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NOTE

From: Presidency

To: Council

Subject: Investment Plan for Europe

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub (First reading)

- General approach

Following the Coreper meeting on 30 November 2016, delegations will find in the Annex a revised Presidency compromise on the above proposal with a view to the adoption of a general approach by the Council (Ecofin) at its meeting on 6 December 2016.

Changes compared to the text of the Commission proposal are marked in **bold**, or by (...) for deleted text.

Changes of a legal linguistic nature are marked in *italics*.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of

amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 172 and 173, the third paragraph of Article 175 and Article 182(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee,

Having regard to the opinion of the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Since the Investment Plan for Europe was presented in November 2014¹, the conditions for an uptake in investment have improved and confidence in Europe's economy and growth are returning. The Union is now in its fourth year of moderate recovery, with Gross Domestic Product growing at 2% in 2015. The comprehensive efforts initiated with the Investment Plan are already delivering concrete results, despite the fact that macroeconomic effects of larger investment projects cannot be immediate. Investment is expected to pick up gradually throughout 2016 and 2017 although it remains below historical levels.

¹ COM(2014) 903 final.

- (2) That positive momentum should be maintained and efforts need to be continued to bring investment back to its long-term sustainable trend. The mechanisms of the Investment Plan work and should be reinforced to continue the mobilisation of private investments in sectors important to Europe's future and where market failures or sub-optimal investment situations remain.
- (3) On 1 June 2016 the Commission issued a Communication entitled 'Europe investing again – Taking stock of the Investment Plan for Europe and next steps' outlining the achievements of the Investment Plan so far and the envisaged next steps, including the extension of the European Fund for Strategic Investments (EFSI) beyond its initial three-year period, the scaling-up of the Small and Medium-sized Enterprises (SME) Window within the existing framework and the enhancement of the European Investment Advisory Hub (EIAH).
- (4) The EFSI, implemented and co-sponsored by the EIB Group, is firmly on track to deliver the objective of mobilising at least EUR 315 billion in additional investments in the real economy by mid-2018. The market absorption has been particularly quick under the SME Window where the EFSI is delivering well beyond expectations. In July 2016 the SME Window was thus scaled-up by EUR 500 million within the existing parameters of Regulation (EU) No 2015/1017². A larger share of financing to be geared towards SMEs given the exceptional market demand for SME financing under the EFSI: 40% of the increased risk bearing capacity of the EFSI should be geared towards increasing access to financing for SMEs.

² **Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1).**

- (5) On 28 June 2016, the European Council concluded that *the* Investment Plan for Europe, in particular the (...) EFSI, has already delivered concrete results and is a major step to help mobilise private investment while making smart use of scarce budgetary resources. The Commission intends to soon put forward proposals on the future of the EFSI, which should be examined as a matter of urgency by the European Parliament and the Council.
- (6) The EFSI was established for an initial period of three years and with the aim of mobilising at least EUR 315 billion in investments. Given its success, the Commission is committed to the doubling of the EFSI, both in terms of duration and financial capacity. The legal extension covers the period of the current Multiannual Financial Framework and should provide a total of at least half a trillion euro investments by 2020. In order to enhance the firepower of the EFSI even further and reach the aim of doubling the investment target, Member States **are encouraged to** contribute.

- (7) (...) Any new proposal extending the investment period after 2020 should be based on reports submitted by the Commission to the European Parliament and to the Council containing ~~an~~ independent evaluations of the application of this Regulation. The first report to be submitted by 30 June 2018 should assess the functioning of the EFSI, the use of the EU guarantee and the functioning of EIAH. Moreover, the report should specify whether the EFSI consists of good use of resources of the EU Budget, mobilizes sufficient levels of private capital and crowds-in private investment. The main conclusions of this report should provide the basis of the discussions on *the* EFSI in the negotiations on next Multiannual Financial Framework. The following report to be submitted by 31 December 2019 should specify whether *the* EFSI is achieving its objectives in particular concerning the additionality of projects. Furthermore, the report should assess the wider investment situation in the EU and conclude whether maintaining the scheme for supporting investment is still warranted or whether a smooth termination of the EFSI, while preserving the EU guarantee for the operations already approved under this Regulation, should be ensured. The main conclusions from *that* report should provide impetus for further continuation or termination of the scheme post 2020.

- (8) The extended EFSI should address remaining market failures and sub-optimal investment situations and continue to mobilise private sector financing in investments crucial for Europe's future job creation – including for the youth –, growth and competitiveness with strengthened additionality. They include investments in the areas of energy, environment and climate action, social and human capital and related infrastructure, healthcare, research and innovation, cross-border and sustainable transport, as well as the digital transformation. (...) **In line with the EU's commitment to the global fight against climate change, operations supported by the EFSI should contribute, as much as possible, to achieving the objectives of COP21. In order to reinforce the climate action element under the EFSI, the EIB should build on its experience as one of the largest providers of climate finance worldwide and use its internationally agreed methodology to credibly identify climate action components or cost shares.** Energy interconnection priority projects and energy efficiency projects should also be increasingly targeted. (...) For reasons of clarity, although they are already eligible, it should be explicitly laid down that projects in the fields of agriculture, **forestry**, fishery, aquaculture **and other elements of a wider bioeconomy** come within the general objectives eligible for EFSI support.
- (8a) **On 14 November 2016, the Council in its foreign affairs configuration, concluded that *it (...) would take note with interest of the outcome of discussions on the eligibility of funding for the defence industry under the (...) EIB, including through the (...) EFSI. With this in mind, it is understood that the EU guarantee may be granted for EIB financing and investment operations supporting the objectives listed in Article 9(2) of Regulation (EU) No 2015/1017, including within the limits set by the Treaties, for projects related to the security and defence sectors. Any change to the EIB list of eligible sectors is subject to the approval of EIB governing bodies.***

- (9) Additionality, a key feature of the EFSI, should be strengthened in the selection of projects. In particular, operations should only be eligible for EFSI support if they address clearly identified market failures or sub-optimal investment situations. **Market failures have different causes (...) and can lead to insufficient demand for investment and an undersupply or an inadequate supply of finance by market-based operators, resulting in sub-optimal investment situations.**
- (9a) Operations in infrastructure under the Infrastructure and Innovation Window linking two or more Member States, including e-infrastructure, should be, **as a rule**, considered additional given their inherent difficulty and their high added value for the Union.
- (10) **With a view to ensuring a wider geographical coverage of EFSI and to increasing the efficiency of the EFSI intervention, blending operations combining non-reimbursable forms of support and/or financial instruments from the Union budget, such as European Structural and Investment Funds or those available under the Connecting Europe Facility, and financing from EIB Group, including EIB financing under the EFSI, as well as other investors should be encouraged. Blending aims to enhance the value added of Union spending by attracting additional resources from private investors and to ensure the actions supported become economically and financially viable. Further action to ensure that EU funds and EFSI support can be easily combined is necessary. The Commission has already published a concrete guidance on this matter, however the approach on the issue of combining the EFSI with the EU funds should be further developed. In order to ensure economic efficiency and adequate leverage, such blending of finances should not exceed 90% of total project costs for the least developed regions and 80% for all other regions.**

- (11) In order to reinforce the take-up of the EFSI in less-developed and transition regions, the scope of the general objectives eligible for EFSI support should be enlarged. **Such projects would remain subject to examination by the Investment Committee and need to adhere to the same eligibility criteria for the use of the EU guarantee including the principle of additionality.**
- (12) For the full investment period, the Union should provide a Union guarantee (the 'EU guarantee') which should not, at any time, exceed EUR 26 000 000 000 in order to enable the EFSI to support investments, of which a maximum of EUR 16 000 000 000 should be available prior to 6 July 2018.
- (13) It is expected that when the EU guarantee is combined with the EUR 7 500 000 000 to be provided by the EIB, the EFSI support should generate EUR 100 000 000 000 additional investment by the EIB and EIF. The amount of EUR 100 000 000 000 supported by the EFSI is expected to generate at least EUR 500 000 000 000 of additional investment in the real economy by the end of 2020.
- (14) In order to partly finance the contribution from the general budget of the Union to the EU guarantee fund for the additional investments to be made, a transfer should be made from the available envelope of the Connecting Europe Facility (CEF), provided for in Regulation (EU) No 1316/2013 of the European Parliament and of the Council³. Moreover, EUR 1 145 797 000 of appropriations should be transferred from the CEF financial instruments to the grant part of the CEF with a view to facilitating blending with the EFSI or to other relevant instruments, in particular those dedicated to energy efficiency.

³ Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010, OJ L 348, 12.2013, p. 129.

- (15) On the basis of the experience acquired with the investments supported by the EFSI, the target amount of the guarantee fund should be brought to 35 % of the total EU guarantee obligations ensuring an adequate level of protection.
- (16) In line with the exceptional market demand for SME financing under the EFSI which is expected to continue, the EFSI SME Window should be enhanced. Particular attention should be paid to social enterprises, including through the development and deployment of new instruments.
- (17) The EIB and the EIF should ensure that the final beneficiaries, including SMEs, are informed of the existence of EFSI support, so as to enhance the visibility of the EU guarantee granted under Regulation (EU) 2015/1017.
- (18) With a view to enhancing the transparency of EFSI operations, the Investment Committee should explain in its decisions, which are made public and accessible **after the EIB Board of Directors has approved the operations**, the reasons why it deems that an operation should be granted the EU guarantee, with particular focus on compliance with the additionality criterion. The scoreboard of indicators should be made public once an operation under the EU guarantee is signed.
- (19) (...) **In carrying out its operations, the EIB should not make use of or engage in tax avoidance structures, in particular aggressive tax planning schemes, in accordance with the Union legislation and taking utmost account of relevant principles and guidelines laid down in Council Conclusions, notably those of 8 November 2016, in particular in their Annex.**

- (20) In addition, it is appropriate to make certain technical clarifications in relation to the contents of the agreement on the management of the EFSI and on granting of the EU guarantee and on the instruments covered by it, including coverage for currency exchange rate risk in certain situations. The agreement with the EIB on the management of the EFSI and on the granting of the EU guarantee should be adapted in line with this Regulation.
- (21) The (...) EIAH should be enhanced and its activities should focus (...) **on contributing actively where possible towards sectorial and geographic diversification of the EFSI and support the EIB where needed in originating projects. In (...) Member States with difficulties in developing projects in particular under the EFSI, the EIAH should establish a local presence. In order to ensure a broad coverage, EIAH should aim to conclude at least one cooperation agreement with a national promotional bank or institution per Member State. These objectives should be complementary and not preclude one another. Furthermore, EIAH should pay particular attention to supporting the preparation of projects involving two or more Member States and projects that contribute to achieving the objectives of COP21. (...) It should also actively contribute to the establishment of investment platforms and provide advice on the combination of other sources of Union funding with the EFSI. In carrying out its work, the EIAH should continue to ensure complementarity of its services.**

(21a) The European Semester for economic policy coordination is based on a detailed analysis of EU Member States' plans of budgetary, macroeconomic and structural reforms and provides them with country-specific recommendations. Against this background, the EIB should inform the Commission on its findings on barriers and bottlenecks to investment in Member States, identified when carrying out investment operations covered by this Regulation. The Commission is invited to factor these findings, among others, into its work undertaken in the context of the third pillar of the Investment plan.

(22) Regulation (EU) No 1316/2013 and Regulation (EU) No 2015/1017 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) No 2015/1017 is amended as follows:

(1) Article 4(2) is amended as follows:

(a) in point (a), point (ii) is replaced by the following:

'(ii) the amount, of no less than [EUR 7 500 000 000] in guarantees or cash, and the terms of the financial contribution which is to be provided by the EIB through the EFSI;'

(b) in point (c), point (i) is replaced by the following:

'(i) in accordance with Article 11, detailed rules on the provision of the EU guarantee, including its arrangements on coverage, its defined coverage of portfolios of specific types of instruments and the respective events triggering possible calls on the EU guarantee;'

(2) in Article 5(1) the third subparagraph is replaced by the following:

'To better address market failures or sub-optimal investment situations, EIB special activities supported by the EFSI shall typically have features such as subordination, participation in risk-sharing instruments, cross-border characteristics, exposure to specific risks or other identifiable aspects as further described in Annex II.'

EIB projects carrying a risk lower than the minimum risk under EIB special activities may also be supported by the EFSI if the use of the EU guarantee is required to ensure additionality as defined in the first subparagraph of this paragraph.

The projects **considered for (...) EFSI support** that consist of physical infrastructure linking two or more Member States, **including e-infrastructure, as well as the extension of infrastructure and services associated with such infrastructures (...)** shall, **as a rule**, also be considered to provide additionality.';

(3) In Article 6(1), the introductory words are replaced by the following:

'The EFSI Agreement shall provide that the EFSI is to support projects which address market failures or sub-optimal investment situations and which:';

(4) Article 7 is amended as follows:

(a) paragraph 8 is amended as follows:

(i) point (e) is replaced by the following:

'(e) climate action, environmental protection and management:';

(ii) The following point is added:

'(l) agriculture, **forestry**, fishery, (...) -aquaculture **and other elements of the wider bioeconomy**.';

- (b) in paragraph 10, the second sentence is replaced by the following:

'Each member of the Investment Committee shall communicate without delay to the Steering Board, the Managing Director and the Deputy Managing Director all information needed to check on an ongoing basis the absence of any conflict of interest.';

- (c) in paragraph 11, the following sentence is added:

'The Managing Director shall be responsible for informing the Steering Board of any such breach that comes to his knowledge and propose appropriate action.';

- (d) in paragraph 12, the second sentence of the second subparagraph is replaced by the following:

'Decisions approving the use of the EU guarantee shall be public and accessible, and include the rationale for the decision, with particular focus on compliance with the additionality criterion. The publication **to be made after the approval of the operation by the EIB Board of Directors** shall not contain commercially sensitive information. In reaching its decision, the Investment Committee shall be supported by the documentation provided by the EIB.';

- (5) Article 9 is amended as follows:

- (a) paragraph 2 *is amended as follows*:

- (i) the following points are added:

'(h) agriculture, **forestry**, fishery (...), aquaculture **and other elements of the wider bioeconomy**;

- (i) for less-developed regions and transition regions as listed respectively in Annex I and Annex II of Commission Implementing Decision 2014/99/EU⁴, other industry and services eligible for EIB support.;
- (ii) the following subparagraph is added:

'Whilst recognising the demand-driven nature of the EFSI, the EIB shall (...) aim that at least 40 % of EFSI financing in the combined objectives under the infrastructure and innovation window (...) contributes to climate action, in line with the COP21 commitments. EFSI financing for SMEs and mid-cap companies shall not be included in that computation. (...).';

- (b) paragraph 3 is replaced by the following:

'3. The investment period during which the EU guarantee may be granted for supporting financing and investment operations covered by this Regulation shall last until:

- (a) 31 December 2020, for EIB operations for which a contract between the EIB and the beneficiary or financial intermediary has been signed by 31 December 2022;
- (b) 31 December 2020, for EIF operations for which a contract between the EIF and the financial intermediary has been signed by 31 December 2022.;

⁴ Commission Implementing Decision No 2014/99/EU of 18 February 2014 setting out the list of regions eligible for funding from the European Regional Development Fund and the European Social Fund and of Member States eligible for funding from the Cohesion Fund for the period 2014-2020, OJ L 50, 20.2.2014, p. 22.

(c) **paragraph 4 is replaced by the following:**

(...)

"Any new proposal extending the investment period during which the EU guarantee may be granted shall be based, among others, on an independent evaluation as referred to in Article 18 (...) (6) and (7).";

(6) in Article 10(2), point (a) is replaced by the following:

'(a) EIB loans, guarantees, counter-guarantees, capital market instruments, any other form of funding or credit enhancement instrument, including subordinated debt, equity or quasi-equity participations, including in favour of national promotional banks or institutions, investment platforms or funds;';

(7) Article 11 is amended as follows:

(a) paragraph 1 is replaced by the following:

'1. The EU guarantee shall not, at any time, exceed EUR 26 000 000 000, of which a part may be allocated for EIB funding or guarantees to the EIF in accordance with paragraph 3. Aggregate net payments from the general budget of the Union under the EU guarantee shall not exceed EUR 26 000 000 000 and not exceed EUR 16 000 000 000 prior to 6 July 2018.';

(b) paragraph 3 is replaced by the following:

(c) '3. Where the EIB provides funding or guarantees to the EIF in order to conduct EIB financing and investment operations, the EU guarantee shall provide for a full guarantee on such funding or guarantees provided that an amount of **up to** EUR [4 000 000 000] of funding or guarantees is provided by the EIB without coverage by the EU guarantee, up to an initial limit of EUR 6 500 000 000. Without prejudice to paragraph 1, that limit may where appropriate be adjusted by the Steering Board **up to a maximum of EUR 10 000 000 000, without an obligation on the EIB to match the amounts over and above the initial limit.**

(d) in paragraph 6, points (a) and (b) are replaced by the following:

'(a) for debt instruments referred to in Article 10(2)(a), the principal and all interest and amounts due to the EIB but not received by it in accordance with the terms of the financing operations until the event of default; losses arising from fluctuations of currencies other than the euro in markets where possibilities for long-term hedging are limited; for subordinated debt a deferral, reduction or required exit shall be considered to be an event of default;

(b) for equity or quasi-equity investments referred to in Article 10(2)(a), the amounts invested and their associated funding cost and losses arising from fluctuations of currencies other than the euro;';

(8) Article 12 is amended as follows:

(a) paragraph 5 is replaced by the following:

'5. Endowments to the guarantee fund referred to *in* paragraph 2 shall be used to reach an appropriate level (target amount) to reflect the total EU guarantee obligations. The target amount shall be set at 35 % of the total EU guarantee obligations.';

(b) paragraph 7 is replaced by the following:

'7. From 1 July 2018, if as a result of calls on the EU guarantee, the level of the guarantee fund falls below 50 % of the target amount, or it may fall below that level within a year according to a risk assessment by the Commission, the Commission shall submit a report on exceptional measures that may be required.';

(c) paragraphs 8, 9 and 10 are replaced by the following:

'8. After a call on the EU guarantee, endowments to the guarantee fund provided for in points (b) and (d) of paragraph 2 above the target amount shall be used within the limits of the investment period provided for in Article 9 to restore the EU guarantee up to its full amount.

9. Endowments to the guarantee fund provided for in point (c) of paragraph (2) shall be used to restore the EU guarantee up to its full amount.

10. In the event that the EU guarantee is fully restored up to an amount of EUR 26 000 000 000, any amount in the guarantee fund in excess of the target amount shall be paid to the general budget of the Union as internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012 for any budget lines which may have been used as a source of redeployment to the guarantee fund.';

(9) Article 14 is amended as follows:

(a) Paragraph 1 is amended as follows:

(i) in the first subparagraph, the second sentence is replaced by the following:

'Such support shall include providing targeted support on the use of technical assistance for project structuring, on the use of innovative financial instruments and on the use of public-private partnerships, taking into account the specificities and needs of Member States with less-developed financial markets.';

(ii) in the second subparagraph, the following is added:

'and climate action, in particular in the context of COP21 (...).';

(b) paragraph 2 is amended as follows:

(i) point (c) is replaced by the following:

'(c) leveraging local knowledge to facilitate EFSI support across the Union and contributing where possible to the objective of sectorial and geographical diversification of the EFSI referred to in Section 8 of Annex II by supporting the EIB to originate operations;';

(ii) point (e) is replaced by the following:

'(e) providing pro-active **advisory** support on the establishment of investment platforms;';

(iii) The following point (f) is added:

'(f) providing advice on the combination of other sources of Union funding (such as the European Structural and Investment Funds, Horizon 2020 and the Connecting Europe Facility) with the EFSI.';

(c) paragraph 5 is replaced by the following:

'5. In order to achieve the objective referred to in paragraph 1 and to facilitate the provision of advisory support at local level, the EIAH shall seek to use the expertise of the EIB, the Commission, national promotional banks or institutions, and the managing authorities of the European Structural and Investment Funds.';

(d) in paragraph 6, the second sentence is replaced by the following:

'Cooperation between, on the one hand, the EIAH and, on the other hand, a national promotional bank or institution, an international (...) **financial** institution or an institution or a managing authority, including those acting as a national advisor, having expertise relevant for the purposes of the EIAH, may take the form of a contractual partnership. **The EIAH should aim to conclude at least one cooperation agreement with a national promotional bank or institution per Member State. In Member States where such an institution does not exist, the EIAH may provide, where appropriate, pro-active advisory support on its establishment.**';

(e) *the following paragraph 6a is inserted:*

'6a. Without prejudice to paragraph 6, in order to facilitate a wider geographic outreach of advisory services and to support the local development of advisory services, a local presence of the EIAH shall be established in (...) Member States where there are difficulties to develop projects in particular under the EFSI.'

(9a) *in Article 16 (1) the following sentence is added:*

'The report shall also include, once a year, a list of the main barriers to investment in Member States identified when carrying out investment operations covered by this Regulation.';

(10) Article 18 is amended as follows:

(a) paragraph 6 is replaced by the following:

'6. By **30 June 2018** (...) the Commission shall submit to the European Parliament and the Council a report containing an independent evaluation (...) as regards:

(a) the assessment of the functioning of the EFSI, the use of the EU guarantee and the functioning of the EIAH;

(b) whether the EFSI consists of a good use of resources of the EU Budget, mobilizes a sufficient level of private capital, and crowds-in private investment.

(b) paragraph 7 is replaced by the following

'7. By 31 December 2019, the Commission shall submit to the European Parliament and the Council a report containing an independent evaluation of the application of this Regulation as regards:

- (a) **whether *the* EFSI is achieving its objectives in particular concerning the additionality of projects and its impact on growth and employment;**
- (b) **whether maintaining the scheme for supporting investment is still warranted or if a smooth termination of the EFSI, while preserving the EU guarantee for the operations already approved under this Regulation, (...) is to be ensured.'**

(c) paragraph 8 is deleted;

(11) in Article 19, the following paragraph is added:

'The EIB and EIF shall inform or shall oblige financial intermediaries to inform the final beneficiaries, including SMEs, of the existence of EFSI support.';

(12) Article 22(1) is replaced by the following:

- '1. In their financing and investment operations covered by this Regulation, the EIB, the EIF and all financial intermediaries shall not support any activities carried out for illegal purposes, including money laundering, terrorist financing, organised crime, tax fraud and tax evasion, corruption, and fraud affecting the financial interests of the Union.

In particular the EIB and the EIF shall not participate in any financing or investment operation through a vehicle located in a jurisdiction that does not co-operate with the Union in relation to the application of the internationally agreed tax standards on transparency and exchange of information **or internationally agreed rules on anti-money laundering or fight against terrorism financing.**

In their financing and investment operations covered by this Regulation, the EIB and the EIF shall not make use of or engage in (...) practices not complying with EU tax good governance principles, as set out in the Union legislation (...). **In this context, the EIB shall take the utmost account of the policies of the Union.**

(...)';

- (13) in Article 23(2), the first and second sentences of the first subparagraph are replaced by the following

'The power to adopt delegated acts referred to in Article 7(13) and (14) shall be conferred on the Commission for a period of five years from 4 July 2015. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period.';

- (14) Annex II is amended as set out in the Annex to this Regulation.

Article 2

[Regulation (EU) No 1316/2013 is amended as follows:

(1) in Article 5, paragraph 1 is replaced by the following:

‘1. The financial envelope for the implementation of the CEF for the period 2014 to 2020 is set at EUR 29 992 259 000 in current prices. That amount shall be distributed as follows:

(a) transport sector: EUR 23 895 582 000, of which EUR 11 305 500 000 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) telecommunications sector: EUR 1 091 602 000;

(c) energy sector: EUR 5 005 075 000.

These amounts are without prejudice to the application of the flexibility mechanism provided for under Council Regulation (EU, Euratom) No 1311/2013(*).]

(*) Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-20 (OJ L 347, 20.12.2013, p. 884).’.

Article 3

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX

to the

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub

Annex

(15) Section 2 is amended as follows:

(a) (...)

(b) in point (c), the second sentence is replaced by the following:

'In this context, it is expected that the EIB will provide finance under the EFSI with a view to reach an overall target of at least EUR 500 000 000 000 of public or private investment, including financing mobilised through the EIF under EFSI operations relating to the instruments referred to in Article 10(2)(b), national promotional banks or institutions and increased access to financing for entities having up to 3 000 employees.';

(16) in Section 3, point (d) is added:

'(d) the presence of one or more of the following features would typically lead to a classification of an operation as special activities:

- subordination in relation to other lenders, including national promotional banks and private lenders;
- participation in risk sharing instruments where the position taken exposes EIB to high risk levels;

- exposure to specific risks, such as unproven technology, dependency on new, inexperienced or high risk counterparts, novel financial structures or risk for the EIB, the sector or geography in question;
- equity type characteristics, such as performance-linked payments; or
- other identifiable aspects leading to higher risk exposure (...) **such as counterparty risk, limited security and recourse only to project assets for repayment;**';

(17) in Section 5, the following sentence is added:

'The scoreboard shall be made public as soon as an operation under the EU guarantee is signed, with the exclusion of commercially sensitive information.'

(18) Section 6 is amended as follows:

(a) point (b) is amended as follows:

(i) in the first indent, the first and second sentences are replaced by the following:

'For debt-type operations, the EIB or the EIF shall carry out its standard risk assessment, involving the computation of the probability of default and the recovery rate. Based on these parameters, the EIB or the EIF shall quantify the risk for each operation.'

(ii) in the second indent, the first sentence is replaced by the following:

'Each debt-type operation shall receive a risk classification (the Transaction Loan Grading) as per the EIB's or the EIF's system of loan gradings.';

(iii) in the third indent , the first sentence is replaced by the following:

'Projects shall be economically and technically viable and the EIB's financing shall be structured in line with sound banking principles and comply with the high level risk management principles set by the EIB or the EIF in its internal guidelines.';

(b) point (c) is amended as follows:

(i) in the first indent, the second sentence is replaced by the following:

'The determination whether an operation bears equity-type risks or not, irrespective of its legal form and nomenclature, shall be based on the EIB's or the EIF's standard assessment.';

(ii) in the second indent, the first sentence is replaced by the following:

'The EIB's equity-type operations shall be carried out in accordance with the EIB's or the EIF's internal rules and procedures.';

(19) in Section 7 point (c), the word 'initial' is deleted;

(20) Section 8 is amended as follows:

- (a) in the second sentence of the first subparagraph, the word 'initial' is deleted;
 - (b) in the first sentence of the first subparagraph of point (a), the word 'initial' is deleted;
 - (c) in the first sentence of point (b), the word 'initial' is deleted.
-