



Council of the European Union  
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## **WORKING DOCUMENT**

From:	Presidency
To:	Working Party of Financial Counsellors
Subject:	EFSI 2.0 - Presidency Non-Paper

Delegations will find attached the Presidency Non-Paper on EFSI 2.0 to be discussed at the Financial Counsellors WP.

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

### **BACKGROUND**

- This Commission proposal for extending the European Fund for Strategic Investments (EFSI) provides for: extending the lifetime until end-2020 (originally from mid-2015 until mid-2018), increasing the investment target from EUR 315bn to EUR 500bn, increasing the EU guarantee from EUR16bn to EUR26bn and the EIB contribution from EUR 5bn to EUR 7.5bn. The new proposal on EFSI 2.0 aims at reinforced geographic and sectorial coverage, climate action, enhanced additionality and transparency.
- The European Council called upon the Council and the European Parliament to agree the proposal on extending EFSI in the first semester of 2017.
- The Council agreed on its position already on 6 December 2016.
- The European Parliament adopted its position on 15 May 2017. On 16 May 2017, the decision by the BUDG and ECON committees to enter into trilogue negotiations, pursuant to Rule 69c, paragraph 1, was announced in EP plenary session. The deadline for requests to vote in plenary on this decision expired at midnight on 17 May, with no objection being raised.
- Trilogue negotiations will start on 31 May 2017.

**This paper intends to outline the political issues that have emerged from the European Parliament's report.**

On the Financial Counsellors Working party meeting of 24 May, the Presidency intends to have a discussion on the political issues as highlighted below. Member States will be invited to express their positions on each of these issues.

In addition, the Presidency would like to invite Member States to submit written comments to the five-column table by 23 May close of business.

**Main issues for discussion:**

**1. Pricing:**

The EP proposes to modulate the pricing of the guarantee in circumstances where tighter economic and financial market conditions would prevent the realisation of a viable project.

` ...Under circumstances where tighter economic and financial market conditions would prevent the realisation of a viable project, the pricing of the guarantee shall be modulated in order to promote geographic and regional balance of EFSI-backed operations and to address market failures `

...

In line with the pricing policy, the EFSI shall:

- as a preferred way and if duly justified, take junior positions versus other investors, and ensure that the pricing of its operations is modulated including blending, where necessary, to enable projects to maximise leverage of funds and to take into account local market conditions; and
- if necessary for achieving the objectives of the EFSI and addressing market failures and investment gaps, ensure that the pricing levels for equity-type operations remains below market prices for the same kind of transactions.'

The EP also proposes that the Commission shall draft a report at the end of the investment period on the aggregated effects and appropriateness of the pricing policy and shall forward that report to the European Parliament and the Steering Board.

**2. Subordination:**

The EP proposes that EFSI-backed EIB special activities shall, as a preferred way and if duly justified, have the features of subordination and take a junior position vis-à-vis other investors.

### 3. Additionality:

The EP suggests that strong indicators of additionality are:

- projects that carry a risk corresponding to EIB special activities, as defined in Article 16 of the EIB Statute and by the credit risk policy guidelines of the EIB, especially if such projects are located in less developed and transition regions;
- projects that consist of infrastructure linking two or more Member States or of the extension of infrastructure or services linked to infrastructure from one Member State to one or more Member States.

The EP also proposes region-specific conditions when assessing the additionality.

### 4. Access to EU guarantee:

The EP suggests that, where appropriate, National Promotional Banks or institutions and investment platforms shall also use the EU Guarantee, and may be delegated the decision on the selection of projects. The EP emphasises that this should however in no way discriminate against Member States that have not established such entities, nor should it lead to geographical concentration.

### 5. Sectors:

The EP added some new sectors eligible under EFSI.

On climate, the EP proposes a role for the Steering Board in ensuring that at least 40 % of EFSI financing under the infrastructure and innovation window to support project components that contribute to climate action.

According to the EP, projects related to motorways should be possible while limited to public and/or private investment in transport in cohesion countries, less developed regions or in cross-border transport projects or, if it is necessary to upgrade, maintain or improve road safety, develop ITS devices or guarantee the integrity and standards of existing motorways on the trans-European transport network, in particular safe parking areas, alternative clean fuels stations and electric charging

systems. EFSI support shall also be possible for maintaining and upgrading existing transport infrastructure (see Annex).

## **6. EIAH's support in regions:**

The EP would like to have more focus on the EIAH and many amendments relate to it.

In particular:

- The EIAH shall conclude cooperation agreements with national promotional banks or institutions in each Member State. In Member States where such institutions do not exist, the EIAH shall provide, where appropriate and at the request of the Member State concerned, pro-active advisory support on the establishment thereof.
- A local presence of the EIAH shall be ensured, where needed and taking into account existing support schemes.
- It shall be established in particular in Member States or regions that face difficulties in developing projects under the EFSI.
- The EIAH shall make use of the list referred to in Article 16(2a) (including proposals not pre-selected), in order to assist, in a proactive manner and as appropriate, possible project promoters
- An annual reference amount of EUR 20 000 000 shall be made available from the general budget of the Union to contribute towards covering the costs of EIAH operations

## **7. Transparency:**

The EP would like to be better informed about EFSI projects through the use of the Scoreboard. The EFSI investment committee should be required to publish the reasons for the decisions made and report regularly to the EP. The EP also proposes that the detailed minutes of Steering Board meetings are made public. The EP would also like more detailed annual reports.

## **8. Governance:**

The EP would like to appoint one member to the EFSI Steering Board. The Steering Board shall, in the event that a consensus cannot be reached, take its decisions by a four-fifths majority of its component members.

The EP also suggests that the Managing Director and the Deputy Managing Director should be remunerated from the general budget of the Union. The Managing Director is to be accountable to the EP regarding the work of the Investment Committee.

## **9. Taxation:**

The EP amendments are similar to the ones proposed in the External Lending Mandate.

The EP also suggests that the annual report to be submitted by the EIB to the EP and the Council shall also include detailed information on the tax payments resulting from EIB financing and investment operations under the EFSI.

[It is to be noted here that the intention of the Presidency is to use the agreed text in Council with the EC during the ELM negotiations]

## **10. Budget:**

In a recital, the EP proposes: In order to partly finance the contribution from the general budget of the Union to the EU guarantee fund for the additional investments to be made, an amount of EUR 650 000 000 from unallocated margins under the 2014-2020 multiannual financial framework ceilings should be earmarked for that purpose, to be authorised by the European Parliament and the Council through the annual budgetary procedure. Moreover, EUR 1 645 797 000 of appropriations should be transferred from the CEF financial instruments to the grant part of the CEF with a view to facilitating blending with the EFSI or to other relevant instruments, in particular those dedicated to energy efficiency.

## **Next steps:**

- First Political Trilogue: 31 May 2017
- Second Political Trilogue: 6 June 2017
- Financial Counsellors Meeting dedicated to EFSI II: 8 June 2017
- Third Political Trilogue: 12 June 2017