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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Structural Measures and Outermost Regions
Subject:	A modernised Cohesion policy: The mid-term review - Commission replies to MS questions : PPT presentation

Delegations will find attached the slides used by the Commission to reply to MS questions on a modernised Cohesion policy: The mid-term review at the WP on Structural Measures and Outermost Regions on 15 April 2025.

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A modernised Cohesion policy: The mid-term review

amending
Regulations (EU) 2021/1058 and (EU) 2021/1056

SMOR, 15 April 2025

European Commission

MTR process - three scenarios

(reply to questions from MT, HR, SE, BG, CZ, FR, SK, HU, LV, PL, EL, ES, RO, LU, SI)

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MTR amendment submitted

- COM returns with observations
  - MS resubmits
- COM approves
  - MS may submit further amendments with a complementary MTR assessment
- MS withdrew
  - MS sends updated MTR assessment and amendment



MTR request for FA allocation submitted

- COM returns with observations / disagrees
  - MS may submit a programme amendment with complementary MTR assessment
- COM approves
  - MS may submit further amendments with a complementary MTR assessment
- MS withdrew
  - MS sends updated MTR assessment and amendment



MTR (amendment) not submitted

- MS submits MTR assessment with an amendment
  - MS can submit already now but resubmit after the package is in force to get flexibilities

Deadline for (re)submission: max. 2 months after MTR package enters into force

MTR process - other issues raised

(reply to questions from MT, HR, SE, BG, CZ, FR, SK, HU, LV, PL, EL, ES, RO, LU, SI)

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1. **Release of the flexibility amount**
   - Articles 18 and 24 CPR unchanged
   - Flexibility amount may be released on first adoption, regardless of later submissions
2. **Deadline of 31 December 2025**
   - 2-month deadline is for the (re)submission of MTR assessment/amendment
   - There is no time limit for setting up dedicated priorities for the new SOs, but…
   - Certain flexibilities only apply to those set up by 31 December 2025: *30% pre-financing for the ERDF/CF new SOs, 4.5% and 9.5% one-off pre-financing, and 100% co-financing for IJG programmes with border regions*
   - Other flexibilities not linked to end-2025 submission: *max. 100% EU co-financing for new SOs*
3. **Meeting the 2-month deadline**
   - New options/flexibilities only apply after regulation enters into force
   - COM to work closely with MS upstream
   - Parallel work on SFC ongoing to adapt to final text
4. **Ensuring consistency for multi-fund programmes**
   - Similar conditions in the proposals
   - Parallel processing by co-legislators, entry into force expected to be aligned

What's in the 15%

(reply to questions from DE, IT, NL, BG, PL, LV, RO, SI, BE, SK, FR, EL, CY, PT, SK, ES, LT, CZ, HU, EE)

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1. **All reallocations to new dedicated priorities** established for the SOs (STEP + the new ones) count towards the 15%
   - This includes STEP or water (SO 2.5) amendments already submitted in the context of the MTR
   - Reallocations to RESTORE priorities are not included
   - MSs' technical assistance: financial allocations to new priorities (incl. STEP) in accordance with art. 36(5) CPR are included
2. **For multi-fund programmes:**
   - all ERDF, CF, JTF and ESF+ resources are part of the financial resources of the programme (denominator)
   - JTF resources cannot contribute towards the 15% since they are programmed under a single JTF SO, they do not contribute to the new SOs introduced for ERDF and CF
   - the 15% threshold is the sum of the ERDF, CF, ESF+ resources allocated to the STEP and new priorities
3. **National co-financing does not count towards the 15%**

JTF

(reply to questions from RO, SE, DE, NL, DK, IT, EL, PL, BE, HR)

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1. **Extended deadline to 31 Dec. 2030 for eligibility, cost reimbursement, de-commitment may apply to JTF resources**
   - If JTF resources are part of a multi-fund programme covering also ERDF/CF resources; JTF standalone and JTF/ESF+ programmes do not benefit from this extension
   - If 15% threshold is reached at programme level, even though JTF resources do not count against
   - This does not affect the applicable payment deadline for NGEU resources
2. **ETS**
   - Simplified conditions for supporting investments reducing GHG emissions in ETS installations: any reduction below ETS free allocation benchmarks / does not need to be '*substantial*'.
3. **Direct grant support to operations with Seal of Excellence/ participating in IPCEI**
   - A full selection procedure is not required providing that the operation meets the JTF SO and complies with the programme/TJTP/fund eligibility
4. **JTF targets revision possible after MTR** if justified and does not affect the climate transition and fossil fuel phase out commitment

Why not amending the CPR?

(reply to questions from CZ, MT, HR, DE, EL, PT)

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- Focus of the proposal: to adjust investment priorities to enable effective response to current and future challenges
- Related targeted changes are best placed in the Fund-specific Regulations
- Building on approach used for STEP and RESTORE amendments

INTERREG

(reply to questions from RO, FR, PL, IT, LT)

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1. **All the new introduced SOs** (+STEP) for ERDF are available for both IJG and Interreg programmes

2. **The following flexibilities apply to Interreg programmes even though MTR provisions (Art. 18 CPR) do not apply**:
   - 30% pre-financing at the level of the dedicated priorities
   - One-off 4.5% pre-financing under the same conditions as for IJG programmes
   - Max. 100% EU co-financing at the level of the dedicated priorities
   - Extension of deadlines for eligibility of expenditure/de-commitment
   - Broader support to productive investments in enterprises other than SMEs

3. **Specific provisions for programmes covering regions bordering RU/BY/UA are not applicable to Interreg:**
   - 100% max EU co-financing rate
   - One-off 9.5% pre-financing

Support for enterprises other than SMEs (I)

(reply to questions from PL, DE, PT, HU, LV, EL, FR, ES, MT, NL, BG)

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1. In addition to existing possibilities, productive investments in enterprises other than SMEs **may be supported in all EU regions under the ERDF**, when they contribute to:
   - SO1.6 and SO2.9 (STEP)
   - SO1.7 (defence capabilities) – may include R&I activities. Cooperation with SMEs is not required
   - Important Project of Common European Interest (IPCEIs) approved by COM
   - Facilitating industrial adjustment linked to the decarbonisation of production processes and products – use of FIs is not required; may include activities in circular economy
2. For support under SO1.1 (research and innovation), **the requirement of "cooperation with SME" remains the general rule but will no longer apply for investments in large enterprises** when:
   - IPCEIs
   - Facilitating industrial transition linked to decarbonisation
3. **No restricted to specific sectors but to SOs**

Support for enterprises other than SMEs (II)

(reply to questions from PL, DE, PT, HU, LV, EL, FR, ES, MT, NL, BG)

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4. **Under the JTF**:
   - No longer limitation to enterprises located in areas designated as assisted areas for the purposes of points (a) and (c) of Article 107(3) TFEU → **All EU regions eligible**
   - This is irrespective of whether the **gap analysis** was carried out, of its outcome, and to the extent that it is allowed by the State aid rules set out in Article 107 and 108 of the Treaty
   - **Amendment to TJTP** is required if support for large enterprises is not already covered or is explicitly excluded
   - The indicative **list of operations and enterprises** is still required

Fossil fuels

(reply to questions from RO, DE, PL)

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1. Investments in production, processing, transport, distribution, storage or combustion of fossil fuels are **currently excluded** from:
    - the scope of support of ERDF/CF (art.7.1(h)) – with limited exceptions for heating systems, gas networks and vehicles
    - the JTF (art.9(d)) without any exception

2. The proposal would add an **additional exception** to the exclusion, both in ERDF/CF art.7 and JTF art.9, to: "*finance operations that have been awarded a* ***Sovereignty Seal*** *under art. 4(1) of STEP Regulation*"

Thematic concentration and climate contribution

(reply to PT, DK, SI, PL, FR, DE)

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1. **ERDF thematic concentration requirements** are revised to accommodate the introduction of new SOs (incl. STEP):
   - It is made possible to count the amounts programmed for the new SOs towards either the amounts required for PO1 or PO2 or divided between the two
   - Examples: the resources reallocated to SOs 3.3 (military mobility), 4.7 or 5.3 (affordable housing) can be counted towards meeting the thematic concentration requirements under PO1 or PO2 (or divided between the two)
2. **Interreg** provisions on thematic concentration remain unchanged
3. Compensation mechanism for the calculation of the **climate contribution** between the ERDF and the CF for the amounts exceeding the climate targets set for each Fund (30% for the ERDF, 37% for the CF)
   - The amounts exceeding the ERDF climate target may be taken into account when calculating the climate contribution of the CF – and vice-versa.
   - Same logic used for STEP

Rule of law / conditionalities

(reply to questions from DE, SE, NL, FR, EL)

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1. **The application of the Conditionality Regulation (RoL) and provisions on (horizontal) enabling conditions are not affected by the MTR package proposal**
2. **No additional enabling conditions are introduced**:
   - E.g.: the new SO 3.3 (military mobility) has no related enabling condition in Annex IV – no need to update the transport plan (=enabling condition under SO 3.1)
3. **For the SOs, existing enabling conditions still apply**:
   - For SO 2.5 (water), the adjusted SO is still linked to the enabling condition, so the expenditure related to operations linked to that objective will only be reimbursed by the Commission if the corresponding enabling condition is fulfilled and remain fulfilled throughout the programming period
4. **Payment of the exceptional one-off pre-financing remains possible in case the enabling condition is not fulfilled**

Transfer of resources

(reply to questions from CZ, BE, SE, SK, FR, EL, NL)

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1. **ERDF resources transferred to the EUI or the I3 do not constitute transfers within the meaning of Art. 26 CPR**: Art 26 does not apply as the proposed transfers are within the same Fund

2. **No transfers from JTF to other funds are allowed** (Art 26(6)CPR)

3. **No new transfer options between categories of regions:** Art. 111CPR applies

Defence (I)

(reply to questions from CY, PT, DE, HU, LV, LT, PL, SI, SK, FR, EL, NL, RO, CZ, BG)

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1. Two broad types of activities: industrial capacity under PO1 and military mobility under PO3
2. No purchase of military equipment (Art. 41(2) TEU) - support strictly limited to production
3. Support to purely defence capabilities or military mobility is eligible under new SOs. In case of support to dual use facilities, there is no specific ratio between civilian and military.
4. Dual use examples: roads/bridges that are upgraded to sustain traffic of heavy military vehicles such as tanks, or components manufacturing for military and civilian equipment – drones, textile manufacturing army and civilian use.
5. Seals issued by the European Defence Industry Strategy and the Act in Support of Ammunition Production can be used
6. Support to hospitals or urban shelters are eligible but will not benefit from the flexibilities proposed in the MTR package (they remain attached to PO4 or PO2/PO5 respectively)

Defence (II)

(reply to questions from CY, PT, DE, HU, LV, LT, PL, SI, SK, FR, EL, NL, RO, CZ, BG)

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SO 1.7 = **upgrade industrial production capacity and R&I.**

1. Examples: technological developments or production capabilities, vehicles, drones, communication and data processing equipment, textile products - or research and innovation in these fields

SO 3.3 = **infrastructure facilitating military mobility**

1. SO3.3 focus on the EU Priority Military Mobility Corridors identified by MS in Annex II of the Military Requirements for Military Mobility (Council on 18/03/2025).
2. However, investments in support of military mobility are also eligible (storage facilities, logistics, feasibility studies, etc.)
3. Eligibility rules on airports are unchanged (ERDF/CF Art. 7 continues to apply)

Affordable Housing

(reply to questions from NL, ES, DE, CY, SE, SK, FR, PL, EL, LT, SI, SK, PT, MT, RO)

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1. Housing investments possible under three separate RSO to make it more flexible for programmes that might not have selected certain POs before + widens the scope of eligible activities
2. Link to JTF: tackling social impacts of climate transition (e.g. energy poverty). No dedicated priority
3. All type of housing can be considered if investments contribute to alleviate access to housing for all (new housing, refurbishment of old housing stock, student accommodation, blocks of flats, etc.)
4. Housing stock to comply with all relevant legislation (e.g. energy performance of buildings directive)
5. Reforms highlighted as there are many legislative/administrative aspects to housing: permitting for new housing schemes, access to finance, public subsidies, etc.
    - As with the other SOs, only costs that are anyhow eligible can be reimbursed — such as consultancy costs, IT development, or studies — but not only those aimed at strengthening the capacities of actors for the implementation of the funds. Compensation schemes and operating costs remain ineligible
6. Financial instruments are an appropriate tool – see joint EC/EIB off-the-shelf instrument for housing

Energy (interconnectors & charging stations)

(reply to questions from PL, BE, FR, SE, LT)

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Focus on transition to clean energy via modernisation of the key elements of the grids - regardless of the source of production of the electricity

1. Interconnectors facilitating transmission across MS (electricity interconnectors and related transmission infrastructure, no matter what production method is used – gas interconnectors remain limited by ERDF art. 7 provisions)
2. Energy storage facilities can be supported if storage is required to increase energy flows, for instance when linked to exchange across borders of renewable energy
3. Infrastructure inside TEN-E network can be supported (contrary to SO2.3)
4. Recharging infrastructure, complementing the Alternative Fuel Infrastructure Facility (Connecting Europe Facility)

Water resilience

(reply to questions from PT, PL, BG, EL, FR, CZ, SE, MT)

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1. Revised SO 2.5 promoting secure access to water, sustainable water management and water resilience (broader scope)
2. Examples:
   - water efficiency and re-use (including leakages)
   - digitisation of water infrastructure, (cyber)security risks on water infrastructure,
   - mitigation of droughts and desertification impacts, of flooding, of extreme weather,
   - deployment of nature-based solutions to reduce flood risks,
   - natural water retention measures,
3. Pollution reduction, in line with the EU water acquis including the Urban Wastewater Treatment Directive, Water Framework, Groundwater and Environmental Quality Standards Directives

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Thank you



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