South gas interconnections in Central Eastern and South Eastern Europe ("NSI East Gas"): gas infrastructure for regional connections between and in the Baltic Sea region, the Adriatic and Aegean Seas, the Eastern Mediterranean Sea and the Black Sea, and for enhancing diversification and security of gas supply;

Member States concerned: Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Greece, Hungary, Italy, Poland, Romania, Slovakia, Slovenia;

- (7) Southern Gas Corridor ("SGC"): infrastructure for the transmission of gas from the Caspian Basin, Central Asia, the Middle East and the Eastern Mediterranean Basin to the Union to enhance diversification of gas supply.

Member States concerned: Austria, Bulgaria, Croatia, Czech Republic, Cyprus, France, Germany, Hungary, Greece, Italy, Poland, Romania, Slovakia, Slovenia;

- (8) Baltic Energy Market Interconnection Plan in gas ("BEMIP Gas"): gas infrastructure to end the isolation of the three Baltic States and Finland and their dependency on a single supplier, to reinforce internal grid infrastructures accordingly, and to increase diversification and security of supplies in the Baltic Sea region;

Member States concerned: Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, and Sweden.

4. PRIORITY THEMATIC AREAS

- (10) Smart grids deployment: adoption of smart grid technologies across the Union to efficiently integrate the behaviour and actions of all users connected to the electricity network, in particular the generation of large amounts of electricity from renewable or distributed energy sources and demand response by consumers;

Member States concerned: all;

- (11) Electricity highways: first electricity highways by 2020, in view of building an electricity highways system across the Union that is capable of:

- (a) accommodating ever-increasing wind surplus generation in and around the Northern and Baltic Seas and increasing renewable generation in the East and South of Europe and also North Africa;
- (b) connecting these new generation hubs with major storage capacities in the Nordic countries, the Alps and other regions with major consumption centres, and
- (c) coping with an increasingly variable and decentralised electricity supply and flexible electricity demand;

Member States concerned: all;

- (12) Cross-border carbon dioxide network: development of carbon dioxide transport infrastructure between Member States and with neighbouring third countries in view of the deployment of carbon dioxide capture and storage.

Member States concerned: all.

PART IV: TERMS, CONDITIONS AND PROCEDURES OF FINANCIAL INSTRUMENTS

Objective and rationale

The objective of the financial instruments under the Connecting Europe Facility is to facilitate infrastructure projects' access to project and corporate financing by using Union funding as leverage.

The financial instruments shall help finance projects of common interest with a clear EU added value, and facilitate greater private sector involvement in the long-term financing of such projects in the field of transport, energy and telecommunications, including broadband networks.

The financial instruments shall benefit projects with medium- to long-term financing needs and shall produce greater benefits in terms of market impact, administrative efficiency and resource utilisation.

They shall provide to infrastructure stakeholders such as financiers, public authorities, infrastructure managers, construction companies and operators a coherent market oriented toolbox of EU financial support.

The financial instruments shall consist of

- a) an instrument for loans and guarantees facilitated by risk sharing instruments, including credit enhancement mechanisms to project bonds] ('Debt Instrument') and
- b) an instrument for equity ('Equity Instrument'),

which shall help overcome market constraints by improving the financing and/or risk profiles of the infrastructure investments. This, in turn, shall enhance the access of firms and other beneficiaries to loans, guarantees, equity and other forms of private financing.

Prior to the finalisation of the design of the Debt and Equity Instruments, the Commission shall carry out an ex-ante assessment in accordance with the Financial Regulation. Evaluations of existing, comparable financial instruments shall contribute to this assessment, where appropriate.

I. Debt Instrument

1. General provisions

The goal of the Debt Instrument shall be to contribute to overcoming deficiencies of the European debt capital markets by offering risk-sharing for debt financing. Debt financing shall be provided by entrusted entities or dedicated investment vehicles in the form of senior and sub-ordinated debt or guarantees.

The Debt Instrument shall consist of a risk-sharing instrument for loans and guarantees and of the Project Bond Initiative. The project promoters may, in addition, seek equity financing under the Equity Instrument.

a. Risk-sharing instrument for loans and guarantees

The risk-sharing instrument for loans and guarantees shall be designed to create additional risk capacity in the entrusted entities. This shall allow the entrusted entities to provide funded and unfunded subordinated and senior debt to projects and corporates in order to facilitate promoters' access to bank financing. If the debt financing is sub-ordinated, it shall rank behind the senior debt but ahead of equity and related financing related to equity.

The unfunded subordinated debt financing shall not exceed 30% of the total amount of the senior debt issued.

The senior debt financing provided under the Debt Instrument shall not exceed 50% of the total amount of the overall senior debt financing provided by the entrusted entity or the dedicated investment vehicle.

b. Project Bond Initiative

The risk-sharing instrument for project bonds shall be designed as a sub-ordinated debt financing in order to facilitate financing for project companies raising senior debt in the form of bonds. This credit enhancement instrument shall aim at helping the senior debt to achieve an investment grade credit rating

It shall rank behind the senior debt but ahead of equity and financing related to equity.

The subordinated debt financing shall not exceed 30% the total amount of the senior debt issued.

2. Financial parameters and the leverage

Risk- and revenue-sharing parameters shall be set in such a way that specific policy objectives including targeting of particular categories of projects can be achieved while still preserving the market oriented approach of the Debt Instrument.

The expected leverage of the Debt Instrument — defined as the total funding (i.e. Union contribution plus contributions from other financial sources) divided by the Union contribution — shall be expected to range from 6 to 15, depending on the type of operations involved (level of risk, target beneficiaries, and the debt financing concerned).

3. Combination with other sources of funding

Funding from the Debt Instrument may be combined with other ring-fenced budgetary contributions listed below, subject to the rules of the Financial Regulation and the relevant legal base:

- (a) other parts of the Connecting Europe Facility,
- (b) other instruments, programmes and budget lines in the Union budget;
- (c) Member States, including regional and local authorities, that wish to contribute own resources or resources available from the Cohesion Policy funds without changing the nature of the instrument.

4. Implementation

Entrusted entities

Entrusted entities shall be selected in accordance with the Financial Regulation.

The implementation under indirect management mode may have the form of direct mandates to entrusted entities. For instruments under direct mandates (i.e. in indirect management mode), the entrusted entities shall manage the Union contribution to the Debt Instrument and shall be risk-sharing partners.

In addition, the setting up of dedicated investment vehicles may be envisaged to allow the pooling of contributions from multiple investors. The Union contribution may be subordinated to that of other investors.

The design and implementation

The design shall be aligned with the general provisions for financial instruments set out in the Financial Regulation.

The detailed terms and conditions for implementing the Debt Instrument, including monitoring and control, shall be laid down in an agreement between the Commission and a respective entrusted entity, taking into account the provisions laid down in this Annex and the Financial Regulation.

Fiduciary account

The entrusted entity shall set up a fiduciary account to hold the Union contribution and revenues resulting from the Union contribution.

5. Use of the Union contribution

The Union contribution shall be used:

- a. towards risk provisioning;
- b. to cover agreed fees and costs associated with the establishment and management of the Debt Instrument, including its evaluation and support actions, which have been determined in line with the Financial Regulation and market practice. The administrative and performance-based fees to be paid to the entrusted entity shall not exceed 2% and 3% respectively of the Union contribution effectively used for individual operations, on the basis of a cost-based agreed methodology between the Commission and the entrusted entities.
- c. for directly related support actions

6. Pricing, risk and revenue sharing

The Debt Instruments shall bear a price, to be charged to the beneficiary, in accordance with the relevant rules and criteria of the entrusted entities or dedicated investment vehicles and in line with best market practices.

As regards direct mandates to entrusted entities, the risk-sharing pattern shall be reflected in an appropriate sharing between the Union and the entrusted entity of the risk remuneration charged by the entrusted entity to its borrowers.

As regards dedicated investment vehicles, the risk-sharing pattern shall be reflected in an appropriate sharing between the Union and the other investors of the risk remuneration charged by the dedicated investment vehicle to its borrowers.

Notwithstanding the risk-sharing pattern chosen, the entrusted entity shall always share a portion of the defined risk and shall always bear the full residual risk tranche.

The maximum risk covered by the Union budget shall not exceed 50% of the risk of the target debt portfolio under the debt instrument. The maximum risk-taking ceiling of 50% shall apply to the target size of dedicated investment vehicles.

7. Application and approval procedure

Applications shall be addressed to the entrusted entity or a dedicated investment vehicle, respectively, in accordance with their standard application procedures. The entrusted entities and the dedicated investment vehicles shall approve the projects in accordance with their internal procedures.

8. Duration of the Debt Instrument

The last tranche of the Union contribution to the Debt Instrument shall be committed by the Commission no later than 31 December 2020. The actual approval of debt financing by the entrusted entities or the dedicated investment vehicles shall be finalised by 31 December 2022.

9. Expiry

Union contribution allocated to the Debt Instrument shall be reimbursed to the relevant fiduciary account as debt financing expires or is repaid. The fiduciary account shall maintain sufficient funding to cover fees or risks related to the Debt Instrument until their expiry.

10. Reporting

The reporting methods on the implementation of the Debt Instrument shall be agreed by the Commission in the agreement and the entrusted entity in line with the Financial Regulation.

In addition, the Commission shall, with the support of the entrusted entities, report annually to the European Parliament and the Council until 2023 on implementation, the prevailing market conditions for the use of the instrument, the updated projects and the project pipeline including information on projects at different stages of the procedure while respecting confidentiality and sensitive market information in accordance with Article 140(8) of the Financial Regulation.

11. Monitoring, control and evaluation

The Commission shall monitor the implementation of the Debt Instrument, including through on-the-spot controls as appropriate, and shall perform verification and controls in line with the Financial Regulation.

12. Support Actions

The implementation of the Debt Instrument may be supported by a set of accompanying measures. These may include, amongst other measures, technical and financial assistance; measures to raise the awareness of capital providers; schemes to attract private investors.

The European Investment Bank shall provide at the request of the European Commission or the Member States concerned, technical assistance, including on financial structuring to projects of common interest, including the ones implementing the Core Network Corridors as listed in Part I of the Annex of this Regulation. This technical assistance shall also include support to administrations in order to develop adequate institutional capacity.

II. Equity Instrument

1. General provisions

The goal of the Equity Instrument shall be to contribute to overcoming the deficiencies of European capital markets by providing equity and quasi-equity investments.

The maximum amounts of the Union contribution shall be limited as follows:

- 33% of the target equity fund size or
- the co-investment by the Union in a project shall not exceed 30% of the total equity of a company.

The project promoters may, in addition, seek debt financing under the Debt Instrument.

2. Financial parameters and the leverage

Investment parameters shall be set in such a way that specific policy objectives, including the targeting of particular categories of infrastructure projects, can be achieved while still preserving the market-oriented approach of this instrument.

The expected leverage of the Equity Instrument — defined as the total funding (i.e. the Union contribution plus all contributions from other investors) divided by the Union contribution shall be expected in average to range from 5 to 10, depending on market specificities.

3. Combination with other sources of funding

Funding from the Equity Instrument may be combined with other ring-fenced budgetary contributions listed below, subject to the rules of the Financial Regulation and the relevant legal base:

- (a) other parts of the Connecting Europe Facility,
- (b) other instruments, programmes and budget lines in the Union budget; and
- (c) Member States, including regional and local authorities, that wish to contribute own resources or resources available from the Cohesion Policy funds without changing the nature of the instrument.

4. Implementation

Entrusted entities

Entrusted entities shall be selected in accordance with the Financial Regulation.

The implementation under indirect management mode may have the form of direct mandates to entrusted entities, in indirect management mode. For instruments under direct mandates, (i.e. in indirect management mode), the entrusted entities shall manage the Union contribution to the Equity Instrument.

In addition, the setting up of dedicated investment vehicles may be envisaged to allow the pooling of contributions from multiple investors. The Union contribution may be subordinated to that of other investors.

In duly justified cases in order to achieve specific policy objectives, the Union contribution may be provided to a specific project by an entrusted entity as a co-investment.

The design and implementation

The design shall be aligned with the general provisions for financial instruments set out in the Financial Regulation.

The detailed terms and conditions for implementing the Equity Instrument, including its monitoring and control, shall be laid down in an agreement between the Commission and a respective entrusted entity, taking into account the provisions laid down in this Annex and the Financial Regulation.

Fiduciary account

The entrusted entity shall set up a fiduciary account to hold the Union contribution and revenues resulting from the Union contribution.

5. Use of the Union contribution

The Union contribution shall be used:

- a. towards equity participations and,
- b. to cover agreed fees and costs associated with the establishment and management of the Equity Instrument, including its evaluation, which have been determined in line with the Financial Regulation and market practice,
- c. for directly related support actions.

6. Pricing, risk and revenue sharing

The equity remuneration shall comprise the customary return components attributed to equity investors and shall depend on the performance of the underlying investments.

7. Application and approval procedure

Applications shall be addressed to the entrusted entity or a dedicated investment vehicle, respectively, in accordance with their standard application procedures. The entrusted entities and the dedicated investment vehicles shall approve the projects in accordance with their internal procedures.

8. Duration of the Equity Instrument

The last tranche of the Union contribution to the Equity Instrument shall be committed by the Commission no later than 31 December 2020. The actual approval of equity investments by the entrusted entities or the dedicated investment vehicles shall be finalised by 31 December 2022.

9. Expiry

Union contribution allocated to the Equity Instrument shall be reimbursed to the relevant fiduciary account as investments are exited or mature otherwise. The fiduciary account shall maintain sufficient funding to cover fees or risks related to the Equity Instrument until its expiry.

10. Reporting

Annual reporting methods on the implementation of the Equity Instrument shall be agreed by the Commission and the entrusted entity in the agreement in line with the Financial Regulation.

In addition, the Commission shall, with the support of the entrusted entities, report on implementation annually to the European Parliament and the Council until 2023 in accordance with the Article 140(8) of the Financial Regulation.

11. Monitoring, control and evaluation

The Commission shall monitor the implementation of the Equity Instrument, including through on-the-spot controls as appropriate, and shall perform verification and controls in line with the Financial Regulation.

12. Support actions

The implementation of the Equity Instrument may be supported by a set of accompanying measures. These may include, amongst other measures, technical and financial assistance; measures to raise the awareness of capital providers; schemes to attract private investors.

PART V LIST OF INITIAL FREIGHT CORRIDORS

	Member States	Principal routes (¹)	Establishment of freight corridors:
"Rhine-Alpine"	NL, BE, DE, IT	Zeebrugge- Antwerp/Amsterdam/Vlissingen ⁺ /Rotterdam- Duisburg-[<i>Basel</i>]-Milan- Genoa	By 10 November 2013
"North Sea – Mediterranean"	NL, BE, LU, FR, UK ⁺	Glasgow*/Edinburgh*/Southampton*/Felixstowe* London ⁺ /Dunkerque ⁺ /Lille ⁺ /Liège ⁺ /Paris ⁺ /Amsterdam ⁺ -Rotterdam-Zeebrugge ⁺ /Antwerp-Luxembourg- Metz-Dijon-Lyon/[<i>Basel</i>]-Marseille ⁺	By 10 November 2013
"Scandinavian – Mediterranean"	SE, DK, DE, AT, IT	Stockholm/[<i>Oslo</i>] ⁺ /Trelleborg ⁺ -Malmö-Copenhagen- Hamburg-Innsbruck-Verona- La Spezia ⁺ /Livorno ⁺ /Ancona ⁺ /Taranto ⁺ /Augusta ⁺ / Palermo	By 10 November 2015
"Atlantic"	PT, ES, FR, DE ⁺	Sines-Lisbon/Leixões — Madrid-Medina del Campo/ Bilbao/San Sebastian-Irun- Bordeaux-Paris/Le Havre/Metz – Strasbourg ⁺ /Mannheim ⁺ Sines-Elvas/Algeciras	By 10 November 2013
"Baltic – Adriatic"	PL, CZ, SK, AT, IT, SI	Swinoujscie ⁺ /Gdynia-Katowice-Ostrava/Žilina- Bratislava/Vienna/Klagenfurt-Udine-Venice/ Trieste/ /Bologna/Ravenna Graz-Maribor-Ljubljana-Koper/Trieste	By 10 November 2015
"Mediterranean"	ES, FR, IT, SI, HU, HR ⁺	Almería-Valencia/Algeciras/Madrid- Zaragoza/Barcelona-Marseille-Lyon-Turin-Milan- Verona-Padua/Venice-Trieste/Koper- Ljubljana- Budapest Ljubljana ⁺ /Rijeka ⁺ -Zagreb ⁺ -Budapest-Zahony (Hungarian-Ukrainian border)	By 10 November 2013

"Orient/East-Med"	CZ, AT, SK, HU, RO, BG, EL, DE*	— Bucharest-Constanta Bremerhaven*/Wilhelmshaven*/Rostock*/Hamburg* - Prague-Vienna/Bratislava-Budapest — Vidin-Sofia-Burgas*/Svilengrad* (Bulgarian-Turkish border)/ Promachonas-Thessaloniki-Athens-Patra*	By 10 November 2013
"North Sea – Baltic" ^o	DE, NL, BE, PL, LT, LV*, EE*	Wilhelmshaven ⁺ /Bremerhaven/Hamburg ⁺ / Amsterdam ⁺ /Rotterdam/Antwerp-Aachen/Berlin-Warsaw-Terespol (Poland-Belarus border)/Kaunas-Riga* -Tallinn*	By 10 November 2015
"Rhine-Danube" [‡]	FR, DE, AT, SK, HU, RO	Strasbourg-Mannheim-Frankfurt-Nürnberg-Wels Strasbourg-Stuttgart-München-Salzburg-Wels-Wien-Bratislava-Budapest-Arad-Braşov/Craiova-Bucureşti-Constanta Čierna and Tisou (Slovak/ Ukrainian border)-Košice-Žilina-Horní Lideč-Prague-München/Nürnberg	By 10 November 2020

¹ '/' means alternative routes. In line with the TEN-T guidelines, the Atlantic and the Mediterranean corridors should in the future be completed by the Sines/Algeciras-Madrid-Paris freight axis which crosses the central Pyrenees via a low elevation tunnel.

⁺ Routes marked with ⁺ shall be included in the respective corridors at the latest 3 years after the date of establishment set out in this table. Existing structures defined under Art 8 and 13(1) of this Regulation shall be adjusted with the participation of additional Member States and infrastructure managers in the respective corridors. These inclusions shall be based on market studies and take into consideration the aspect of existing passenger and freight transport in line with Art 14(3) of this Regulation.

* Routes marked with * shall be included in the respective corridors at the latest 5 years after the date of establishment set out in this table. Existing structures defined under Art 8 and 13(1) of this Regulation shall be adjusted with the participation of additional Member States and infrastructure managers in the respective corridors. These inclusions shall be based on market studies and take into consideration the aspect of existing passenger and freight transport in line with Art 14(3) of this Regulation.

^o Until the realisation of a Rail Baltic line in 1435mm nominal track gauge, the specificities of different track gauge systems shall be taken into account in the establishment and operation of this corridor.

[‡] The creation of this corridor shall be based on market studies and take into consideration the aspect of existing passenger and freight transport in line with Art 14(3) of this Regulation. The section "Čierna and Tisou (Slovak/ Ukrainian border)-Košice-Žilina-Horní Lideč-Prague" shall be established by 10 November 2013.

PART VI INDICATIVE PERCENTAGES FOR SPECIFIC TRANSPORT OBJECTIVES

The budgetary resources referred to in point (a) of Article 5(1), excluding those allocated to programme support actions, shall be distributed to the transport specific objectives as defined in article 4(1)(a) as follows:

- (i) removing bottlenecks, enhancing rail interoperability, bridging missing links, and, in particular, improving cross-border sections - 80%;
- (ii) ensuring sustainable and efficient transport systems in the long run, with a view to preparing for expected future transport flows as well as enabling the decarbonisation of all modes of transport through transition to innovative low-carbon and energy efficient transport technologies, while optimising safety - 5%;
- (iii) optimising the integration and interconnection of transport modes and enhancing interoperability of transport services, while ensuring the accessibility of transport infrastructures, and taking into account the ceiling for on-board components of SESAR, RIS, VTMISS and of ITS for the road sector referred to in article 10(2)c(iv) - 15 %.

The EUR 10 000 000 000 transferred from the Cohesion Fund [Regulation XXXX Article XX] shall be spent entirely on projects implementing the core network or for projects and horizontal priorities identified in Part I of the Annex to this Regulation.

PART VII
LIST OF GENERAL ORIENTATIONS TO BE TAKEN INTO ACCOUNT WHEN
SETTING AWARD CRITERIA

When setting award criteria in accordance with Article 17(6) at least the following general orientations shall be taken into account:

- (a) maturity of the action in the project development;
- (b) soundness of the implementation plan proposed;
- (c) stimulating effect of Union support on public and private investment, when applicable;
- (d) need to overcome financial obstacles such as the lack of market finance;
- (e) when applicable, economic, social, climate and environmental impact, and accessibility;
- (f) cross-border dimension, when applicable.
