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**NOTE**

From:	General Secretariat of the Council
To:	Delegations
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Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review - Revised Presidency compromise proposal

Delegations will find in the Annex the second Presidency compromise proposal on the above proposal. Changes to the text of the Commission's proposal (doc. 7682/25) are marked in **bold** **underlined** for additions and ~~strikethrough~~ for deletions.

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review**

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 175, 177, 178 and 322 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<sup>1</sup>,

Having regard to the opinion of the Committee of the Regions<sup>2</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In recent years, geopolitical dynamics have been marked by profound uncertainty, necessitating a fundamental re-evaluation of the Union's strategic autonomy, resilience and security alongside the challenges stemming from the green, social and technological transitions. Those simultaneous transformations demonstrate the urgent need to close the innovation gap, accelerate decarbonisation efforts to reinforce economic competitiveness and reduce external dependencies by diversifying supply chains, scaling-up domestically produced green energy, and investing in critical sectors.

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<sup>1</sup> OJ C , , p. .

<sup>2</sup> OJ C , , p. .

- (2) As the Union's main investment instrument within the Multiannual Financial Framework, cohesion policy plays a crucial role in supporting those priorities. It drives targeted investments that contribute to economic, social and territorial cohesion while at the same time addressing emerging challenges.
- (3) The legal framework for cohesion policy programmes provides for a mid-term review in 2025, which offers a timely and unique opportunity to refocus programmes on addressing new challenges and opportunities, to accelerate implementation and to increase their effectiveness to respond to both old and new Union priorities.
- (3a) Considering the importance of horizontal enabling conditions within the meaning of Regulation (EU) 2021/1060 for the effective and efficient use of the overall Union support granted by different Funds, and the need to ensure their practical effect, it is appropriate to provide that amounts corresponding to the specific objectives subject to a negative assessment by the Commission based on the application of those horizontal enabling conditions should not be subject to a programme amendment or transfer on the basis of new priorities and flexibilities provided for in this Regulation. Moreover, considering that Regulation (EU) 2020/2092 is of horizontal application, it is appropriate to clarify that the same should apply to the amounts corresponding to commitments suspended by measures adopted on the basis of Regulation (EU) 2020/2092.**
- (4) The Commission presented in the Competitiveness Compass, the Clean Industrial Deal and the Affordable Energy Action Plan a concrete path for Europe to regain its competitiveness and secure sustainable prosperity. The ERDF and the Cohesion Fund already support investments to climate objectives as stipulated in Regulation (EU) 2021/1060. However, Member States should step up their efforts in order to ensure that decarbonisation is a driver for growth for European industries and the prosperity of Europeans by, amongst others, scaling up support to clean-tech and the transition to clean energy, investing in energy infrastructure projects that can ensure a true Energy Union as well as supporting decarbonisation of production processes and products.

- (5) In light of the unprecedented geopolitical instability and the need for the Union to guarantee its own defence, cohesion policy funding should be swiftly mobilised to directly support investments in defence capabilities. It is therefore necessary to create new specific objectives for support from the European Regional Development Fund (ERDF) and the Cohesion Fund established by Regulation (EU) 2021/1058 of the European Parliament and of the Council<sup>3</sup> to finance industrial capacities in the defence sector and to allow for investments in resilient defence or dual-use infrastructure, **including** with a view to fostering military mobility, **and to enhance the preparedness for conflict and aggression,** in line with the scope of those funds **and the ‘do no significant harm’ principle.** Industrial capacities to foster defence capabilities should relate to the technological development and production of defence products and other products for defence purposes, as defined in Article 2 of [draft] Council Regulation [xxxx] establishing the Security Action for Europe (SAFE) through the reinforcement of European defence industry Instrument, in particular those referred to in Article 1 of that Regulation. Member States are encouraged to use the possibility foreseen in the current legal framework of voluntarily transferring resources allocated to them in shared management to directly managed programmes with defence and security objectives. In this context, transfers to the Connecting Europe Facility (CEF) military mobility envelope would ensure coordinated interventions along the military mobility corridors highlighted in the White Paper on Defence.
- (6) Furthermore, in order to quickly inject liquidity to cover the most pressing needs notably for investments in enhanced defence capabilities, additional financing possibilities should be offered. In particular, it is necessary to provide for an additional one-off pre-financing of **2530%** of the amounts programmed under dedicated priorities for defence under the respective policy objectives of the ERDF and the Cohesion Fund and the possibility to apply a **higher** Union co-financing rate of **up to 100%**.

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<sup>3</sup> OJ L 231, 30.6.2021, p. 60.

- (7) The ERDF and the Cohesion Fund may, within their respective scopes, already support investments contributing to the objectives of the ‘Strategic Technologies for Europe Platform’ (STEP), which aims to strengthen Europe’s technological leadership. In order to further incentivise investments from the ERDF and the Cohesion Fund in those critical fields, the limitation for the overall contribution of the ERDF and the Cohesion Fund to those priorities should be removed and the possibility for Member States to receive a higher pre-financing for related programme amendments should be extended. Furthermore, the possibilities for the financing of productive investments contributing to STEP objectives in enterprises other than SMEs should be extended to all regions. Similarly, such investments should also be possible in regions where they facilitate industrial adjustment linked to digital transformation, including digital capacities in cloud, AI and supercomputing, or the decarbonisation and circularity of production processes and products, such as in the automotive industry or the energy intensive industries. In addition, the possibility provided for investments contributing to STEP objectives to finance productive investments in enterprises other than SMEs from the Just Transition Fund (JTF) established by Regulation (EU) 2021/1056 of the European Parliament and of the Council<sup>4</sup> without the need and irrespective of the outcome of a gap analysis should be extended to all investments.
- (8) In order to enhance energy security, accelerate the energy transition and clean mobility, the investments under STEP and the Alternative Fuels Infrastructure Facility should be complemented by creating a new specific objective for the ERDF and the Cohesion Fund under policy objective 2 to promote energy interconnectors and related transmission **and distribution** infrastructure, **as well as to protect and safeguard this infrastructure** and **to enhance** the deployment of charging infrastructure. In order to accelerate investments in these fields, priorities dedicated to this specific objective should benefit from an additional one-off pre-financing of **2530%** of the amounts programmed under those priorities and from the possibility to apply a **higher** Union co-financing rate ~~of up to 100%~~. Managing authorities should aim to leverage a maximum amount of private finance, where relevant. This enhanced investment effort will enable energy-intensive sectors to access more stable and diverse energy sources in a less fragmented internal energy market, buttressing their sustainability and competitiveness. Moreover, expanding the ERDF’s support for decarbonisation projects

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<sup>4</sup> OJ L 231, 30.6.2021, p. 1.

allows energy-intensive industries to prioritise high-impact innovations aligned with EU climate objectives.

- (9) Important Projects of Common European Interest (IPCEI) result from a State aid instrument requiring cross-European cooperation for innovative technologies or pan-European infrastructures. IPCEI are projects that support and promote large-scale, cross-border projects that are considered essential for the economic growth, innovation, and competitiveness of the Union. To help accelerate the design of new IPCEI and the implementation of the existing ones, support from the ERDF for investments in projects participating in an IPCEI as approved by the Commission pursuant to Article 107(3), point (b), of the Treaty on the Functioning of the European Union (TFEU) and to Communication C(2021) 8481 should be allowed in all categories of regions. Furthermore, operations contributing to an IPCEI approved by the Commission should benefit from simplified selection procedures.
- (10) Affordable housing is another challenge that has come to the forefront due to the significant increase in prices and rents in recent years. **Disadvantaged groups and low-income families are hit even harder, facing more difficulties in accessing housing and a growing risk of homelessness.** With a view to incentivising Member States and regions to double investments from the ERDF and the Cohesion Fund, within their respective scopes, in the construction and renovation of the affordable housing stock, including social housing, new specific objectives should be created under different policy objectives to provide flexibility for the programming of housing interventions under dedicated priorities, **while acknowledging that the definition of affordability may vary according to the circumstances of each Member States.** Such priorities should entail the possibility to apply a **higher** Union co-financing rate of up to 100% and benefit from an additional one-off pre-financing of **2530%** of the amounts programmed in order to alleviate the burden on public budgets. For example, investments under the ‘New European Bauhaus’ initiative should make full use of those new possibilities. Costs resulting from the temporary renting of alternative accommodation for the occupants during the time of the renovation may also be entitled to support under such priorities, as well as costs of reforms related to housing, such as preparatory work for improvements in housing market regulation and permitting at local and city level. It is also appropriate to clarify the support of the JTF in that context.

- (11) Water has a vital role as a resource for the security of food, energy and economic systems. This is also a key aspect of ensuring climate resilience. Given the challenges posed by the impact of climate change on water resources, further investments in water resilience should be encouraged. It is urgent to enhance the implementation of the water and marine protection legislation and improve water efficiency, address water scarcity, and progress towards a water resilient Europe. This requires important investments. It is therefore appropriate to include a reference to secure access to water, sustainable water management and water resilience in the new specific objective under policy objective 2 to allow for proactive, risk-based management and increased preparedness. **New d**Dedicated priorities established for that specific objective should also benefit from an additional one-off pre-financing of ~~25~~<sup>30</sup>% of the amounts programmed and the possibility of a **higher** co-financing rate of up to 100% in order to incentivise crucial investments in that field. **The existing thematic enabling condition for that specific objective continues to apply.**
- (12) Finally, in order to enhance the effectiveness of investments, it is important to allow for the payment of costs related to the implementation of reforms, also where such costs are not directly linked to the implementation of investments.

- (13) In order to enable Member States to carry out a meaningful reprogramming in the context of the mid-term review and focus resources on those new strategic Union priorities, additional restrictions should be lifted. As regards thematic concentration requirements, it is appropriate to allow Member States to count amounts programmed for new strategic priorities, **regardless of whether Member States comply with thematic concentration at national level or at the level of category of region**, including those contributing to STEP objectives, towards the amounts required to ensure compliance with thematic concentration requirements. This should be accompanied with some flexibility regarding the calculation of the respective climate contribution for the ERDF and the Cohesion Fund as set out in Article 6 of Regulation (EU) 2021/1060, while respecting the overall requirements of that Article. In addition, to accelerate the decarbonisation of industry that is necessary for reaching the Union's climate objectives, it is necessary to provide for the possibility to finance, through the ERDF, investments aimed at achieving the reduction of greenhouse gas emissions also from activities listed in Annex I to Directive 2003/87/EC of the European Parliament and of the Council<sup>5</sup> provided that they have been awarded a Seal **of** Excellence. Similarly, as regards the JTF, the conditions for financing such investments should be simplified. Furthermore, in order to ensure consistency of support between financing granted under direct and shared management, operations that have already been assessed in the context of directly managed programmes and been attributed a 'Sovereignty Seal' as defined in Article 4(1) of Regulation (EU) 2024/795 in a call for proposals under Commission Delegated Regulation (EU) 2019/856 by the Commission should not be subject to the fossil fuel exclusion. Member States should also be given the possibility to contribute resources from the ERDF and the Cohesion Fund to the Member State compartment of the InvestEU Fund<sup>6</sup> to deploy them through the InvestEU financial instrument set out in [Article 10a of Regulation (EU) 2021/523]. Finally, in order to allow for a comprehensive reprogramming towards the new strategic priorities in the context of the mid-term review, Member States should benefit from additional time to complement the assessment of the outcome of the mid-term review and the submission of related programme amendments. This should also apply to JTF resources where they are included in a programme

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<sup>5</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32, ELI: <http://data.europa.eu/eli/dir/2003/87/oj>).

<sup>6</sup> Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30, ELI: <http://data.europa.eu/eli/reg/2021/523/oj>).



together with ERDF, or Cohesion Fund or ESF+ resources. **For programmes under the European territorial cooperation goal (Interreg), the reprogramming should follow Article 19 of Regulation (EU) 2021/1059.**

- (14) In order to accelerate the implementation of cohesion policy programmes more generally and inject the necessary liquidity for key investments to be implemented, an additional one-off pre-financing for the ERDF and the Cohesion Fund should be paid for programmes under both the Investment for jobs and growth goal and under European territorial cooperation goal (Interreg), when the reprogramming concerns a substantial share of the overall programme. The pre-financing percentage should be further increased for certain programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine, given the adverse impact on those regions of the Russian war of aggression against Ukraine. In order to incentivise the re-programming towards key priorities in the context of the mid-term review, the additional pre-financing should only be available where a certain threshold for the reallocation of financial resources to specific crucial priorities is reached in that context.
- (15) Furthermore, to take account of the time needed to refocus investments in the context of the mid-term review and allow best use of available resources, the deadlines for the eligibility of expenditure as well as decommitment rules should be adjusted for programmes carrying out a reallocation of resources to strategic priorities in the context of the mid-term review exercise. It should also be possible to apply a **higher**~~maximum~~ co-financing rate ~~of up to 100%~~ to priorities in programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine, given the adverse impact on those regions of the Russian war of aggression against Ukraine: **and with due regard to the need for timely closure, commencement of new programmes and full absorption of programme funding.**

- (16) The mid-term review should also be used to reinforce the crucial role of cities in delivering many Union objectives by giving Member States the possibility to reallocate financial resources from the ERDF to reinforce the European Urban Initiative referred to in Article 12 of Regulation (EU) 2021/1058. In addition, in order to facilitate the uptake of key innovative actions identified under the European Urban Initiative, such actions should benefit from a simplified selection procedure for support under cohesion policy programmes. Member States should also be provided with the possibility to reallocate ERDF resources from their programmes under the Investment for jobs and growth goal to the Interregional Innovation Investment Instrument referred to in Article 13 of Regulation (EU) 2021/1058 to enhance flexibility in the use of resources.
- (17) In order to simplify delivery and accelerate investments, it is appropriate to make additional targeted changes to the regulatory framework governing the use of the JTF. In particular, the possibility for a simplified selection procedure for operations that have been attributed a Seal of Excellence should be extended to the JTF. Furthermore, the limitations for the revision of targets should be removed in order to provide for the necessary flexibility in the context of changing implementation circumstances.
- (18) Since the objective of this Regulation, namely to refocus investments on critical priorities in the context of the mid-term review and to simplify and accelerate policy delivery by amending Regulations (EU) 2021/1058 and (EU) 2021/1056 cannot be sufficiently achieved by the Member States but can rather 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 set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.
- (19) Regulations (EU) 2021/1058 and (EU) 2021/1056 should therefore be amended accordingly.
- (20) Given the urgent need to enable crucial investments notably in defence capabilities in the context of pressing geopolitical challenges, this Regulation should enter into force on the day following that of its publication in the *Official Journal of the European Union*,

HAVE ADOPTED THIS REGULATION:

*Article 1*

Regulation (EU) 2021/1058 is amended as follows:

(1) Article 3 is amended as follows:

(a) paragraph 1 is amended as follows:

(i) in point (a), the following point (vii) is added:

‘(vii) enhancing industrial capacities to foster dual use as well as defence capabilities.’;

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

‘(v) promoting secure access to water, sustainable water management and water resilience.’;

(iii) the following points (xi) and (xii) are added:

‘(xi) promoting access to affordable housing, ~~and related reforms~~’;

(xii) promoting energy interconnectors and related transmission **or distribution** infrastructure, **as well as protection of critical energy infrastructure** and the deployment of recharging infrastructure.’;

(iv) in point (c), the following point (iii) is added:

‘(iii) developing resilient defence or dual use infrastructure, **including** to foster military mobility in the Union, **as well as enhancing the preparedness for conflict and aggression**.’;

(v) in point (d), the following point (vii) is added:

‘(vii) promoting access to affordable housing, ~~and related reforms~~.’;

(vi) in point (e), first subparagraph, the following point (iii) is added:

‘(iii) fostering integrated territorial development, through access to affordable housing, and the development of related reforms in all types of territories.’;

(vii) The following subparagraph is added in paragraph 1:

‘Operations supported under the specific objective set out in point (c)(iii) **fostering military mobility** shall primarily focus, where relevant, on one or more of the four EU Priority Military Mobility Corridors identified by Member States in Annex II to the Military Requirements for Military Mobility within and beyond the EU as adopted by the Council on [18 March 2025 and with reference ST 6728/25 ADD1]. Operations supported which are part of those Corridors shall comply with the infrastructure requirements laid down in implementing acts based on Article 12(2) of Regulation (EU) 2021/1153.’;

(b) in paragraph 1a, the first and second subparagraphs are replaced by the following:

‘The resources under the specific objective referred to in paragraph 1, points (a)(vi) and (b)(ix), shall be programmed under dedicated priorities corresponding to the respective policy objective.

The Commission shall pay ~~25~~30% of the allocation to those priorities as set out in the decision approving the programme amendment as exceptional one-off pre-financing in addition to the yearly pre-financing for the programme provided for in Article 90(1) and (2) of Regulation (EU) 2021/1060 or in Article 51(2), (3) and (4) of Regulation (EU) 2021/1059 of the European Parliament and of the Council\*. That exceptional pre-financing shall be paid provided that the programme amendment is submitted to the Commission by 31 December 2025. It shall be paid within 60 days of the adoption of the Commission decision approving the programme amendment.

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\* Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (OJ L 231, 30.6.2021, p. 94, ELI: <http://data.europa.eu/eli/reg/2021/1059/oj>).’;

(c) the following paragraph 1c is inserted:

‘1c. The resources under the specific objectives referred to in paragraph 1, points (a)(vii), (b)(v), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), shall be programmed under dedicated priorities corresponding to the respective policy objective.

The Commission shall pay ~~25~~<sup>30</sup>% of the allocation to those priorities as set out in the decision approving the programme amendment as exceptional one-off pre-financing in addition to the yearly pre-financing for the programme provided for in Article 90(1) and (2) of Regulation (EU) 2021/1060 **and in Article 51(2), (3) and (4) of Regulation (EU) 2021/1059**. That exceptional pre-financing shall be paid provided that the programme amendment is submitted to the Commission by 31 December 2025. It shall be paid within 60 days of the adoption of the Commission decision approving the programme amendment.

In accordance with Article 90(5) of Regulation (EU) 2021/1060, the amount paid as exceptional pre-financing shall be cleared from the Commission accounts no later than with the final accounting year.

In accordance with Article 90(6) of Regulation (EU) 2021/1060, any interest generated by the exceptional pre-financing shall be used for the programme concerned in the same way as the ERDF **or the Cohesion Fund** and shall be included in the accounts for the final accounting year.

In accordance with Article 97(1) of Regulation (EU) 2021/1060, the exceptional pre-financing shall not be suspended.

In accordance with Article 105(1) of Regulation (EU) 2021/1060, the pre-financing to be taken into account for the purposes of calculating amounts to be de-committed shall include the exceptional pre-financing paid.

By way of derogation from Article 112 **(3) and (4)** of Regulation (EU) 2021/1060, the maximum co-financing rate for dedicated priorities established to support the specific objectives referred to in paragraph 1, points (a)(vii), (b)(v), (b)(xi), (b) (xii), (c)(iii), (d)(vii) and (e)(iii), of this Article shall be ~~100%~~ **increased by 10 percentage points above the co-financing rate applicable, not exceeding 100 %**’;

(d) paragraph 3 is replaced by the following:

‘(3) The Cohesion Fund shall support PO 2 and 3, including the specific objectives set out in paragraph 1, points (b)(x), (b)(xi), (b)(xii) and (c)(iii), of this Article, insofar as such support is in line with the scope of support as set out in Articles 6 and 7.’;

(e) in paragraph 4, first subparagraph, the following point (d) is added:

‘(d) contribute to the implementation of reforms.’.

**(f) a new paragraph 5 is added:**

**‘(5) By way of derogation from Articles 49 (3), 72(1)(e), 74, 79 and 82 of Regulation (EU) 2021/1060, for operations linked to the specific objectives referred to in Article 3(1), points (a)(vii) and (c)(iii) of this Regulation, the Member State shall not be required to provide information where disclosure is not permitted due to obligations under national law or would be contrary to the essential security interests of the Member State concerned, in particular for sensitive works, supplies or services requiring extremely high levels of confidentiality. For this purpose, Member States shall inform the Commission before selecting the operation concerned for support. This paragraph is without prejudice to the Commission's rights to access the information necessary to perform its functions in relation to verifications and audits.**

**Beneficiaries shall not be subject to the requirements set out in Article 50(1), points (c), (d) and (e) of Regulation (EU) 2021/1060, for operations linked to the specific objectives referred to in Article 3(1), points (a)(vii) and (c)(iii) of this Regulation, where the public display of information on the support or organising a communication event or activity is excluded for reasons of security and public order in accordance with Article 69(5) of Regulation (EU) 2021/1060.’**

- (2) In Article 4, paragraph 10 is replaced by the following:

‘10. The thematic concentration requirements set out in paragraph 6 of this Article shall be complied with throughout the entire programming period, including when ERDF allocations are transferred between priorities of a programme or between programmes and at the mid-term review in accordance with Article 18 of Regulation (EU) 2021/1060. Where a Member State submits a request for an amendment of a programme in accordance with Article 24 of Regulation (EU) 2021/1060, amounts programmed for the specific objectives referred to in ~~paragraph 1~~, points (a)(vi) and (b)(ix), of the first subparagraph of this Article 3(1), as well as for the specific objectives referred to in ~~paragraph 1~~, points (a)(vii), (b)(v), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of the first subparagraph of this Article 3(1), may be counted towards either the amounts required for PO 1 or PO 2 or divided between the two.

**Where a Member State complies with the thematic concentration requirements at the level of category of regions, amounts programmed for the specific objectives referred to in points (a)(vi) and (b)(ix) of the first subparagraph of Article 3(1), as well as for the specific objectives referred to in points (a)(vii), (b)(v), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of the first subparagraph of Article 3(1), which exceed the thresholds for thematic concentration for a category of region, may be counted towards the thematic concentration thresholds in other categories of regions within the same policy objective. This provision shall apply solely when transferring allocations for the specific objectives referred to above from more developed regions or transition regions to less developed regions and from more developed regions to transition regions.’**

- (3) Article 5 is amended as follows:

(a) paragraph 2 is amended as follows:

(i) the first subparagraph is amended as follows:

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

‘(e) when they contribute to the specific objectives under PO 1 set out in Article 3(1), points (a)(vi) and (a)(vii), of this Regulation, or to the specific objective under PO 2 set out in Article 3(1), point (b)(ix), of this Regulation **in less developed and transition regions, as well as more developed regions in Member States whose average GDP per capita is below the EU-27 average measured in purchasing power standards and calculated on the basis of Union figures for the period 2015-2017 while preserving a focus on SMEs;**’;

(2) the following point (f) is added:

‘(f) when they contribute to an Important Project of Common European Interest as approved by the Commission pursuant to Article 107(3), point (b), of the Treaty on the Functioning of the European Union (TFEU) and to Communication C(2021) 8481, while preserving a focus on SMEs;’;

(3) the following point (g) is added:

‘(g) where they facilitate industrial adjustment linked to the decarbonisation of production processes and products, **in less developed and transition regions, as well as more developed regions in Member States whose average GDP per capita is below the EU-27 average measured in purchasing power standards and calculated on the basis of Union figures for the period 2015-2017, while preserving a focus on SMEs.**’;

(ii) the second subparagraph is **replaced by the following**~~deleted~~;

**‘Points (e) and (g) shall apply to Interreg programmes where the geographical coverage of the programme within the Union consists exclusively of categories of regions set out in these points’;**



(b) the following paragraphs 10 and 11 are added:

‘10. In addition to the possibilities set out in Article 14 of Regulation (EU) 2021/1060, Member States may, with the agreement of the managing authorities concerned, allocate resources from the ERDF and the Cohesion Fund to the Member State compartment of the InvestEU Fund to deploy them through the InvestEU financial instrument to be set out in [Article 10a of Regulation (EU) 2021/523 of the European Parliament and of the Council]\*. Such contributions shall be subject to the procedures set out in Article 14 of Regulation (EU) 2021/1060 and count towards the ceilings set out in that Article. Resources generated by or attributable to the amounts contributed to the InvestEU financial instrument in accordance with Article 14 of Regulation (EU) 2021/1060 shall be made available to the Member State in accordance with the contribution agreement and shall be used for support under the same objective or objectives in the form of financial instruments or budgetary guarantees.

11. In addition to the possibilities set out in Article 73(4) of Regulation (EU) 2021/1060, for projects directly participating in an Important Project of Common European Interest approved by the Commission pursuant to Article 107(3), point (b) TFEU and to Communication C(2021) 8481, the managing authority may decide to grant support from the ERDF directly, provided that such operations meet the requirements set out in Article 73, paragraph 2, points (a), (b) and (g), of Regulation (EU) 2021/1060.

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\* Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30, ELI: <http://data.europa.eu/eli/reg/2021/523/oj>).’.

(4) In Article 7, paragraph 1 is amended as follows:

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

‘(b) investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC, except those which have been awarded a Seal of Excellence as defined in Article 2, point (45), of Regulation (EU) 2021/1060;’;

(b) in point (h), the following point (iv) is added:

‘(iv) investment in operations attributed a Sovereignty Seal under Article 4(1) of Regulation (EU) 2024/795 in a call for proposals under Commission Delegated Regulation (EU) 2019/856.’.

(5) The following Article 7a is inserted:

*‘Article 7a*

**Specific provisions linked to the mid-term review and related flexibilities**

1. The Commission shall pay in 2026 4.5% of the total support from the ERDF, and the Cohesion Fund **and the JTF** as set out in the decision approving the programme amendment as additional one-off pre-financing. This one-off pre-financing percentage shall be increased to 9.5% for programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine, provided the programme does not cover the entire territory of the Member State. Where in a Member State NUTS 2 regions bordering Russia, Belarus or Ukraine are included exclusively in programmes covering the entire territory of that Member State, the increased pre-financing set out in this paragraph shall apply to those programmes.

The additional pre-financing referred to in the first subparagraph of this paragraph shall only apply where reallocations of at least ~~4.5~~**10**% of the financial resources of the programme to one or more dedicated priorities established for the specific objectives referred to in Article 3(1), points (a)(vi), (a)(vii), (b)(v), (b)(ix), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of this Regulation in the context of the mid-term review have been approved, provided that the programme amendment is submitted by 31 December 2025.

**In addition, the following reallocations within the same programme shall also count towards the 10% threshold:**

**a. reallocations from the ESF+ to one or more dedicated priorities referred to in Articles 12a, 12c and 12d of Regulation (EU) 2021/1057 in the context of the mid-term review;**

b. reallocations from the JTF to dedicated priorities established to support investments contributing to the objectives of the Strategic Technologies for Europe Platform or established for the promotion of access to affordable housing under Regulation (EU) 2021/1056 in the context of the mid-term review;

c. reallocations from the ERDF or the Cohesion Fund to dedicated priorities for the specific objectives referred to in points (a)(vi) and (b)(ix) of the first sub-paragraph of Article 3(1) of this Regulation or from the ESF+ to dedicated priorities referred to in Article 12a of Regulation (EU) 2021/1057 or from the JTF to dedicated priorities established to support investments contributing to the objectives of the Strategic Technologies for Europe Platform approved in programme amendments prior to the mid-term review;

d. reallocations from the ERDF or the Cohesion Fund to priorities established for the specific objective referred to in point (b) (v) of the first sub-paragraph of Article 3(1) of this Regulation approved in programme amendments since 1 January 2025.

The following resources shall not be taken into account for the calculation of the amount equivalent to the 10% of the financial resources of the programme referred to in the second subparagraph of this paragraph:

(a) resources from the European Union Recovery Instrument referred to in Article 4 of Regulation (EU) 2021/1056;

(b) the additional funding for outermost regions referred to point (e) of Art 110(1) of Regulation (EU) 2021/1060;

(c) the resources reallocated to one or more dedicated priorities established to support the response to natural disasters in accordance with Article 12b of Regulation (EU) 2021/1067, or under the specific objective referred to in Article 3(1), point (b)(x).

The pre-financing due to the Member State which results from programme amendments pursuant to reallocation to the priorities referred to in the second subparagraph shall be counted as payments made in 2025 for the purposes of calculating the amounts to be decommitted in accordance with Article 105 of Regulation (EU) 2021/1060, provided the request for programme amendment was submitted in 2025.

2. By way of derogation from Article 63(2) and Article 105(2) of Regulation (EU) 2021/1060, the deadline for the eligibility of expenditure, ~~the reimbursement of costs~~ as well as for decommitment shall be 31 December 2030. That derogation shall only apply where programme amendments reallocating at least ~~15~~**10**% of the financial resources of the programme to one or more dedicated priorities **as set out in second subparagraph of paragraph 1** ~~established for the specific objectives referred to in Article 3(1), points (a)(vi), (a)(vii), (b)(v), (b)(ix), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of this Regulation in the context of the mid-term review~~ have been approved.

**For such programmes, where Regulation (EU) 2021/1060 establishes the final date for the purposes of the application of the performance framework, financial management, reporting and evaluation requirements, this shall be read as referring to the same date of the following year. In addition, by way of derogation from Article 2 point (29) of Regulation (EU) 2021/1060, for such programmes the final accounting year shall mean the period from 1 July 2030 to 30 June 2031.**

3. Member States may in requests for programme amendments in accordance with Article 24 of Regulation (EU) 2021/1060 request the reallocation of ERDF resources programmed under the Investment for jobs and growth goal to the European Urban Initiative and to the Interregional Innovation Investments Instruments referred to in Article 12 and Article 13 of this Regulation respectively. Reallocated resources shall be implemented for the benefit of the Member State concerned. Such reallocations shall not constitute transfers within the meaning of Article 26 of Regulation (EU) 2021/1060.

4. By way of derogation from Article 112 **(3) and (4)** of Regulation (EU) 2021/1060, the maximum co-financing rate for priorities in programmes under the Investment for jobs and growth goal covering one or more NUTS2 regions bordering Russia, Belarus or Ukraine shall be **increased by 10 percentage points above the co-financing rate applicable, not exceeding 100%.**

The higher co-financing rate shall not apply to programmes covering the entire territory of the Member State concerned, unless those regions are included only in programmes covering the entire territory of that Member State. The derogation shall only apply where reallocations of at least ~~15~~**10**% of the financial resources of the programme to one or more dedicated priorities **as set out in second subparagraph of paragraph 1**~~established for the specific objectives referred to in Article 3(1), points (a)(vi), (a)(vii), (b)(v), (b)(ix), (b)(xi), (b)(xii), (c)(iii), (d)(vii) and (e)(iii), of this Regulation in the context of the mid-term review~~ have been approved, provided that the programme amendment is submitted by 31 December 2025.

5. In addition to the assessment for each programme on the outcome of the mid-term review to be submitted in accordance with Article 18(2) of Regulation (EU) 2021/1060, Member States may resubmit a complementary assessment as well as related requests for programme amendments, taking into account the specific objectives introduced by Regulation (EU) XXXX/XXXX [this Regulation], within 2 months of the entry into force of Regulation (EU) XXXX/XXXX [this Regulation]. The deadlines set out in Article 18(3) of Regulation (EU) 2021/1060 shall apply.

6. Where the climate contribution as referred to in Article 6(1) of Regulation (EU) 2021/1060 of the Cohesion Fund would exceed the target of 37% of its total allocation, the amount exceeding that target may be taken into account when calculating the climate contribution of the ERDF for the purpose of reaching the target of 30% of its total allocation. The amounts exceeding the ERDF climate contribution target of 30% of its total allocation may be taken into account when calculating the climate contribution of the Cohesion Fund.’.

(6) In Article 12, the following paragraph 4 is added:

‘4. Innovative actions which have been assessed in a call for proposals under the European Urban Initiative and comply with the minimum quality requirements of that call and cannot be financed under that call for proposals due to budgetary constraints may be attributed a Seal of Excellence by the Commission.

For the purpose of the Seal of Excellence, the European Urban Initiative is considered another Union source distinct from the programmes implemented and prepared in accordance with Article 7 of Regulation (EU) 2021/1060.’.

(7) In Annex I, Table 1 is amended as follows:

(a) in policy objective 1, the following row is added:

	‘(vii) enhancing industrial capacities to foster dual use as well as defence capabilities	Any RCO listed for specific objectives (i), (iii) RCO128 Enterprises supported linked primarily to foster dual use and defence capabilities (RearmEU) - enterprises	Any RCR listed for specific objectives (i), (iii)’
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(b) in policy objective 2, the row for specific objective (v) is replaced by the following:

		RCO30 Length of new or upgraded pipes for the distribution systems of public water supply - km	RCR41 Population connected to improved public water supply - persons
	‘(v) Promoting secure access to water, sustainable water management and water resilience	RCO31 Length of new or upgraded pipes for the public network for collection of waste water - km	RCR42 Population connected to at least secondary public waste water treatment - persons
		RCO32 New or upgraded capacity for waste water treatment - population equivalent	RCR43 Water losses in distribution systems for public water supply - cubic metres per year’

(c) in policy objective 2, the following rows are added:

	<p>(xi) promoting access to affordable housing, <del>and related reforms</del></p>	<p>RCO18 Affordable dwellings with improved energy performance – dwellings</p> <p>RCO65 Capacity of new or modernised affordable and social housing - persons</p> <p><del>RCO130 Affordable and social housing related reforms – number</del></p>	<p>RCR26 Annual primary energy consumption (of which: affordable dwellings, public buildings, enterprises, other) - MWh/year</p> <p>RCR29 Estimated greenhouse emissions - tonnes CO<sub>2</sub> eq./year</p> <p>RCR67 Annual users of new or modernised affordable and social housing - users/year</p>
	<p>(xii) promoting energy interconnectors and related transmission <u>or distribution</u> infrastructure, <u>as well as protection of critical energy infrastructure</u> and the deployment of recharging infrastructure</p>	<p>RCO 59 - Alternative fuels infrastructure (refuelling/ recharging points)</p> <p>RCO 131 Energy transmission <u>or distribution</u> network lines and interconnectors - newly constructed or improved'</p>	



(d) in policy objective 3, the following row is added:

	‘(iii) developing resilient defence or dual use infrastructure, <b><u>including</u></b> to foster military mobility <del>for</del> <b><u>in</u></b> the Union, <b><u>as well as</u></b> <b><u>enhancing the preparedness for conflict and aggression</u></b>	Any RCO listed for specific objectives (i), (ii) RCO129 Infrastructure adapted to military mobility requirements,	Any RCR listed for specific objectives (i), (ii)’
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(e) in policy objective 4, the following row is added:

	‘(vii) promoting access to affordable housing, <del>and related reforms</del>	RCO18 Dwellings with improved energy performance – dwellings RCO65 Capacity of new or modernised social, affordable housing - persons <del>RCO130 Affordable and social housing related reforms – number</del>	RCR26 Annual primary energy consumption (of which: dwellings, public buildings, enterprises, other) - MWh/year RCR29 Estimated greenhouse emissions - tonnes CO <sub>2</sub> eq./year RCR67 Annual users of new or modernised affordable and social housing - users/year’
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(f) in policy objective 5, the following row is added:

	(iii) fostering integrated territorial development, through access to affordable housing, and the development of related reforms in all types of territories	RCO18 Dwellings with improved energy performance – dwellings RCO65 Capacity of new or modernised affordable, and social housing - persons <del>RCO130 Affordable and social housing related reforms – number</del>	RCR26 Annual primary energy consumption (of which: dwellings, public buildings, enterprises, other) - MWh/year RCR29 Estimated greenhouse emissions - tonnes CO <sub>2</sub> eq./year RCR67 Annual users of new or modernised affordable and social housing - users/year'
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## Article 2

Regulation (EU) 2021/1056 is amended as follows:

(1) Article 8(2) is amended as follows:

(a) in the first subparagraph, the following point (p) is added:

‘(p) promoting access to affordable housing, and related reforms.’;

**(a)a the second subparagraph is deleted;**

(b) the fourth subparagraph is replaced by the following:

‘The JTF may also support productive investments in enterprises other than SMEs, while preserving a focus on SMEs, ~~irrespective of whether the gap analysis was carried out in accordance with Article 11(2), point (h), of this Regulation and irrespective of its outcome.~~ Such investments shall only be eligible where they **are necessary for the implementation of the territorial just transition plan and** do not lead to relocation as defined in Article 2, point (27), of Regulation (EU) 2021/1060. The provision of such support shall not require a revision of the territorial just transition plan where that revision would be exclusively linked to the gap analysis. **For investments contributing to the STEP objectives referred to in Article 2 of Regulation (EU) 2024/795, Apprenticeships** and jobs, education or training for new skills shall be considered in the selection process.’;

(c) the following subparagraph is added:

‘For operations attributed a Seal of Excellence as defined in Article 2, point (45), of Regulation (EU) 2021/1060 and for projects directly participating in an Important Project of Common European Interest approved by the Commission pursuant to Article 107(3), point (b) TFEU and to Communication C(2021) 848, the managing authority may decide to grant support from the JTF directly, provided that such operations contribute to the specific objective as set out in Article 2 of this Regulation and contribute to the implementation of the territorial just transition plans.’.

(2) In Article 9, point (d) is replaced by the following:

‘(d) investment related to the production, processing, transport, distribution, storage or combustion of fossil fuels, with the exception of investment in operations attributed a Sovereignty Seal under Article 4(1) of Regulation (EU) 2024/795 in a call for proposals under Commission Delegated Regulation (EU) 2019/856.’.

(3) In Article 10, the following paragraphs ~~are~~<sup>is</sup> added:

‘~~54.~~ Where JTF resources are programmed as priorities within a programme also containing ERDF, **ESF+** or Cohesion Fund resources, in addition to the assessment for each programme on the outcome of the mid-term review to be submitted in accordance with Article 18(2) of Regulation (EU) 2021/1060, Member States may resubmit a complementary assessment as well as related requests for programme amendments, taking into account the specific objectives introduced by Regulation (EU) XXXX/XXXX [this Regulation], within 2 months of the entry into force of Regulation (EU) XXXX/XXXX [this Regulation]. The deadlines set out in Article 18 (3) of Regulation (EU) 2021/1060 shall apply.

**Such programme may benefit from the additional one-off pre-financing referred to in the first sub-paragraph of Article 7a(1) of Regulation (EU) 2021/1058 where applicable.**

**Where such programme benefits from an extended deadline for the eligibility of expenditure, ~~the reimbursement of costs~~ as well as for decommitment in accordance with Article 7a of Regulation (EU) 2021/1058, such extension shall also apply to the JTF resources.’.**

**6. Where JTF resources are programmed in a dedicated programme, Member States may establish dedicated priorities to support investments contributing to the objectives of the Strategic Technologies for Europe Platform or for the promotion of access to affordable housing, in accordance with Article 8(2) point (p) of this Regulation.**

Where at least 10% of the financial resources of the programme is reallocated to one or more dedicated priorities referred to in the previous subparagraph, the Commission shall pay in 2026 4.5% of the total support from the JTF to the programme as an exceptional one-off pre-financing. In addition, reallocations to dedicated priorities established to support investments contributing to the objectives of the Strategic Technologies for Europe Platform approved in programme amendments prior to the mid term review shall also count towards the 10% threshold. Resources from the European Union Recovery Instrument referred to in Article 4 shall not be taken into account for the calculation of the amount equivalent to the 10% of the financial resources of the programme resources.

The pre-financing due to the Member State which results from programme amendments pursuant to the reallocation to such priorities shall be counted as payments made in 2025 for the purposes of calculating the amounts to be decommitted in accordance with Article 105 of Regulation (EU) 2021/1060, provided the request for programme amendment was submitted in 2025.

By way of derogation from Article 63(2) and Article 105(2) of Regulation (EU) 2021/1060, the deadline for the eligibility of expenditure as well as for decommitment shall be 31 December 2030. That derogation shall only apply where programme amendments reallocating at least 10% of the financial resources of the programme to one or more dedicated priorities as set out in the second subparagraph have been approved.

For such programmes, where Regulation (EU) 2021/1060 establishes the final date for the purposes of the application of the performance framework, financial management, reporting and evaluation requirements, this shall be read as referring to the same date of the following year. In addition, by way of derogation from Article 2 point (29) of Regulation (EU) 2021/1060, for such programmes the final accounting year shall mean the period from 1 July 2030 to 30 June 2031.

**In addition to the assessment for each programme on the outcome of the mid-term review to be submitted in accordance with Article 18(2) of Regulation (EU) 2021/1060, Member States may resubmit a complementary assessment as well as related requests for programme amendments, taking into account the specific objectives introduced by Regulation (EU) XXXX/XXXX [this Regulation], within 2 months of the entry into force of Regulation (EU) XXXX/XXXX [this Regulation]. The deadlines set out in Article 18(3) of Regulation (EU) 2021/1060 shall apply.’.**

- (4) ~~In~~ Article 11(2) **is amended as follows**

**(a)**, point (i) is replaced by the following:

‘(i) where support is to be provided to investments to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC, a list of operations to be supported and a justification that they contribute to a transition to a climate-neutral economy and lead to a reduction in greenhouse gas emissions going below the relevant benchmarks established for free allocation under Directive 2003/87/EC and provided that those operations are necessary for the protection of a significant number of jobs; ‘

**(b) point (h) is replaced by the following:**

**‘(h) where support is to be provided to productive investments in enterprises other than SMEs, an indicative list of operations and enterprises to be supported and a justification of the necessity of such support including, where necessary for the purposes of State aid assessment a gap analysis demonstrating that the expected job losses would exceed the expected number of jobs created in the absence of the investment;’.**

- (5) In Article 12(2), the third sentence is deleted.

**(6) Annex II point 2.4 is amended as follows:**

**(a) The text following the reference to the point (b) of Article 11(2) is replaced by the following:**

**“To fill in only if support is provided to productive investments in enterprises other than SMEs:**

- **an indicative list of operations and enterprises to be supported and for each of them a justification of the necessity of such support through, where necessary for the purposes of State aid assessment a gap analysis demonstrating that the expected job losses would exceed the expected number of jobs created in the absence of the investment”**

**(7) In Annex III, the following row is added:**

<b><u>RCO18 -Affordable dwellings with improved energy performance – dwellings</u></b>	<b><u>RCR26 -Annual primary energy consumption (of which: affordable dwellings, public buildings, enterprises, other) - MWh/year</u></b>
<b><u>RCO65 -Capacity of new or modernised affordable and social housing - persons</u></b>	<b><u>RCR29 -Estimated greenhouse emissions - tonnes CO2 eq./year</u></b>
	<b><u>RCR67- Annual users of new or modernised affordable and social housing - users/year</u></b>

**Article 2a**

**Amounts corresponding to commitments suspended by measures adopted in the context of Regulation (EU) 2020/2092 and amounts corresponding to the specific objectives subject to a negative assessment by the Commission based on the application of horizontal enabling conditions pursuant to Article 15 of Regulation (EU) 2021/1060 shall not be subject to a programme amendment or transfer pursuant to the provisions of this Regulation.**

*Article 3*

This Regulation shall enter into force on the {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 Strasbourg,

*For the European Parliament*

*For the Council*

*The President*

*The President*

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