



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 17 July 2012

12603/12

**FIN 542
CADREFIN 348
POLGEN 135
REGIO 93
ENER 348
TRANS 244
TELECOM 141
COMPET 506
MI 498
ECO 104
CODEC 1911**

NOTE

from: Presidency
to: Permanent Representatives Committee

Subject: Connecting Europe Facility
- Organisation of work within the Council in the second semester 2012

1. Introduction

On 24 October 2011, the Commission transmitted the above mentioned proposal to the European Parliament 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 Multiannual Financial Framework (MFF).

The CEF lays down the general rules for the granting of Union financial aid 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 were also proposed in each sector.

2. Work within the Council

Under the Danish Presidency, negotiations on the CEF were held in the Budget Committee. Working Parties on Transport Intermodal Questions and Networks, on Energy and on Telecommunications and Information Society provided input on sector specific matters. The last discussion on the CEF in the Budget Committee took place on 14 May 2012.

The Permanent Representatives Committee examined a draft partial general approach on 25 May 2012.

The TTE Council of 7 June 2012 in Luxembourg agreed on a partial general approach on a draft regulation establishing CEF, the future funding instrument for the trans-European networks in the fields of transport, energy and telecommunications (*Doc. 11236/12*), leaving out issues related to the new financial instruments and to the transfer of €10 billion from the Cohesion Fund.

The Council has already agreed on a general approach on guidelines for the transport sector (TEN-T guidelines: *Doc. 8047/12*). The energy and telecommunications guidelines, however, are still under discussion.

The budget to be made available for the trans-European networks under the CEF will depend on the results of the negotiations on the next MFF and was therefore not yet included in this partial general approach.

The Commission has proposed EUR 50 billion for the years 2014 to 2020, with EUR 31.7 billion (including EUR 10 billion earmarked in the Cohesion Fund) allocated to the transport sector, EUR 9.1 billion to the energy sector and about the same amount to the telecommunications sector. These matters, as well as the proposed ceiling for innovative financial instruments proposed by the Council and the rules governing the spending of the EUR 10 billion earmarked in the Cohesion Fund, will be subject for further discussion in the Friends of the Presidency Group – MFF.

Moreover, the provisions on financial aid through the use of innovative financial instruments such as project bonds, designed to leverage additional investment from private and public sources, were at the time still discussed with the European Parliament in the framework of the negotiations on the Union's new Financial Regulation and therefore also left out of the partial general approach.

3. Work in European Parliament

The European Parliament, whose approval is also required for the adoption of the regulation, has not yet determined its position on the proposal.

Mr RIQUET (PPE-FR) and Ms AYALA SENDER (S&D-ES) have been appointed as co-rapporteurs by the TRAN Committee. Ms VALEAN (ALDE-RO) was also appointed as a rapporteur by the ITRE Committee. The vote in Joint Committee (TRAN and ITRE Committees) is foreseen in November 2012. The vote in Plenary depends on the MFF negotiations, but would not take place in any case before January 2013.

The Presidency will take early contacts with the European Parliament in order to assess how the latter intends to deal with the CEF in relation with the MFF and sectoral guidelines.

4. The way forward- Cyprus Presidency- Second Semester of 2012

With the above in mind, and taking into consideration the heavy work load the Budget Committee will face with the examination of the EU annual budget, the Cyprus Presidency decided to create a new Friends of the Presidency-CEF working group (FoP-CEF). This Group will assist COREPER I on the work related to CEF. It will work under its direction and will report back to it.

Consideration in scheduling the meetings will take into account to the extent possible the meetings of the Budget Committee, FoP-MFF and sectoral working parties concerned to ensure that delegations can be represented by the appropriate experts at each meeting of the FoP-CEF. The Presidency will also take all the necessary steps in order to ensure a close cooperation between the FoP-CEF and the sectoral working parties in order to streamline the process and to ensure national coordinated position.

5. Objectives and tasks of FoP-CEF

The partial general approach reached on 7 June 2012 on the proposed regulation will not be reopened in the discussions.

The FoP-CEF will build on and continue the work done by Budget Committee under the Danish Presidency. The above mentioned sectoral Working Parties (TTE) will continue to provide input upon request of the FoP-CEF on sectoral specific issues which were integrated in the regulation. FoP- CEF delegates will continuously ensure close and direct liaison with their sectoral WP contacts.

There exist close links between the CEF Regulation, the sectoral guidelines and the new Financial Regulation. The FoP-CEF will take any developments on the latter two into account in its work.

The Part I of the Annex containing the indicative list of corridors is one of the main issues for all Member States. It has been agreed bilaterally between the Commission and each Member State concerned and has been adopted under the partial general approach and will therefore not be reopened in the FoP-CEF. The text of Part II of the Annex will be aligned with the final text of the Annex I of Regulation on guidelines for trans-European energy infrastructure, with the exception of the Priority Oil Corridor. Part III of the Annex will be subject to further discussions in the Telecom Working Party.

The recitals of the new regulation will be discussed in the FoP-CEF. Following the results of the TTE Council of 7 June, some new recitals will be added to the text.

Now that the new Financial Regulation has been agreed, the FoP-CEF will discuss the point covered by the general reserve on the partial general approach on the articles related to the Financial Regulation. The main issue concerns the financial instruments (Articles 14 to 16). Nevertheless, as long as the new Financial Regulation had not been adopted, it was decided to include provisions reflecting the Council's position; these provisions will be replaced by references to the new Financial Regulation. This regards applicable types of financial instruments (Article 14), the principles and conditions applicable to financial instruments (Article 14a), the annual report on financial instruments (Article 14b), the liability of the Union (Article 15(2b)) and the exit procedure (Article 15(5a)).

Moreover, a text on reflows (Article 15(6)) needs to be inserted, pending the outcome of the negotiations. Finally, the possibility to lay down the main terms, conditions and procedures for each financial instrument in the CEF Annex (Article 14(1)) needs further examination.

Other articles covered by this general reserve to be discussed by the FoP-CEF refer to the choice of financial instruments as an indicator (Article 3(a)), the forms of financial aid (Articles 6(1) and 7(1)), the bodies implementing the CEF (Article 6(2)), the eligibility of VAT (Article 8(7)), the provisions concerning cancellation, reduction, suspension or termination of grants (Article 12) and the annual installments (Article 18).

6. Conclusion

Coreper is invited to endorse the Presidency's suggestion with the objectives and tasks set out in section 5, in order to allow Friends of the Presidency-CEF to pursue the examination of the above proposal with a view to reaching, as soon as possible, an agreement which could be endorsed by the TTE Council at its meeting on 20-21 December 2012.
