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signed by Mr Jordi AYET PUIGARNAU, Director

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COMMUNICATION FROM THE COMMISSION

**Building the Transport Core Network: Core Network Corridors and Connecting
Europe Facility**

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COMMUNICATION FROM THE COMMISSION

Building the Transport Core Network: Core Network Corridors and Connecting Europe Facility

1. INTRODUCTION

With the revision of the TEN-T guidelines¹, the EU has for the first time defined a Core Network of transport infrastructure which comprises all transport modes and which has been identified through an objective methodology². The new guidelines also set the deadline of 2030 for the delivery of this Core Network. This process has also given the input to establish the investment priorities and the potential projects to be financed.

An ambitious TEN-T policy needs an ambitious budget to accelerate its implementation. The negotiations on the MFF 2014 – 2020 have yielded a budget for the TEN-T in the Connecting Europe Facility³ (CEF) of EUR 26.250 billion, including EUR 11.305 billion ring-fenced for the Member States eligible to the Cohesion Fund ("the cohesion envelope")⁴ – a threefold increase compared to 2007 -2013.

In parallel with the delegated act on the CEF transport priorities⁵, this Communication aims at:

- providing information on the potential budget and instruments available under the future framework;
- guiding potential applicants with regard to direct management of funds and providing information on the expectations of the Commission's from potential beneficiaries;
- explaining how the Commission intends to support the creation and the functioning of the Core Network Corridors.

The adoption of the delegated act is a necessary step before the beginning of the implementation of the programme and to make funds available to the projects.

¹ Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU, OJ L 348, 20.12.2013.

² The attached Staff Working Document sets out the methodology for identification of the core and the comprehensive network used by the European Commission in its proposal, as amended by the European Parliament and Council during the legislative procedure.

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, 20.12.2013.

⁴ It is to be spent in Cohesion Member States for projects of high EU added value aiming at reinforcing the connections between the Eastern and Western parts of the Union.

⁵ C(2013)9690

2. IMPLEMENTING THE CORE NETWORK CORRIDORS

Experience has shown that the most difficult issues for the creation of a trans-European network are (1) the cross border infrastructures, (2) the technical interoperability and (3) the integration of different transport modes. The new guidelines therefore introduce the "Core Network Corridors" as an implementation instrument designed to support the efficient creation of the Core Network by 2030. Core Network Corridors will bring together the main stakeholders, public and private, along the most important transport routes in order to plan and develop the infrastructure in function of the needs and the available resources.

2.1. What are Core Network Corridors?

The concept of the Core Network Corridors is defined in Chapter IV of the new TEN-T Regulation (EU) No 1315/2013. The CEF defines the geographical alignment of the nine Core Network Corridors. Figure 1 shows a schematic indicative map of the Core Network Corridors as required by Article 44(2) of the TEN-T Regulation.

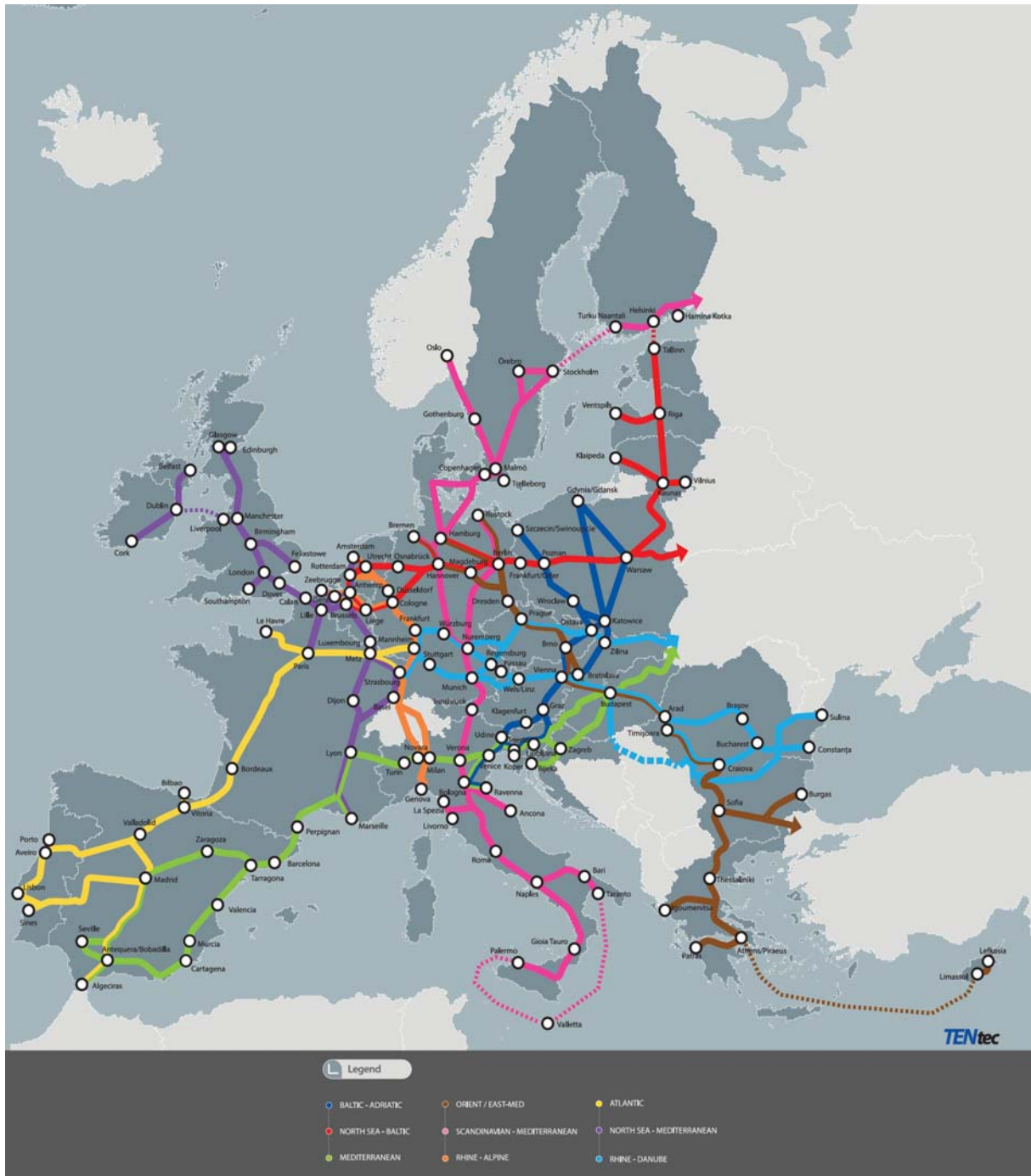


Figure 1: Schematic indicative map of the Core Network Corridors as required by Article 44(2) of the TEN-T Regulation

Each Core Network Corridor will embrace all the transport modes (road, rail, inland waterways, maritime and air transport), and in particular the connection platforms between the different transport modes (seaports, inland ports, airports, rail-road terminals), thus facilitating deployment of efficient and sustainable freight transport services. The Corridors will focus on modal integration, interoperability and on the coordinated development of infrastructure, in particular in cross border sections, across transport modes and for bottlenecks. The Corridors will further develop traffic management systems and promote the uptake of sustainable freight services and of innovation and new technologies, for instance in terms of provision of the infrastructure for alternative fuels. Wherever appropriate, the

Corridors will use Motorways of the Sea as the maritime dimension of the Core Network Corridors and the Rail Freight Corridors as the rail freight dimension of the Core Network Corridor.

2.2. The functioning of the Core Network Corridors

2.2.1. European Coordinators

Following the positive experience with the European Coordinators for priority projects in the current TEN-T policy⁶, the work of the Core Network Corridors will be driven forward by the European Coordinators. The TEN-T Regulation sets out the requirements, tasks and designation procedure for the European Coordinators.⁷ For each Corridor, there will be one European Coordinator. Additional Coordinators for Motorways of the Sea and ERTMS will be nominated (see below). The European Coordinators act on behalf of the Commission. The European Coordinators will chair the Corridors' Forum, with the assistance of the Commission.

2.2.2. Corridor Forum and Working Groups

The European Coordinator, in close cooperation with the Member States concerned, will set up a Corridor Forum for the respective Core Network Corridor. The Corridor Forum will be a consultative body, chaired by the European Coordinator, involving Member States and – upon agreement of the Member States concerned – selected other members representing for example regions, infrastructure managers, representatives of Rail Freight Corridors, River Commissions (where relevant), ports, airports, rail-road terminals, operators, users and other stakeholders.

The Corridor Fora are at the heart of the Core Network Corridors. Their aim is to serve as a common, high level structure for a given Corridor. They will play a central role in discussing the general objectives of the Core Network Corridor, in preparing and in following up the implementation of the measures laid down in the work plan.

The Corridor Forum will meet more regularly in the first year to prepare the work plan, and thereafter at a reduced yearly rhythm in line with the identified needs. The meetings of the Corridor Forum could be hosted by one of the Member States concerned with a rotation among these Member States.

The Coordinator, together with the Member States concerned, can decide to establish working groups in order to carry out the technical work as regards certain cross-border projects, interoperability issues and better modal integration.

2.2.3. The work plan

The TEN-T Regulation foresees that for each Corridor a work plan has to be developed within one year of its entry into force.

The work plan will analyse the current situation of the Corridor, identifying in particular the relevant parts of the Corridor, its bottlenecks and interoperability problems. This will be mainly based on existing studies and materials and the joint analysis thereof. It will then identify the

⁶ http://ec.europa.eu/transport/themes/infrastructure/ten-t-implementation/priority-projects/index_en.htm
⁷ Article 45

actions to be taken, their timing and the required and available financial resources. Actions will include planned infrastructure investments as well as other measures to remove physical, technical, operational and administrative barriers between and within transport modes and for the enhancement of efficient, innovative and sustainable multimodal transport and services. In that context the work plan could also identify possible actions to enhance the role of the core sea and inland ports as enablers of inter-modality.

A close cooperation between the different governance bodies on the European transport Corridors (i.e. Core Network Corridors, Rail Freight Corridors, where relevant River Commissions) is needed to ensure consistency, in order to benefit from synergies and avoid duplication of work.

The work plan has to be approved by the Member States concerned, following consultation of the Corridor Forum. The Commission may then transform the work plan into an implementing Decision, thereby giving a clear legal framework for the development of the Core Network Corridor. The work plan will be revised alongside the 2017 mid-term review for the CEF in order to take stock, deepen and update where necessary the work plan.

2.2.4. *Timing*

In order to establish the work plan within the timeline provided for in the TEN-T Regulation, the Commission envisages an indicative timetable for the Core Network Corridors as follows:

First quarter 2014	Nomination of the European Coordinators
April, June, October, November 2014	Meetings of the Corridor Forum to elaborate on the work plan
As of April 2014	Creation and meetings of working groups
December 2014	Approval of the work plan by Member States
January 2015	Possible implementing act by the Commission
As of 2015	Regular meetings of the Corridor Forum and working groups

2.2.5. *Horizontal Coordinators*

The TEN-T Regulation provides for two European Coordinators in addition to the European Coordinators for the Core Network Corridors. These Coordinators will work on the coordinated implementation of Motorways of the Sea and ERTMS, as these issues will concern the entire Core Network and will benefit from a horizontal approach. The Regulation does not foresee the establishment of a Forum and a work plan for these Coordinators.

However, the Coordinator for Motorways of the Sea will present two years after being designated a detailed implementation plan for the Motorways of the Sea.⁸

The Coordinator for ERTMS will work on the basis of the European Deployment Plan for ERTMS⁹, expanding towards a full deployment of ERTMS on the Core Network Corridors and the entire Core Network.

⁸ Article 21 of TEN-T Regulation

2.3. Cooperation of Core Network Corridors with other initiatives

In the course of the legislative procedure for the adoption of the TEN-T Regulation and the CEF, great effort has been deployed to ensure maximum consistency and synergies between the Core Network Corridors and the Rail Freight Corridors established under Regulation (EC) No 913/2010¹⁰. Their functioning and structures as foreseen will not be altered through the TEN-T Regulation and their geographical scope corresponds to the Core Network Corridors, allowing both groups to use the same studies, to have the same interlocutors and to ensure eligibility for EU financial support. Representatives of Rail Freight Corridors should participate in the Corridor Forum.

The establishment of the Core Network Corridors and the work plan will also endeavour to allow for indicators measuring the sustainability of transport, such as those developed by studies on "Green Corridors"¹¹ to be put into practice and will contribute to the Commission initiative on ports¹². The latter, seeking to better use existing port capacities, attract port investments and develop the necessary connections to the hinterland will give a proactive role to port stakeholders in the Corridor Fora of Corridors.

The NAIADES II¹³ will build upon the Core Network Corridor implementation for delivering quality inland waterways with good navigation status across the Core Network. The relevant NAIADES II actions such as the further development of River Information Services and measures to enhance the sustainable character of the sector should where relevant be integrated into the Corridor Fora meetings and work plans, which will require active engagement of inland waterways stakeholders.

The Marco Polo Initiative will be continued as integral part of the CEF in line with the definition of the Sustainable Freight Transport Services in Article 32 of the TEN-T Regulation.

3. IMPLEMENTING THE TEN-T WITH THE CEF

3.1. The CEF funding priorities for the work programmes

The CEF budget is insufficient in comparison to the investment needs identified on the Core Network, amounting to around EUR 250 billion. Therefore the Commission must do its utmost to use the funds efficiently and optimise the focus of the EU funds in line with the EU Transport Policy defined in the White Paper and prioritised in line with the CEF Regulation. In particular, Part IV of Annex I¹⁴ to the CEF Regulation which establishes that 80% of the funds are to be spent on removing bottlenecks, enhancing rail interoperability, bridging missing links, and in particular improving cross-border sections.

⁹ Included in 2012/88/EU: Commission Decision of 25 January 2012 on the technical specification for interoperability relating to the control-command and signalling subsystems of the trans-European rail system, OJ L 51, 23.2.2012, p. 1–65

¹⁰ 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.

¹¹ See for instance: <http://www.supergreenproject.eu/>

¹² See COM (2013)295 "Ports: an engine for growth" and COM(2013)296 "Proposal for a Regulation of the European Parliament and of the Council establishing a framework on market access to port services and financial transparency of ports

¹³ See COM (2013)623 "Towards quality inland waterway transport NAIADES II"

¹⁴ Part IV: indicative percentages for specific transport objectives

The proposed delegated act supplements the Regulation in order to list the funding priorities to be reflected in the annual and multiannual work programmes. However, in order to give long-term visibility to the European Parliament, Member States and stakeholders, the Commission has decided to clarify the allocation of CEF funds for each of the priorities for the 2014-2020 period. The funding allocated to each of the priorities takes into account the conditions established in the CEF Regulation, including the different caps and targets. In line with the CEF Regulation, the Commission will give priority to projects of high EU added value. This means in particular projects building or upgrading cross-border sections, removing bottlenecks on the main European traffic routes, and prioritising the realisation of links currently missing in the network.

Taking the above elements into account, the Commission considers that it is in a position to set ranges for each of the given priorities, while allowing for flexibility in the management of the funds.

3.1.1. Cross-border, bottlenecks and multimodal projects on the Core Network Corridors

Under this priority, the Commission intends to focus available financing on the projects that have the highest EU added value: projects on major missing cross-border projects, major bottlenecks and other cross-border sections to be improved. The CEF gives priority to the development of infrastructure for the greener modes of transport, such as railways and inland waterways, while giving an exemption for Member States without such networks.

- (a) **Major missing cross-border projects** include Evora – Merida (PT/ES), Seine – Escaut (FR/BE/NL), major projects on the Scandinavian – Mediterranean Corridor of which the Fehmarn Belt (DK/DE) and the Brenner Base Tunnel (IT/AT), major projects on the Mediterranean Corridor including Lyon – Torino (FR/IT), as well as the Rail Baltic¹⁵ (FI/EE/LV/LT/PL). The Commission estimates that the first five projects mentioned could absorb altogether up to €bn between 2014 and 2020, whereas the cost of the Rail Baltic project has been estimated at €3.6bn by the recent study¹⁶.
- (b) Further to the major missing links, trans-European traffic flows are hindered by the existence of **major bottlenecks** between major economic centres, ports or urban areas. Amongst the major bottlenecks for example the Stuttgart – Ulm railway connection in Germany on the Rhine Danube Corridor, the Danube locks in the Iron Gates at the border between Romania and Serbia, the Halle/Leipzig – Nurnberg high speed railway connection, the bridges over the Albert Kanaal or the Perpignan – Montpellier high speed rail line connecting the high speed networks of the Iberian Peninsula and France.
- (c) There are also a number of **cross-border sections to be improved** to facilitate the cross-border traffic flows throughout Europe. For instance, projects such as the upgrading of the common section between Bulgaria and Romania of the Danube and of the railway connections Katowice (PL) – Zilina (SK), Munich (DE) – Salzburg (AT) or between Arad (RO) – Sofia (BG) – Thessaloniki (EL) need major works.

¹⁵ The Rail Baltic project will be able to benefit from the higher co-funding rates of the cohesion envelope.

¹⁶ AECOM Study, May 2011, funded by the TEN-T programme

- (d) **The Core Ports** are the entry points to the Core Network and also here the bottlenecks have to be removed, for instance by improving the hinterland connections.
- (e) This priority also covers projects ensuring **multimodal integration** or promoting **rail interoperability**, for instance, projects improving the multimodal capacities of sea and inland ports, projects adapting the gauge to the European nominal gauge, and projects paying attention to the improvement of accessibility. It will also cover projects in urban nodes.

The Commission estimates that the projects included under the categories b) to e) could absorb from the CEF altogether between EUR 3.5 and 4.5bn.

In addition, most of the EUR 11.3bn of the cohesion envelope will be used for the cross-border or bottlenecks projects on the Core Network Corridors.

3.1.2. Other priorities

The following table gives an indicative overview of the other priorities and an estimate by the Commission in terms of possible financial support. Those amounts are not prejudging the decisions to be taken by the Commission in the context of the work programmes or when adopting the financing decisions for projects.

Funding priorities	Indicative amounts (in EUR)	Explanations
<i>SESAR</i>	2.3-3bn	The deployment of the SESAR system requires Union budgetary resources of about €bn. SESAR is a horizontal priority in the CEF Regulation.
<i>ERTMS</i>	800-1100m	ERTMS is a horizontal priority in the CEF Regulation.
<i>Motorways of the Sea</i>	500-900m	Motorways of the Sea, as defined in Article 21 of the TEN-T Regulation, is a horizontal priority in the CEF Regulation.
<i>Projects of the comprehensive network</i>	600-1000m	These projects are subject to a cap at 5% of the CEF transport envelope. The EUR 11.305bn transferred from the Cohesion Fund are only for the Core Network. Financial instruments can be used in addition to the 5% cap.
<i>New technologies and innovation for all modes</i>	250-400m	New technologies and innovation are defined by Article 33 of the TEN-T Regulation.

<i>Other Telematic Application Systems (RIS, ITS, VTMS, e-Maritime)</i>	250-400m	The on-board components are capped at 5%, including on-board components of SESAR.
<i>For actions to reduce freight noise</i>	200-260m	These projects are capped at 1% of the CEF transport envelope.
<i>For freight transport services</i>	150-200m	Sustainable Freight Transport Services are defined by Article 32 of the TEN-T Regulation.

Priority	Amounts (in EUR)	Explanations
<i>Projects to connect the trans-European transport network with infrastructure networks of neighbouring countries</i>	50-100m	Eligible projects under the CEF are listed in Article 8(1), points (a) to (e) of the TEN-T Regulation.
<i>Financial instruments</i>	1.3-2.4bn	The estimated market take-up for transport is at EUR 2bn. For the overall CEF budget covering transport, energy and telecommunications, a cap of 10%, with possible increase up to 20% of the CEF envelope, is set in the legal base.
<i>Programme support actions (PSA)</i>	260m	PSA consist of technical and administrative assistance expenses incurred by the Commission for the management of the CEF and TEN-T implementation. They are capped at 1% of the CEF transport envelope and will be principally used to meet the cost of the Executive Agency. There will be specific PSA for Cohesion Member States.

3.2. Main principles of the direct management of grants and major expectations

The CEF will be managed directly by the Commission, assisted by an Executive Agency. The annual and multiannual work programmes which define for calls for proposals the indicative budget, the timetable, the objectives and the foreseen results, the priorities, the maximum possible rate of co-financing as well as the eligibility, the selection and award criteria, will be adopted by the Commission after the approval of the CEF Committee under the examination procedure).

The Commission, assisted by an Executive Agency, will be responsible for the evaluation and selection of projects, as well as managing the technical and financial implementation of the programme: dialogue with beneficiaries, technical and administrative advice, reporting guidance, follow-up of project performance.

As regards the evaluation, the Commission intends to use the 2-step approach of the 2007-2013 TEN-T Programme, with first, an external evaluation organised by the Executive Agency with independent EU experts followed by an internal evaluation at the level of the Commission. The reasoned advice given by the external evaluators is of advisory nature to the Commission and the Commission, while duly justifying its decisions, may deviate from the advice given by the external evaluators.

The Commission will retain the prerogative to fund a project partially and to reduce the scope of the project proposal if it contains elements not compliant with the funding priorities established by the CEF Regulation.

With the aim of ensuring best use of EU funds, the Commission will apply Article 12(2) which foresees the reallocation of resources after reduction or termination of the financial assistance to the action in case the projects do not perform according to the financing decisions, following an evaluation of the progress of the project, in particular in the event of major delays in the implementation of the action. Therefore the Commission calls the beneficiaries to propose realistic milestones for project implementation with adequate contingencies.

According to Article 10(6) of the CEF Regulation and Article 7(2c) of the TEN-T Regulation the amount of financial assistance granted to a project 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. Consequently, all the project proposals for 'works'¹⁷ must be accompanied by a cost-benefit analysis proposing the co-funding rate requested for the project, while taking into account the maximum funding rates stipulated in the CEF Regulation. Member States shall be asked to use a recognised methodology and in particular the Cohesion Policy methodology¹⁸ as far as the projects funded from the Cohesion envelope of the CEF are concerned. The relevant project proposals may also be assessed in light of the work plans of the core network Corridors, which will provide a further element for the prioritisation of projects under the CEF. The project proposals for works must also demonstrate the action being compliant with the relevant EU environmental legislation.

The Commission intends to ensure the coordination of the CEF with other EU funding programmes with the aim of ensuring complementarity. This is relevant inter alia for the resources available under European Structural and Investment Funds, the Neighbourhood Investment Facility (NIF) or the Instrument for Pre-Accession Assistance (IPA).

However, the direct management procedure does not mean that the Commission would interfere in the implementation of the projects by the Member States: procurement procedures, project implementation on the ground and environmental impact assessment procedures, in particular those required by EIA, Habitats and Water Framework Directives will be still under the responsibility of the beneficiaries and national authorities.

3.3. Specificities of the multiannual and annual calls for the cohesion envelope

As a general rule, the rules and funding priorities for the Cohesion envelope will be the same as for the EUR 14.9bn component of the CEF, with a focus on cross-border and bottleneck projects on the Core Network Corridors. The Commission intends to cover the two components of the CEF under the same work programmes. However, higher co-funding rates will be made available (i.e. similar to the Cohesion Fund) and rules on VAT and land-purchase will echo the rules of Cohesion Policy. As a general rule, for the EUR11.3bn transferred from the Cohesion Fund the rules of centralised management as indicated above will apply.

It must be noted that the Commission considers that the possibility to receive high co-funding rates from the CEF budget requires a rigorous evaluation of the project and its benefits, due

¹⁷ According to Article 2 of the CEF Regulation "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

¹⁸ http://ec.europa.eu/regional_policy/sources/docgener/guides/cost/guide2008_en.pdf . A new guide will be prepared for the period 2014 -2020 and will be made available in the first quarter of 2014.

to the limited contribution of the project by its promoters. The latter would in particular mean the thorough analysis of the scope of the project proposals with the aim of ensuring efficient use of the EU funding.

During the first 3 years of the implementation of the CEF, the selection of projects eligible for financing in the cohesion envelope will respect the national allocations under the Cohesion Fund, as set out in Article 11(2) of the CEF. It means that during the first 3 years, no eligible Member State can be allocated a volume of co-funding for projects from the €1.3bn part of the budget transferred from the Cohesion Fund that is higher than its corresponding national allocation. In order to give maximum possibility to all eligible Member States to prepare mature projects of high quality and EU added value, the Commission intends to launch calls in springs of 2014, 2015 and 2016.

However, if funds from the Cohesion envelope are not committed after the last call in 2016, additional calls will be organised in spring 2017 onwards to absorb the remainder, without applying the principle of national allocations. From 1 January 2017, calls may also allocate funds recovered from projects that do not perform according to the financing decisions in force, in line with Article 12 of the CEF regarding the possibility to cancel, reduce, suspend and terminate grants. These calls will continue to be reserved for projects in the Member States eligible to the Cohesion Fund, applying the specific rules listed in the first paragraph above.

As set out in Article 11 of the CEF, particular attention will be given to programme support actions aimed at strengthening administrative capacity for Member States eligible to the Cohesion Fund in order to develop an adequate project pipeline. These actions may take several forms: grants for preparatory studies for projects; Member States could also decide to use the help of the Joint Assistance to Support Projects in European Regions (JASPERS); finally, targeted technical assistance can be provided to potential beneficiaries, such as railway infrastructure managers, to help those organisations with the preparation of the project proposals.

3.4. Financial instruments

One of the key elements of the CEF is the objective to increase the use of innovative financial instruments (amongst which Project Bonds), in order to build an environment conducive to private investment in infrastructure. The latter is with the view to offer an alternative to the traditional grant funding and plug financing gaps for strategic investments. The Commission is pursuing consultations with several partners, including financial institutions, and will present when appropriate, a policy document explaining the framework, the objectives and the conditions for the use of financial instruments in the field of transport, in line with the CEF Regulation.

The roll-out of financial instruments under the CEF will be progressive. Until 2015, the available budget for all financial instruments is set at 10% of the total CEF envelope and the resources available for the Project Bond instrument under the CEF are limited at EUR 230 million for the three sectors of the CEF. After 2015, if the final evaluation of the pilot phase of the Project Bond Initiative is positive and if the market take-up reaches 8%, the available budget for all financial instruments can be increased up to 20%.