



**COUNCIL OF
THE EUROPEAN UNION**



Brussels, 10 July 2013
11439/13
(OR. en)
PRESSE 285

Council and European Parliament reach agreement on the Connecting Europe Facility

The member states' Permanent Representatives today endorsed the compromise reached between the Council and the European Parliament in their negotiations on the Connecting Europe Facility (CEF), the future funding instrument for the trans-European networks (TEN) in the fields of transport, energy and telecommunications. The draft regulation establishing the CEF determines the conditions, methods and procedures for the Union's financial contribution to TEN projects. It will replace the existing legal bases for TEN funding. The overall objective of the CEF is to help create high-performing and environmentally-sustainable interconnected networks across Europe, thereby contributing to economic growth and social and territorial cohesion within the Union.

The agreed text still needs to be formally approved by the Parliament, whose vote in plenary is expected to take place in the autumn, and by the Council, which is due to take its decision after the vote in Parliament.

The final budget figures still need to be determined in the light of the outcome of the negotiations with the Parliament on the next multi-annual financial framework (MFF), for the years 2014-2020. However, they are likely to correspond more or less to those set by the February European Council, namely an overall CEF budget of EUR 29 299 million, with EUR 23 174 million (including EUR 10 billion earmarked in the Cohesion Fund) allocated to the transport sector, EUR 5 126 million to the energy sector and EUR 1 billion to the telecommunications sector. Moreover, additional investment from private and public sources may be leveraged through the use of innovative financial instruments such as project bonds.

P R E S S

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The EU will contribute to the financing of projects at different rates depending on the sector and the type of action concerned. To be eligible for aid from the CEF, the projects must be in line with the requirements set out in the CEF regulation and in the sector-specific guidelines. The guidelines for the energy sector have already been adopted and published in the EU's Official Journal ([regulation 347/2013](#)). The Council and the Parliament have also reached agreement on the transport guidelines. The guidelines for the telecommunications sector, however, still need to be discussed with the European Parliament.

Background on the outcome of negotiations:

With respect to the main issues of discussion between the Council and Parliament on this draft regulation, the negotiations have delivered the following compromise solutions:

Regarding the use of innovative financial instruments, it has been agreed, in particular, that the contribution from the CEF to such financial instruments may not exceed 10 % of the overall CEF budget and that the project bond initiative will start progressively in 2014 and 2015, with full implementation depending on an independent evaluation of the initial phase. Moreover, the ceiling for subordinated debt financing has been set at 30 % of the total amount of senior debt.

As to the question of whether value added tax (VAT) should be an eligible cost for grants under the CEF, it has been agreed that the VAT rules of the Cohesion Fund will apply to funding coming from this Fund and that other funding under the CEF will be subject to the VAT rules of the EU's Financial Regulation, which means that VAT non-recoverable under national legislation will be eligible under certain conditions.

As regards the transport sector, co-financing will be extended to components of the new air traffic management system SESAR and actions improving accessibility to transport infrastructure for disabled persons. Moreover, the list of eligible projects will also include actions implementing transport infrastructure in nodes of the core network, studies for cross-border priority projects as well as actions concerning the comprehensive network that are intended to bridge missing links or contribute to the deployment of the European Rail Traffic Management System (ERTMS) on principal routes of rail freight corridors. In addition, indicative percentages have been set for the distribution of funds to specific transport objectives. The text agreed also provides for the alignment of core network corridors with the existing rail freight corridors.

As regards the energy sector, EU financial assistance is to be provided as a priority in the form of financial instruments, where appropriate, so as to enhance the multiplier effect of this aid. Furthermore, ending energy isolation, eliminating energy bottlenecks and completing the internal energy market will be priorities in the first two annual work programmes. The particular importance of electricity projects has also been underscored.

The provisions on telecommunication have been adapted to reflect the amended proposal for guidelines on telecommunication networks ([10201/13](#)), adopted by the Commission at the end of May to take account of the budgetary cuts agreed by the European Council for this sector.

Finally, stronger emphasis has been put on synergies across the three sectors covered by the CEF, for instance by providing that the Commission will launch at least one multi-sector call for proposals.
