



Council of the European Union
General Secretariat

**Interinstitutional files:
2018/0228(COD)**

Brussels, 18 July 2018

WK 9031/2018 INIT

LIMITE

**FIN
CADREFIN
POLGEN
REGIO
ENER
TRANS
TELECOM
COMPET
MI
ECO
CODEC**

WORKING PAPER

This is a paper intended for a specific community of recipients. Handling and further distribution are under the sole responsibility of community members.

INFORMATION

From:	Presidency
To:	Friends of the Presidency Group on the Connecting Europe Facility (CEF)
Subject:	Multiannual Financial Framework (MFF) 2021-2027 - Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014

In the context of the discussions on the MFF 2021-2027, delegations will find in annex the bracketed proposal in subject.

- Bracketed provisions/elements are those most likely to form part of horizontal negotiations on the MFF and will feature in the future MFF Negotiating Box (NB).
- This does not prevent the Friends of the Presidency Group on the Connecting Europe Facility (CEF) from clarification discussions on the bracketed provisions. Delegations may refer to such provisions

during meetings, but the Presidency will not conclude discussions on those provisions at the level of the Friends of the Presidency Group on the Connecting Europe Facility (CEF).

- All Presidency compromises prepared at sectorial level, including partial general approaches, will maintain the brackets as long as horizontal negotiations on the MFF are not finalized.
- Bracketed provisions may be reviewed if necessary as negotiations progress.
- Recitals in general are not bracketed, with few exceptions, and will need to be adjusted in light of the agreement found on the articles.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 172 and 194 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 Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In order to achieve smart, sustainable and inclusive growth and to stimulate job creation, the Union needs an up-to-date, high-performance infrastructure to help connect and integrate the Union and all its regions, in the transport, telecommunications and energy sectors. Those connections should help to improve the free movement of persons, goods, capital and services. The trans-European networks should facilitate cross-border connections, foster greater economic, social and territorial cohesion and contribute to a more competitive social market economy and to combating climate change.
- (2) The aim of the Connecting Europe Facility (the ‘Programme’) is to accelerate investment in the field of trans-European networks and to leverage funding from both the public and the private sectors, while increasing legal certainty and respecting the principle of technological neutrality. The Programme should enable synergies between the transport, energy and digital sectors to be harnessed to the full extent, thus

¹ OJ C , , p. .

² OJ C , , p. .

enhancing the effectiveness of Union action and enabling implementing costs to be optimised.

- (3) The Programme should aim at supporting climate change, environmentally and socially sustainable projects and, where appropriate, climate change mitigation and adaptation actions. In particular, the contribution of the Programme to achieving the goals and objectives of the Paris Agreement as well as the proposed 2030 climate and energy targets and long-term decarbonisation objective should be reinforced.
- (4) Reflecting the importance of tackling climate change in line with Union's commitments to implement the Paris Agreement, and the commitment to the United Nations Sustainable Development Goals, this Regulation should therefore mainstream climate action and lead to the achievement of an overall target of [25]1% of the EU budget expenditures supporting climate objectives³. Actions under this Programme are expected to contribute 60% of the overall financial envelope of the Programme to climate objectives, based *inter alia* on the following Rio markers: i) 100% for the expenditures relating to railway infrastructure, alternative fuels, clean urban transport, electricity transmission, electricity storage, smart grids, CO2 transportation and renewable energy; ii) 40% for inland waterways and multimodal transport, and gas infrastructure - if enabling increased use of renewable hydrogen or bio-methane. Relevant actions will be identified during the Programme's preparation and implementation, and reassessed in the context of the relevant evaluations and review processes. In order to prevent that infrastructure is vulnerable to potential long term climate change impacts and to ensure that the cost of greenhouse gas emissions arising from the project is included in the project's economic evaluation, projects supported by the Programme should be subject to climate proofing in accordance with guidance that should be developed by the Commission coherently with the guidance developed for other programmes of the Union where relevant.
- (5) In order to comply with the reporting obligations set in Article 11(c) of Directive 2016/2284/EU on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC, regarding the uptake of Union funds to support the measures taken with a view to complying with the objectives of this Directive, expenditure related to the reduction of emissions or air pollutants under this Directive shall be tracked.
- (6) An important objective of this Programme is to deliver increased synergies between the transport, energy and digital sector. For that purpose, the Programme should provide for the adoption of cross-sectoral work programmes that could address specific intervention areas, for instance as regards connected and automated mobility or alternative fuels. In addition, the Programme should allow, within each sector, the possibility to consider eligible some ancillary components pertaining to another sector, where such an approach improves the socio-economic benefit of the investment. Synergies between sectors should be incentivized through the award criteria for the selection of actions.

³ COM(2018) 321, page 13

- (7) The trans-European transport network (TEN-T) guidelines as laid down in Regulation (EU) No 1315/2013 of the European Parliament and of the Council⁴ (hereafter 'TEN-T guidelines') identify the infrastructure of the TEN-T, specify the requirements to be fulfilled by it and provide for measures for their implementation. Those guidelines envisage, in particular, the completion of the core network by 2030 through the creation of new infrastructure as well as the substantial upgrading and rehabilitation of existing infrastructure.
- (8) In order to achieve the objectives laid down in the TEN-T guidelines, it is necessary to support with priority the cross-border links and the missing links and to ensure, where applicable, that the supported actions are consistent with the corridor work plans established pursuant to Article 47 of Regulation (EU) No 1315/2013 and to the overall network development regarding performance and interoperability.
- (9) In order to reflect growing transport flows and the evolution of the network, the alignment of the core network corridors and their pre-identified sections should be adapted. These adaptations should be proportionate in order to preserve the consistency and the efficiency of the corridor development and coordination. For that reason the length of the core network corridors should not increase by more than 15%.
- (10) It is necessary to promote investments in favour of smart, sustainable, inclusive, safe and secure mobility throughout the Union. In 2017, the Commission presented⁵ "Europe on the move", a wide-ranging set of initiatives to make traffic safer, encourage smart road charging, reduce CO2 emissions, air pollution and congestion, promote connected and autonomous mobility and ensure proper conditions and rest times for workers. These initiatives should be accompanied by Union financial support, where relevant through this Programme.
- (11) The TEN-T guidelines require, with regard to new technologies and innovation, that the TEN-T enables the decarbonisation of all transport modes by stimulating energy efficiency as well as the use of alternative fuels. Directive 2014/94/EU of the European Parliament and of the Council⁶ establishes a common framework of measures for the deployment of alternative fuels infrastructure in the Union in order to minimise dependence on oil and to mitigate the environmental impact of transport and requires Member States to ensure that recharging or refuelling points accessible to the public are made available by 31 December 2025. As outlined in the Commission proposals⁷ of November 2017, a comprehensive set of measures to promote low-emission mobility is necessary including financial support where the market conditions do not provide a sufficient incentive.

⁴ 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, p. 1).

⁵ Commission Communication "Europe on the move: An agenda for a socially fair transition towards clean, competitive and connected mobility for all" – COM(2017) 283

⁶ Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the deployment of alternative fuels infrastructure (OJ L 307, 28.10.2014, p. 1).

⁷ Commission Communication "Delivering on low-emission mobility A European Union that protects the planet, empowers its consumers and defends its industry and workers" – COM(2017) 675

- (12) In the context of its Communication "Sustainable Mobility for Europe: safe, connected, and clean"⁸, the Commission highlighted that automated vehicles and advanced connectivity systems will make vehicles safer, easier to share and more accessible for all citizens, including those who may be cut-off from mobility services today, such as the elderly and disabled. In this context, the Commission also proposed an "EU Strategic Action Plan on Road safety" and a revision of Directive 2008/096 on Road Safety infrastructure management.
- (13) In order to improve the completion of transport projects in less developed parts of the network, a Cohesion Fund allocation should be transferred to the Programme to finance transport projects in the Member States eligible for financing from the Cohesion Fund. In an initial phase and within a limit of 70% of the transferred envelope, the selection of projects eligible for financing should respect the national allocations under the Cohesion Fund. The remaining 30% of the transferred envelope should be allocated on a competitive basis to projects located in the Member States eligible for financing from the Cohesion Fund with priority to cross-border links and missing links. The Commission should support Member States eligible for financing from the Cohesion Fund in their efforts to develop an appropriate pipeline of projects, in particular by strengthening the institutional capacity of the public administrations concerned.
- (14) Following the Joint Communication on improving military mobility in the European Union of November 2017⁹, the Action Plan on Military Mobility adopted on 28 March 2018 by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy¹⁰ highlighted that transport infrastructure policy offers a clear opportunity to increase synergies between defence needs and TEN-T. The Action Plan indicates that by mid-2018, the Council is invited to consider and validate the military requirements in relation to transport infrastructure and that, by 2019 the Commission services will identify the parts of the trans-European transport network suitable for military transport, including necessary upgrades of existing infrastructure. Union funding for the implementation of the dual-use projects should be implemented through the Programme on the basis of specific work programmes specifying the applicable requirements as defined in the context of the Action Plan.
- (15) In its Communication "A stronger and renewed strategic partnership with the EU's outermost regions"¹¹, the Commission highlighted the outermost regions' specific transport needs and the necessity to provide Union funding to match these needs, including through the Programme.
- (16) Considering the significant investment needs to progress towards completing the TEN-T core network by 2030 (estimated at EUR 350 billion during 2021-2027), the TEN-T comprehensive network by 2050 and decarbonisation-digitalisation-urban investments (estimated at EUR 700 billion during 2021-2027), it is appropriate to make the most efficient use of the various Union financing programmes and instruments and thus maximise the value-added of investments supported by the Union. This would be achieved via a streamlined investment process, enabling visibility on the transport

⁸ COM(2018) 293

⁹ JOIN(2017) 41

¹⁰ JOIN(2018) 5

¹¹ COM (2017)623

pipeline and consistency across relevant Union programmes, notably the Connecting Europe Facility, the European Regional Development Fund (ERDF), the Cohesion Fund and InvestEU. In particular, the enabling conditions as detailed under Annex IV of Regulation (EU) XXX [Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument ('CPR')] should be taken into account where relevant.

- (17) Regulation (EU) No 347/2013 of the European Parliament and of the Council¹² identifies the trans-European energy infrastructure priorities which need to be implemented in order to meet the Union's energy and climate policy objectives, identifies projects of common interest necessary to implement those priorities, and lays down measures in the field of the granting of permits, public involvement and regulation to speed up and/or facilitate the implementation of those projects, including criteria for the eligibility of such projects for Union financial assistance.
- (18) Directive [recast Renewables Directive] stresses the need to set up an enabling framework comprising the enhanced use of Union funds, with explicit reference to enabling actions to support cross-border cooperation in the field of renewable energy.
- (19) While completion of network infrastructure remains the priority to achieve the development of renewable energy, integrating cross-border cooperation on renewable energy reflects the approach adopted under the Clean Energy for all Europeans initiative with a collective responsibility to reach an ambitious target for renewable energy in 2030 and the changed policy context with ambitious long-term decarbonisation objectives.
- (20) Innovative infrastructure technologies that enable the transition to a low carbon energy and mobility systems and improve security of supply are essential in view of the Union's decarbonisation agenda. In particular, in its Communication of 23 November 2017 "Communication on strengthening Europe's energy networks"¹³, the Commission emphasised that the role of electricity, where renewable energy will constitute half of the electricity generation by 2030, will increasingly be driving the decarbonisation of sectors so far dominated by fossil fuels, such as transport, industry and heating and cooling and that accordingly, the focus under the trans-European energy infrastructure policy is increasingly on electricity interconnections, electricity storages and smart grids projects. To support the Union's decarbonisation objectives, due consideration and priority should be given to technologies and projects contributing to the transition to a low carbon economy. The Commission will aim at increasing the number of cross-border smart grid, innovative storage as well as carbon dioxide transportation projects to be supported under the Programme.

¹² Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009 (OJ L 115, 25.4.2013, p. 39).

¹³ COM(2017) 718

- (21) The achievement of the digital single market relies on the underlying digital connectivity infrastructure. The digitalisation of European industry and the modernisation of sectors like transport, energy, healthcare and public administration depend on universal access to reliable, affordable, high and very high capacity networks. Digital connectivity has become one of the decisive factors to close economic, social and territorial divides, supporting the modernisation of local economies and underpinning the diversification of economic activities. The scope of intervention of the Programme in the area of digital connectivity infrastructure should be adjusted to reflect its increasing importance for the economy and the society at large. Therefore, it is necessary to set out the digital connectivity infrastructure projects of common interest needed to meet Union's digital single market objectives, and to repeal Regulation (EU) No 283/2014 of the European Parliament and of the Council¹⁴
- (22) The Communication on "Connectivity for a Competitive Digital Single Market - Towards a European Gigabit Society"¹⁵ (the Gigabit Society Strategy) sets out strategic objectives for 2025, in view of optimising investment in digital connectivity infrastructure. Directive (EU) 2018/XXX [European Electronic Communications Code] aims inter alia at creating a regulatory environment which incentivises private investments in digital connectivity networks. It is nevertheless clear that network deployments will remain commercially non-viable in many areas throughout the Union, due to various factors such as remoteness and territorial or geographical specificities, low population density, various socio-economic factors. The Programme should therefore be adjusted to contribute to the achievement of these strategic objectives set out in the Gigabit Society Strategy, complementing the support provided for the deployment of very high capacity networks by other programmes, in particular the European Regional Development Fund (ERDF) and Cohesion Fund and the InvestEU fund.
- (23) While all digital connectivity networks which are connected to the Internet are intrinsically trans-European, due mainly to the functioning of the applications and services which they enable, priority for support via the Programme should be given to actions with the highest expected impact on the Digital Single Market, inter alia through their alignment with the objectives of the Gigabit Society Strategy Communication, as well as on the digital transformation of the economy and society, having regard to market failures and implementation obstacles observed.
- (24) Schools, universities, libraries, local, regional or national administrations, main providers of public services, hospitals and medical centres, transport hubs and digitally intensive enterprises are entities and places that can influence important socio-economic developments in the area where they are located. Such socio-economic drivers need to be at the cutting edge of Gigabit connectivity in order to provide access to the best services and applications for European citizens, business and local communities. The Programme should support access to Gigabit connectivity for these socio-economic drivers with a view to maximising their positive spill-over effects on

¹⁴ Regulation (EU) No 283/2014 of the European Parliament and of the Council of 11 March 2014 on guidelines for trans-European networks in the area of telecommunications infrastructure and repealing Decision No 1336/97/EC (OJ L 86, 21.3.2014, p. 14).

¹⁵ COM(2016) 587

the wider economy and society, including by generating wider demand for connectivity and services.

- (25) In addition, building on the success of the WiFi4EU initiative, the Programme should continue to support the provision of free, high quality, local wireless connectivity in the centres of local public life, including entities with a public mission such as public authorities and providers of public services as well as outdoor spaces accessible to the general public, in order to promote the Union's digital vision in local communities.
- (26) The viability of the anticipated next generation digital services, such as Internet of Things services and applications which are expected to bring significant benefits across various sectors and for society as a whole, will require uninterrupted cross-border coverage with 5G networks, in particular in view of allowing users and objects to remain connected while on the move. However, the cost sharing scenarios for 5G deployment across these sectors remain unclear and the perceived risks of commercial deployment in some key areas are very high. Road corridors and train connections are expected to be key areas for the first phase of new applications in the area of connected mobility and therefore constitute vital cross-border projects for funding under this Programme.
- (27) Unconnected territories in all areas of the Union, including in central ones, represent bottlenecks and unexploited potential to the digital single market. In most rural and remote areas, high quality Internet connectivity can play an essential role in preventing digital divide, isolation and depopulation by reducing the costs of delivery of both goods and services and partially compensating for remoteness. High quality Internet connectivity is necessary for new economic opportunities such as precision farming or the development of a bio-economy in rural areas. The Programme should contribute to providing all European households, rural or urban, with very high capacity fixed or wireless connectivity, focusing on those deployments for which a degree of market failure is observed and which can be addressed using low intensity grants. In doing so, the Programme should aim at achieving a comprehensive coverage of households and territories, as gaps in an already covered area are uneconomic to address at a later stage.
- (28) The deployment of backbone electronic communications networks, including with submarine cables connecting European territories to third countries on other continents or connecting European islands or overseas territories to the mainland, is needed in order to provide necessary redundancy for such vital infrastructure, and to increase the capacity and resilience of the Union's digital networks. However, such projects are often commercially non-viable without public support.
- (29) Actions contributing to projects of common interest in the area of digital connectivity infrastructure shall deploy the technology best suited for the specific project, while proposing the best balance between state-of-the-art technologies in terms of data flow capacity, transmission security, network resilience and cost efficiency, and should be prioritised by way of work programmes taking into account criteria set out in this Regulation. Deployments of very high capacity networks can include passive infrastructure, in view of maximising socio-economic as well as environmental benefits. Finally, when prioritising actions, the potential positive spill-overs in terms of connectivity shall be taken into account, for example when a project deployed can

improve the business case for future deployments leading to further coverage of territories and population in areas which have remained uncovered so far.

- (30) The Union has developed its own satellite Positioning, Navigation and Timing (PNT) technology (EGNOS/Galileo) and its own Earth observation system (Copernicus). Both EGNOS/Galileo and Copernicus offer advanced services which provide important economic benefits to public and private users. Therefore any transport, energy or digital infrastructure funded by the Programme - that makes use of PNT or Earth observations services - should be technically compatible with EGNOS/Galileo and Copernicus.
- (31) The positive results of the first Blending Call for proposals launched under the current programme in 2017, confirmed the relevance and added value of using EU grants for blending with financing from the European Investment Bank or National Promotional Banks or other development and public financial institutions as well as from private-sector finance institutions and private-sector investors, including through public private partnerships. The Programme should therefore continue to provide for dedicated Calls enabling combination between EU grants and other sources of financing.
- (32) The policy objectives of this Programme will be also addressed through financial instruments and budgetary guarantee under the policy window(s) [...] of the InvestEU Fund. The Programme's actions should be used to address market failures or sub-optimal investment situations, in a proportionate manner, without duplicating or crowding out private financing and have a clear European added value.
- (33) In order to favour an integrated development of the innovation cycle, it is necessary to ensure complementarity between the innovative solutions developed in the context of the Union Research and Innovation framework programmes and the innovative solutions deployed with support from the Connecting Europe Facility. For this purpose, synergies with Horizon Europe will ensure that: (a) research and innovation needs in the areas of transport, energy and in the digital sector within the EU are identified and established during Horizon Europe's strategic planning process; (b) the Connecting Europe Facility supports large-scale roll-out and deployment of innovative technologies and solutions in the fields of transport, energy and digital infrastructure, in particular those resulting from Horizon Europe; (c) the exchange of information and data between Horizon Europe and the Connecting Europe Facility will be facilitated, for example by highlighting technologies from Horizon Europe with a high market readiness that could be further deployed through the Connecting Europe Facility.
- (34) This Regulation lays down a financial envelope for the entire period 2021-2027 which is to constitute the prime reference amount, within the meaning of [reference to be updated as appropriate according to the new inter-institutional agreement: point 17 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management¹⁶ for the European Parliament and the Council during the annual budgetary procedure].

¹⁶ OJ C 373, 20.12.2013, p. 1

- (35) At Union level, the European Semester of economic policy coordination is the framework to identify national reform priorities and monitor their implementation. Member States develop their own national multiannual investment strategies in support of these reform priorities. These strategies should be presented alongside the yearly National Reform Programmes as a way to outline and coordinate priority investment projects to be supported by national and/or Union funding. They should also serve to use Union funding in a coherent manner and to maximise the added value of the financial support to be received notably from the European Regional Development Fund (ERDF) and Cohesion Fund, the European Investment Stabilisation Function, InvestEU and the Connecting Europe Facility, where relevant. Financial support should also be used in a manner consistent with Union and national energy and climate plans where relevant.
- (36) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. [Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.]
- (37) The types of financing and the methods of implementation under this Regulation should be chosen on the basis of their ability to achieve the specific objectives of the actions and to deliver results, taking into account, in particular, the costs of controls, the administrative burden, and the expected risk of non-compliance. This should include consideration of the use of lump sums, flat rates and unit costs, as well as financing not linked to costs as referred to in Article 125(1) of the Financial Regulation.
- (38) Third countries which are members of the European Economic Area (EEA) may participate in Union programmes in the framework of the cooperation established under the EEA agreement, which provides for the implementation of the programmes by a decision under that agreement. Third countries may also participate on the basis of other legal instruments. A specific provision should be introduced in this Regulation to grant the necessary rights for and access to the authorizing officer responsible, the European Anti-Fraud Office (OLAF) as well as the European Court of Auditors to comprehensively exert their respective competences.
- (39) The Financial Regulation establishes the rules concerning the award of grants. In order to take into account the specificity of the actions supported by the Programme and to ensure a consistent implementation among the sectors covered by the Programme, it is necessary to provide additional indications as regards eligibility and award criteria.
- (40) In accordance with the Financial Regulation, Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council¹⁷, Council Regulation (Euratom, EC)

¹⁷ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and

No 2988/95¹⁸, Council Regulation (Euratom, EC) No 2185/96¹⁹ and Council Regulation (EU) 2017/193²⁰, the financial interests of the Union are to be protected through proportionate measures, including the prevention, detection, correction and investigation of irregularities and fraud, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of administrative sanctions. In particular, in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (Euratom, EC) No 2185/96 the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939, the European Public Prosecutor's Office (EPPO) may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council²¹. In accordance with the Financial Regulation, any person or entity receiving Union funds is to fully cooperate in the protection of the Union's financial interests, to grant the necessary rights and access to the Commission, OLAF, the European Public Prosecutor's Office (EPPO) and the European Court of Auditors (ECA) and to ensure that any third parties involved in the implementation of Union funds grant equivalent rights.

- (41) Pursuant to [reference to be updated as appropriate according to the new decision on OCTs: Article 94 of Council Decision 2013/755/EU²²] persons and entities established in overseas countries and Territories (OCTs) are eligible for funding subject to the rules and objectives of the Programme and possible arrangements applicable to the Member State to which the relevant overseas country or territory is linked.
- (42) The Union should seek coherence and synergies with the Union programmes for external policies, including pre-accession assistance following the engagements taken in the context of the Communication "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans"²³.
- (43) When third countries or entities established in third countries participate in actions contributing to projects of common interest or to cross-border projects in the field of renewable energy, financial assistance should only be available if it is indispensable to the achievement of the objectives of these projects.

repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999, (OJ L248, 18.9.2013, p. 1

¹⁸ Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.95, p.1).

¹⁹ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L292, 15.11.1996, p.2).

²⁰ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L283, 31.10.2017, p.1).

²¹ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29).

²² OJ L 344, 19.12.2013, p.1

²³ COM(2018) 65

- (44) Pursuant to paragraph 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016²⁴, there is a need to evaluate this Programme on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burdens, in particular on Member States. Evaluations should be carried out by the Commission and communicated to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions in order to assess the effectiveness and efficiency of the funding and its impact on the overall goals of the Programme.
- (45) Adequate monitoring and reporting measures including indicators should be implemented in order to report the progress of the Programme towards the achievement of the general and specific objectives set out in this Regulation. This performance reporting system should ensure that data for monitoring implementation of the Programme and its results are collected efficiently, effectively and in a timely manner. It is necessary to impose proportionate reporting requirements on recipients of Union funds in order to collect relevant data for the Programme.
- (46) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission as regards adoption of work programmes. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council²⁵.
- (47) In order to adapt, where necessary, the indicators used for the monitoring of the Programme, the indicative percentages of budgetary resources allocated to each specific objective in the transport sector and the definition of the transport core network corridors, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of amendments to Parts I, II and III of the Annex to this Regulation. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (48) Regulations (EU) No 1316/2013 and (EU) No 283/2014 should, for reasons of clarity, be repealed. However, the effects of Article 29 of Regulation (EU) No 1316/2013, which amends the Annex to Regulation (EU) No 913/2010 of the European Parliament and of the Council²⁶ as regards the list of freight corridors, should be preserved.

²⁴ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016; OJ L 123, 12.5.2016, p. 1–14

²⁵ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13)

²⁶ 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).

- (49) In order to allow for the timely adoption of the implementing acts provided for by this Regulation, it is necessary that it enters into force immediately upon its publication,

HAVE ADOPTED THIS REGULATION:

CHAPTER I

GENERAL PROVISIONS

Article 1 *Subject matter*

This Regulation establishes the Connecting Europe Facility (the ‘Programme’).

It lays down the objectives of the Programme, the budget for the period 2021-2027, the forms of Union funding and the rules for providing such funding.

Article 2 *Definitions*

For the purposes of this Regulation, the following definitions shall apply:

- (a) "action" means any activity which has been identified as financially and technically independent, has a set time-frame and is necessary for the implementation of a project;
- (b) "alternative fuels" means alternative fuels as defined in Article 2(1) of Directive 2014/94/EU;
- (c) “associated country” means a third country which is party to an agreement with the Union allowing for its participation in the Programme in accordance with Article 5;
- (d) 'Blending operation' means actions supported by the EU budget, including within blending facilities pursuant to Article [2(6)] of the Regulation (EU, Euratom) 2018/XXX (the ‘Financial Regulation’), combining non-repayable forms of support and/or financial instruments from the EU budget with repayable forms of support from development or other public finance institutions, as well as from commercial finance institutions and investors;
- (e) "comprehensive network" means the transport infrastructure identified in accordance with Chapter II of Regulation (EU) No 1315/2013;
- (f) "core network" means the transport infrastructure identified in accordance with Chapter III of Regulation (EU) No 1315/2013;
- (g) "core network corridors" means an instrument to facilitate the coordinated implementation of the core network as provided for in Chapter IV of Regulation (EU) No 1315/2013 and listed in Part III of the Annex to this Regulation;

- (h) "cross-border project in the field of renewable energy" means a project selected or eligible to be selected under a cooperation agreement or any other kind of arrangements between Member States or arrangements between Member States and third countries as defined in Articles 6, 7, 9 or 11 of Directive 2009/82/EC in the planning or deployment of renewable energy, in accordance with the criteria set out in Part IV of the Annex to this Regulation;
- (i) "digital connectivity infrastructure" means very high capacity networks, 5G systems, very high quality local wireless connectivity, backbone networks, as well as operational digital platforms directly associated with transport and energy infrastructure;
- (j) "5G systems" means a set of digital infrastructure elements based on globally agreed standards for mobile and wireless communications technology used for connectivity and value-added services with advanced performance characteristics such as very high data rates and capacity, low latency, high reliability, or supporting a high number of connected devices;
- (k) "5G corridor" means a transport path, road or railway, fully covered with digital connectivity infrastructure and in particular 5G systems, enabling the uninterrupted provision of synergy digital services such as connected and automated mobility or similar smart mobility services for railways;
- (l) "operational digital platforms directly associated with transport and energy infrastructure" means physical and virtual information communication technology ("ICT") resources, operating on top of the communication infrastructure, which support the flow, storage, processing and analysis of transport and/or energy infrastructure data;
- (m) "project of common interest" means a project identified in Regulation (EU) No 1315/2013 or Regulation (EU) No 347/2013 or in Article 8 of this Regulation;
- (n) "studies" means activities needed to prepare project implementation, such as preparatory, mapping, feasibility, evaluation, testing and validation studies, including in the form of software, and any other technical support measure, including prior action to define and develop a project and decide on its financing, such as reconnaissance of the sites concerned and preparation of the financial package;
- (o) "socio-economic drivers" means entities which by their mission, nature or location can directly or indirectly generate important socio-economic benefits to citizens, business and local communities located in their surrounding territory;
- (p) "third country" means a country that is not member of the European Union;
- (q) "very high capacity networks" means very high capacity networks as defined in Article [2 (XX)] of Directive (EU) 2018/XXX [the European Electronic Communications Code]
- (r) "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.

Article 3

Objectives

1. The Programme has the general objective to develop and modernise the trans-European networks in the fields of transport, energy and digital and to facilitate cross-border cooperation in the field of renewable energy, taking into account the long-term decarbonisation commitments and with emphasis on synergies among sectors.
2. The Programme has the following specific objectives:
 - (a) In the transport sector:
 - (i) to contribute to the development of projects of common interest relating to efficient and interconnected networks and infrastructure for smart, sustainable, inclusive, safe and secure mobility;
 - (ii) to adapt the TEN-T networks to military mobility needs;
 - (b) In the energy sector, to contribute to the development of projects of common interest relating to further integration of the internal energy market, interoperability of networks across borders and sectors, facilitating decarbonisation and ensuring security of supply, and to facilitate cross-border cooperation in the area of renewable energy;
 - (c) In the digital sector, to contribute to the deployment of very high capacity digital networks and 5G systems, to the increased resilience and capacity of digital backbone networks on EU territories by linking them to neighbouring territories, as well to the digitalisation of transport and energy networks.

Article 4

Budget

1. The financial envelope for the implementation of the Programme for the period 2021-2027 is set at [EUR 42,265,493,000 in current prices].
2. The distribution of this amount shall be as follows:
 - (a) up to [EUR 30,615,493,000] for the specific objectives referred to in Article 3(2)(a), of which:
 - (i) [EUR 12,830,000,000] from the European Strategic Investment cluster;
 - (ii) [EUR 11,285,493,000] [transferred from the Cohesion Fund to be spent in line with this Regulation exclusively in Member States eligible for funding from the Cohesion Fund];
 - (iii) [EUR 6,500,000,000] from the Defence cluster for the specific objective referred to in Article 3(2)(a)(ii);

- (b) up to [EUR 8,650,000,000] for the specific objectives referred to in Article 3(2)(b), out of which up to 10% for the cross-border projects in the field of renewable energy
 - (c) up to [EUR 3,000,000,000] for the specific objectives referred to in Article 3(2)(c).
3. The Commission shall not depart from the amount referred to in subparagraph 2 (a) (ii).
 4. The amount referred to in paragraph 1 may be used for technical and administrative assistance for the implementation of the Programme and the sector-specific guidelines, such as preparatory, monitoring, control, audit and evaluation activities including corporate information and technology systems. This amount may also be used to finance accompanying measures to support the preparation of projects.
 5. Budgetary commitments for actions extending over more than one financial year may be broken down over several years into annual instalments.
 6. Without prejudice to the Financial Regulation, expenditure for actions resulting from projects included in the first work programme may be eligible as from 1 January 2021.
 7. [The amount transferred from the Cohesion Fund shall be implemented in accordance with this Regulation, subject to paragraph 8 and without prejudice to Article 14(2)(b).]
 8. As regards the amounts transferred from the Cohesion Fund, 30% of these amounts shall be made available immediately to all Member States eligible for funding from the Cohesion Fund to finance transport infrastructure projects in accordance with this Regulation, with priority to cross-border and missing links. Until 31 December 2023, the selection of projects eligible for financing shall respect the national allocations under the Cohesion Fund with regard to 70% of the resources transferred. As of 1 January 2024, resources transferred to the Programme which have not been committed to a transport infrastructure project shall be made available to all Member States eligible for funding from the Cohesion Fund to finance transport infrastructure projects in accordance with this Regulation.
 9. Resources allocated to Member States under shared management may, at their request, be transferred to the Programme. The Commission shall implement those resources directly in accordance with [point (a) of Article 62(1)] of the Financial Regulation or indirectly in accordance with point (c) of that Article. Where possible those resources shall be used for the benefit of the Member State concerned.

Article 5

Third countries associated to the Programme

1. The Programme shall be open to the following third countries :

- (a) European Free Trade Association (EFTA) members which are members of the European Economic Area (EEA), in accordance with the conditions laid down in the EEA agreement;
 - (b) acceding countries, candidates and potential candidates, in accordance with the general principles and general terms and conditions for their participation in Union programmes established in the respective framework agreements and association council decisions, or similar agreements, and in accordance with the specific conditions laid down in agreements between the Union and them;
 - (c) countries covered by the European Neighbourhood Policy, in accordance with the general principles and general terms and conditions for the participation of those countries in Union programmes established in the respective framework agreements and association council decisions, or similar agreements, and in accordance with the specific conditions laid down in agreements between the Union and those countries;
 - (d) [other third countries, in accordance with the conditions laid down in a specific agreement covering the participation of the third country to any Union programme, provided that the agreement:
 - ensures a fair balance as regards the contributions and benefits of the third country participating in the Union programmes;
 - lays down the conditions of participation in the programmes, including the calculation of financial contributions to individual programmes and their administrative costs. These contributions shall constitute assigned revenues in accordance with Article [21(5)] of the Financial Regulation;
 - does not confer to the third country a decisional power on the programme;
 - guarantees the rights of the Union to ensure sound financial management and to protect its financial interests.]
2. The third countries referred to in paragraph 1, and entities established in these countries, may not receive financial assistance under this Regulation except where it is indispensable to the achievement of the objectives of a given project of common interest and under the conditions set in the work programmes referred to in Article 19.

Article 6 *Implementation and forms of EU funding*

1. The Programme shall be implemented in direct management in accordance with the Financial Regulation or, in indirect management with bodies referred to in Article [61(1)(c)] of the Financial Regulation.
2. The Programme may provide funding in any of the forms laid down in the Financial Regulation, in particular grants and procurement. It may also provide financing in the form of financial instruments within blending operations. Blending operations

decided under this Programme shall be implemented in accordance with the InvestEU Regulation and Title X of the Financial Regulation.

3. The Commission may delegate power to implement part of the Programme to executive agencies in accordance with Article [69] of the Financial Regulation with a view to the optimum management and efficiency requirements of the Programme in the transport, energy and digital sectors.
4. Contributions to a mutual insurance mechanism may cover the risk associated with the recovery of funds due by recipients and shall be considered a sufficient guarantee under the Financial Regulation. The provisions laid down in [Article X of] Regulation XXX [successor of the Regulation on the Guarantee Fund] shall apply.

Article 7

Cross-border projects in the field of renewable energy

1. Cross-border projects in the field of renewable energy shall involve at least two Member States and shall be included in a cooperation agreement or any other kind of arrangement between Member States or arrangements between Member States and third countries as set out in Articles 6, 7, 9 or 11 of Directive 2009/28/EC. These projects shall be identified in accordance with the criteria and procedure laid down in Part IV of the Annex to this Regulation.
2. By 31 December 2019, the Commission shall adopt a delegated act in accordance with Article 23(d) of this Regulation to further specify the selection criteria and lay down details of the selection process of the projects and shall publish the methodologies for assessing the contribution of the projects to the general criteria and for assessing the overall costs and benefits specified in Part IV of the Annex.
3. Studies aiming at the development and identification of cross-border projects in the field of renewable energy shall be eligible for funding under this Regulation.
4. Cross-border projects in the field of renewable energy shall be eligible for Union funding for works if they meet the following additional criteria:
 - (a) the project specific cost-benefit analysis pursuant to point 3 of Part IV of the Annex provides evidence concerning the existence of significant cost savings and/or benefits in terms of system integration, security of supply or innovation, and;
 - (b) the applicant demonstrates, that the project would not materialise in the absence of the grant, or that the project cannot be commercially viable in the absence of the grant. This analysis shall take into account any revenues resulting from support schemes.
5. The amount of the grant for works shall be proportionate to the cost savings and/or benefits referred to in point 2 (b) of Part IV of the Annex and shall not exceed the amount required to ensure that the project materialises or becomes commercially viable.

Article 8

Projects of common interest in the area of digital connectivity infrastructure

1. Projects of common interest in the area of digital connectivity infrastructure shall contribute to the specific objective provided for in Article 3(2)(c).
2. Studies aiming at the development and identification of projects of common interest in the area of digital connectivity infrastructure shall be eligible for funding under this Regulation.
3. Without prejudice to the award criteria laid down in Article 13, priority for funding shall be determined taking into account the following criteria:
 - (a) actions contributing to access to very high capacity networks capable of providing Gigabit connectivity for socio-economic drivers shall be prioritised taking into account the function of the socio-economic drivers, the relevance of the digital services and applications enabled by providing the underlying connectivity, and the potential socio-economic benefits to citizens, business and local communities, including the potential positive spill-overs in terms of connectivity, in accordance with Part V of the Annex;
 - (b) actions contributing to the provision of very high-quality local wireless connectivity in local communities, in accordance with Part V of the Annex;
 - (c) with regard to actions contributing to the deployment of 5G systems, priority shall be given to deployment of 5G corridors along major terrestrial transport paths, including the trans-European transport networks. The extent to which the action contributes to ensuring coverage along major transport paths enabling the uninterrupted provision of synergy digital services, while maximising potential positive spill-overs for territories and population in the vicinity of the project deployment area shall also be taken into account. An indicative list of projects that could benefit from support is included in Part V of the Annex;
 - (d) projects aiming at the deployment of cross-border backbone networks linking the Union to third countries and reinforcing links within the Union territory, including with submarine cables, shall be prioritised according to the extent to which they significantly contribute to increasing the resilience and capacity of electronic communications networks in Union territory;
 - (e) with regard to coverage with very high capacity networks, priority shall be given to actions contributing to coverage of territories and population, in inverse proportion to the intensity of the grant support that would be required to allow the project to be implemented, relative to the applicable maximum co-financing rates laid down in Article 14. The extent to which the action contributes to ensuring comprehensive coverage of the territory and population within a certain project deployment area, while maximising potential positive spill-overs for territories and population in the vicinity of the project deployment area shall also be taken into account.
 - (f) with regard to projects deploying operational digital platforms, priority shall be given to actions based on state-of-the-art technologies, taking into account aspects such as interoperability, cybersecurity, data privacy and re-use.

- (g) the extent to which the deployed technology is best suited for the specific project, while proposing the best balance between state-of-the-art technologies in terms of data flow capacity, transmission security, network resilience and cost efficiency.

CHAPTER II

ELIGIBILITY

Article 9 *Eligible actions*

1. Only actions contributing to the achievement of the objectives referred to in Article 3 are eligible for funding. Such actions include in particular studies, works and other accompanying measures necessary for the management and implementation of the Programme and the sector-specific guidelines.
2. In the transport sector, the following actions shall be eligible to receive Union financial assistance under this Regulation:
 - (a) Actions relating to efficient and interconnected networks:
 - (i) actions implementing the core network in accordance with Chapter III of Regulation (EU) No 1315/2013, including actions relating to urban nodes, maritime ports, inland ports and rail-road terminals of the core network as defined at Annex II to Regulation (EU) No 1315/2013. Actions implementing the core network may include related elements located on the comprehensive network when necessary to optimize the investment and according to modalities specified in the work programmes referred to in Article 19 of this Regulation;
 - (ii) actions implementing cross-border links of the comprehensive network in accordance with Chapter II of Regulation (EU) No 1315/2013, notably the sections listed in Part III of the Annex to this Regulation;
 - (iii) actions implementing sections of the comprehensive network located in outermost regions in accordance with Chapter II of Regulation (EU) No 1315/2013, including actions relating to the relevant urban nodes, maritime ports, inland ports and rail-road terminals of the comprehensive network as defined at Annex II to Regulation (EU) No 1315/2013;
 - (iv) actions supporting projects of common interest in order to connect the trans-European network with infrastructure networks of neighbouring countries as defined in Article 8(1) of Regulation (EU) No 1315/2013;
 - (b) Actions relating to smart, sustainable, inclusive, safe and secure mobility:
 - (i) actions supporting motorways of the sea as provided for in Article 21 of Regulation (EU) No 1315/2013;

- (ii) actions supporting telematic applications systems, including for safety purposes, in accordance with Article 31 of Regulation (EU) No 1315/2013;
 - (iii) actions supporting freight transport services in accordance with Article 32 of Regulation (EU) No 1315/2013;
 - (iv) actions supporting new technologies and innovation, including automation, enhanced transport services, modal integration and alternative fuels infrastructure, in accordance with Article 33 of Regulation (EU) No 1315/2013;
 - (v) actions to remove interoperability barriers, notably when delivering corridor/network effects;
 - (vi) actions implementing safe and secure infrastructure and mobility, including road safety, in accordance with Article 34 of Regulation (EU) No 1315/2013;
 - (vii) actions improving transport infrastructure resilience to climate change and natural disasters;
 - (viii) actions improving transport infrastructure accessibility for all users in accordance with Article 37 of Regulation (EU) No 1315/2013;
 - (ix) actions improving transport infrastructure accessibility and availability for security and civil protection purposes.
- (c) Under the specific objective referred to in Article 3(2)(a)(ii): actions, or specific activities within an action, supporting transport infrastructure on the TEN-T Network in order to adapt it to military mobility requirements with the purpose of enabling a civilian-military dual-use of the infrastructure.
3. In the energy sector, the following actions shall be eligible to receive Union financial assistance under this Regulation:
- (a) actions relating to projects of common interest as set out at Article 14 of Regulation (EU) No 347/2013;
 - (b) actions supporting cross-border projects in the field of renewable energy, including their conception, as defined in Part IV of the Annex to this Regulation, subject to the fulfilment of the conditions laid down in Article 7 of this Regulation.
4. In the digital sector, the following actions shall be eligible to receive Union financial assistance under this Regulation:
- (a) actions supporting Gigabit connectivity of socio-economic drivers;
 - (b) actions supporting the provision of very high-quality local wireless connectivity in local communities that is free of charge and without discriminatory conditions;

- (c) actions implementing uninterrupted coverage with 5G systems of all major terrestrial transport paths, including the trans-European transport networks;
- (d) actions supporting deployment of backbone networks including with submarine cables, across Member States and between the Union and third countries;
- (e) actions supporting access of European households to very high capacity networks;
- (f) actions implementing digital connectivity infrastructure requirements related to cross-border projects in the areas of transport or energy and/or supporting operational digital platforms directly associated to transport or energy infrastructures.

An indicative list of eligible projects in the digital sector is provided for in Part V of the Annex.

Article 10 *Synergies*

1. Actions contributing to the achievement of one or more objectives of at least two sectors, as provided for in Article 3(2) (a), (b) and (c) shall be eligible to receive Union financial assistance under this Regulation. Such actions shall be implemented through specific cross-sectoral work programmes addressing at least two sectors, including specific award criteria and financed with budget contributions from the sectors involved.
2. Within each of the transport, energy or digital sectors, actions eligible in accordance with Article 9 may include ancillary elements, which may not relate to eligible actions as provided for in Article 9(2), (3) or (4) respectively, provided that they comply with all of the following requirements:
 - (a) the cost of these ancillary elements does not exceed 20% of the total eligible costs of the action; and
 - (b) these ancillary elements relate to the transport, energy or digital sector; and
 - (c) these ancillary elements allow to significantly improve the socio-economic, climate or environmental benefits of the action.

Article 11 *Eligible entities*

1. The eligibility criteria set out in this Article shall apply in addition to the criteria set out in Article [197] of the Financial Regulation.
2. The following entities are eligible:
 - (a) legal entities established in a Member State;
 - (b) legal entities established in a third country associated to the Programme;

- (c) legal entities created under Union law and international organisations where provided for in the work programmes.
- 3. Natural persons are not eligible.
- 4. Legal entities established in a third country which is not associated to the Programme are exceptionally eligible to receive support under the Programme where this is indispensable for the achievement of the objectives of a given project of common interest or of a cross-border project in the field of renewable energy.
- 5. The work programmes referred to in Article 19 may provide that only proposals submitted by one or more Member States or, with the agreement of the Member States concerned, by international organisations, joint undertakings, or public or private undertakings or bodies are eligible.

CHAPTER III

GRANTS

Article 12 *Grants*

Grants under the Programme shall be awarded and managed in accordance with Title [VIII] of the Financial Regulation.

Article 13 *Award criteria*

1. The award criteria shall be defined in the work programmes referred to in Article 19 and in the calls for proposals taking into account, to the extent applicable, the following elements:
 - (a) economic, social and environmental impact (benefits and costs);
 - (b) innovation, safety, interoperability and accessibility aspects;
 - (c) cross-border dimension;
 - (d) synergies between the transport, energy and digital sectors;
 - (e) maturity of the action in the project development;
 - (f) soundness of the implementation plan proposed;
 - (g) catalytic effect of Union financial assistance on investment;
 - (h) need to overcome financial obstacles such as insufficient commercial viability or the lack of market finance;

- (i) consistency with Union and national energy and climate plans.
- 2. The assessment of proposals against the award criteria shall take into account, where relevant, the resilience to the adverse impacts of climate change through a climate vulnerability and risk assessment including the relevant adaptation measures.
- 3. The assessment of proposals against the award criteria shall ensure that where relevant, as specified in the work programmes, actions supported by the Programme that include Positioning, Navigation and Timing (PNT) technology are technically compatible with EGNOS/Galileo and Copernicus.
- 4. In the transport sector, the assessment of proposals against the award criteria referred to in paragraph 1 shall, where applicable, ensure that proposed actions are consistent with the corridor work plans and implementing acts pursuant to Article 47 of Regulation (EU) No 1315/2013 and take into account the opinion of the responsible European Coordinator pursuant to Article 45 (8) thereof.
- 5. As regards actions relating to cross-border projects in the field of renewable energy, the award criteria defined in the work programmes and the calls for proposals shall take into account the conditions laid down in paragraph 4 of Article 7.
- 6. As regards actions relating to digital connectivity projects of common interest, the award criteria defined in the work programmes and the calls for proposals shall take into account the conditions laid down in paragraph 3 of Article 8.

Article 14
Co-financing rates

- 1. For studies, the amount of Union financial assistance shall not exceed 50 % of the total eligible cost. For studies financed with the amounts transferred from the Cohesion Fund, the maximum co-financing rates shall be those applicable to the Cohesion Fund as specified in paragraph 2 (b).
- 2. For works in the transport sector, the following maximum co-financing rates shall apply:
 - (a) for works relating to the specific objectives referred to in Article 3 (2) (a), the amount of Union financial assistance shall not exceed 30 % of the total eligible cost. The co-financing rates may be increased to a maximum of 50 % for actions relating to cross-border links under the conditions specified in point (c) of this paragraph, for actions supporting telematic applications systems, for actions supporting new technologies and innovation, for actions supporting improvements of infrastructure safety in line with relevant Union legislation and for actions located in outermost regions;
 - (b) as regards the amounts transferred from the Cohesion Fund, the maximum co-financing rates shall be those applicable to the Cohesion Fund as referred to in the Regulation (EU) XXX [CPR]. These co-financing rates may be increased to a maximum of 85% for actions relating to cross-border links under the conditions specified in point (c) of this paragraph;

- (c) as regards actions relating to cross-border links, the increased maximum co-financing rates as provided for in points (a) and (b) may only apply to actions that demonstrate a particularly high degree of integration in the planning and implementation of the action for the purpose of the award criterion referred to in Article 13(1)(c), notably through the establishment of a single project company, a joint governance structure and a bilateral legal framework or implementing act pursuant to Article 47 of Regulation (EU) No 1315/2013.
- 3. For works in the energy sector, the following maximum co-financing rates shall apply:
 - (a) for works relating to the specific objectives referred to in Article 3 (2) (b), the amount of Union financial assistance shall not exceed 50 % of the total eligible cost;
 - (b) The co-financing rates may be increased to a maximum of 75 % for actions contributing to the development of projects of common interest which, based on the evidence referred to in Article 14(2) of Regulation (EU) No 347/2013, provide a high degree of regional or Union-wide security of supply, strengthen the solidarity of the Union or comprise highly innovative solutions.
- 4. For works in the digital sector, the following maximum co-financing rates shall apply: for works relating to the specific objectives referred to in Article 3 (2) (c), the amount of Union financial assistance shall not exceed 30% of the total eligible cost. The co-financing rates may be increased up to 50% for actions with a strong cross-border dimension, such as uninterrupted coverage with 5G systems along major transport paths or deployment of backbone networks between Member States and between the Union and third countries, and up to 75% for actions implementing the Gigabit connectivity of socio-economic drivers. Actions in the field of providing local wireless connectivity in local communities shall be funded by Union financial assistance covering up to 100 % of the eligible costs, without prejudice to the principle of co-financing.
- 5. The maximum co-funding rate applicable to actions selected under cross-sectoral work programmes referred to in Article 10 shall be the highest maximum co-funding rate applicable to the sectors concerned.

Article 15 *Eligible costs*

The following cost-eligibility criteria shall apply, in addition to the criteria set out in Article [186] of the Financial Regulation:

- (a) only expenditure incurred in Member States may be eligible, except where the project of common interest or cross-border projects in the field of renewable energy involves the territory of one or more third countries as referred to in Article 5 or Article 11 paragraph 4 of this Regulation or international waters and where the action is indispensable to the achievement of the objectives of the project concerned;
- (b) the cost of equipment, facilities and infrastructure which is treated as capital expenditure by the beneficiary may be eligible up to its entirety;

- (c) expenditure related to the purchase of land shall not be an eligible cost;
- (d) eligible costs shall not include value added tax ("VAT").

Article 16
Combination of grants with other sources of financing

1. Grants may be used for combination with financing from the European Investment Bank or National Promotional Banks or other development and public financial institutions as well as from private-sector finance institutions and private-sector investors, including through Public Private Partnerships.
2. The use of grants referred to in paragraph 1 may be implemented through dedicated calls for proposals.

Article 17
Reduction or termination of the grants

1. In addition to the grounds specified in [paragraph 4 of Article 131] of the Financial Regulation, the amount of the grant may be reduced on the following grounds:
 - (a) the action has not started within one year following the starting date indicated in the grant agreement;
 - (b) following a review of the progress of the action, it is established that the implementation of the action has suffered such major delays that the objectives of the action are likely not to be achieved;
2. The grant agreement may be terminated on the basis of the grounds specified in paragraph 1.

Article 18
Cumulative, complementary and combined funding

1. An action that has received a contribution under the Programme may also receive a contribution from any other Union programme, including Funds under shared management, provided that the contributions do not cover the same costs. The rules of each contributing Union programme shall apply to its respective contribution to the action. The cumulative funding shall not exceed the total eligible costs of the action and the support from the different Union programmes may be calculated on a pro-rata basis in accordance with the documents setting out the conditions for support.
2. Actions which comply with the following cumulative, comparative, conditions:
 - (a) they have been assessed in a call for proposals under the Programme;
 - (b) they comply with the minimum quality requirements of that call for proposals;

- (c) they may not be financed under that call for proposals due to budgetary constraints;

may receive support from the European Regional Development Fund or the Cohesion Fund in accordance with [paragraph 5 of Article 67] of Regulation (EU) XXX [CPR], provided that such actions are consistent with the objectives of the programme concerned. The rules of the Fund providing support shall apply.

CHAPTER IV

PROGRAMMING, MONITORING, EVALUATION AND CONTROL

Article 19

Work programmes

1. The Programme shall be implemented by work programmes referred to in Article 110 of the Financial Regulation. Work programmes shall set out, where applicable, the overall amount reserved for blending operations.
2. The work programmes shall be adopted by the Commission by means of an implementing act. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 22 of this Regulation.

Article 20

Monitoring and reporting

1. Indicators to report progress of the Programme towards the achievement of the general and specific objectives set out in Article 3 are set in Part I of the Annex.
2. To ensure effective assessment of progress of the Programme towards the achievement of its objectives, the Commission shall be empowered to adopt delegated acts, in accordance with Article 24, to amend Part I of the Annex to review or complement the indicators where considered necessary and to supplement this Regulation with provisions on the establishment of a monitoring and evaluation framework.
3. The performance reporting system shall ensure that data for monitoring programme implementation and results are collected efficiently, effectively and in a timely manner. To that end, proportionate reporting requirements shall be imposed on recipients of Union funds and, where relevant, Member States.

Article 21

Evaluation

1. Evaluations shall be carried out in a timely manner to feed into the decision-making process.

2. The interim evaluation of the Programme shall be performed once there is sufficient information available about the implementation of the Programme, but no later than four years after the start of the programme implementation.
3. At the end of the implementation of the Programme, but no later than four years after the end of the period specified in Article 1, a final evaluation of the Programme shall be carried out by the Commission.
4. The Commission shall communicate the conclusions of the evaluations accompanied by its observations, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

Article 22 *Committee procedure*

1. The Commission shall be assisted by the CEF Coordination Committee. The Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 23 *Delegated acts*

The Commission shall be empowered to adopt delegated acts in accordance with Article 24 of this Regulation:

- (a) to amend Part I of the Annex regarding the indicators and to establish a monitoring and evaluation framework;
- (b) to amend Part II of the Annex regarding the indicative percentages of budgetary resources allocated to the specific objective set out in Article 3(a)(i);
- (c) to amend Part III of the Annex regarding the definition of the transport core network corridors and pre-identified sections; and pre-identified sections on the comprehensive network;;
- (d) to amend Part IV of the Annex regarding the identification of cross-border projects in the field of renewable energy;
- (e) to amend Part V of the Annex regarding the identification of digital connectivity projects of common interest.

Article 24 *Exercise of the delegation*

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 23 shall be conferred on the Commission until 31 December 2028.
3. The delegation of power referred to in Article 23 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Article 23 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 25

Information, communication and publicity

1. The recipients of Union funding shall acknowledge the origin and ensure the visibility of the Union funding (in particular when promoting the actions and their results), by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.
2. The Commission shall implement information and communication actions relating to the Programme, and its actions and results. Financial resources allocated to the Programme shall also contribute to the corporate communication of the political priorities of the Union, as far as they are related to the objectives referred to in Article 3.

Article 26

Protection of the financial interests of the Union

Where a third country participates in the programme by a decision under an international agreement or by virtue of any other legal instrument, the third country shall grant the necessary rights and access required for the authorizing officer responsible, the European Anti-Fraud Office (OLAF), the European Court of Auditors to comprehensively exert their respective competences. In the case of OLAF, such rights shall include the right to carry out investigations, including on-the-spot checks and inspections, provided for in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council concerning investigations conducted by the European Anti-Fraud Office (OLAF).

CHAPTER VI

TRANSITIONAL AND FINAL PROVISIONS

Article 27 *Repeal and transitional provisions*

1. Regulations (EU) No 1316/2013 and (EU) No 283/2014 shall be repealed.
2. Without prejudice to paragraph 1, this Regulation shall not affect the continuation or modification of the actions concerned, until their closure, pursuant to Regulation (EU) No 1316/2013, which shall continue to apply to the actions concerned until their closure.
3. The financial envelope for the Programme may also cover technical and administrative assistance expenses necessary to ensure the transition between the Programme and the measures adopted under its predecessor, the Connecting Europe Facility under Regulation (EU) No 1316/2013.
4. If necessary, appropriations may be entered in the budget beyond 2027 to cover the expenses provided for in Article 4(5) of this Regulation, to enable the management of actions not completed by 31 December 2027.

Article 28 *Entry into force*

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

It shall apply from 1 January 2021.

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned (*programme cluster*)
- 1.3. Nature of the proposal/initiative
- 1.4. Grounds for the proposal/initiative
- 1.5. Duration and financial impact
- 1.6. Management mode(s) planned

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on appropriations of an administrative nature*
 - 3.2.3. *Third-party contributions*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014.

1.2. Policy area(s) concerned (*Programme cluster*)

European Strategic Investments

1.3. The proposal/initiative relates to:

☐ a new action

☐ a new action following a pilot project/preparatory action²⁷

☒ the extension of an existing action

☐ a merger or redirection of one or more actions towards another/a new action

1.4. Grounds for the proposal/initiative

1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The Connecting Europe Facility (CEF), established in 2014, supports investment in the trans-European network (TEN) in the transport, energy and digital sectors. It is a key programme which supports relevant EU priorities, in particular jobs, growth and investment, the Energy Union, the Digital Single Market, climate action, a social Europe, the Single Market and trade. CEF is based on the respective sectoral guidelines.

Building on the positive experience with the implementation of CEF over the 2014-2020 period, the Commission presents a proposal for the successor of CEF in the context of the overall political process for the preparation of the Multiannual Financial Framework (MFF) 2021-2027. The scope and the design of the new programme takes into consideration the evolving policy priorities and the general guidance for simplification provided by the central services of the Commission.

While the core priorities of the programme remain focused on the trans-European networks, CEF's scope beyond 2020 is extended in the energy sector to cover cross-border cooperation in the field of renewable energy (RES) and is redefined in the digital sector, in complementarity with the new Digital Europe Programme (DEP). More specifically:

²⁷

As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

In the transport sector, CEF contributes to the completion of both layers of the trans-European transport network: the TEN-T core network by 2030 and the TEN-T comprehensive network by 2050. CEF also supports the deployment of European traffic management systems for all traffic modes and helps the EU transition towards clean and connected mobility. Where necessary, it also supports the adaptation of the TEN-T network to military mobility requirements.

In the energy sector, CEF contributes to the completion of the TEN-E networks through the development of projects of common interest relating to further integration of the internal energy market and interoperability of networks across borders and sectors. Furthermore, CEF is also promoting Member States' cooperation in planning and deployment of cross-border RES contributing to a cost-effective target achievement by 2030.

In the digital sector, CEF contributes to reaching the digital connectivity objectives set in the Gigabit Society Strategy, to the resilience and capacity of EU digital networks by addressing international connectivity as well as to the digitalisation of energy and mobility networks to enable cross-border services in these two areas.

Regarding the delivery mode for the implementation of the programme, it is proposed to continue with the efficient targeted delivery under direct management by the Commission. The possible renewed delegation to the Innovation and Networks Executive Agency (INEA)²⁸ will be subject to the outcome of the cost-benefit analysis and related decisions to be taken. All necessary adaptations would be made in order to cope with the new structure in order to ensure efficiency, increased flexibility, coherence and synergies, simplification and focus on performance.

The target is that the programme becomes operational right from its start in 2021. The timely launching of CEF and the early allocation of EU funds to beneficiaries requires intensive preparation during the launching phase. Efficient coordination between the services directly involved is a prerequisite for the elaboration of a solid project pipeline and the timely planning of work programmes/calls for all CEF sectors (including the specificities of cohesion envelope, synergy calls, blending or combination of grants with non-EU financial instruments, etc.).

- 1.4.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

Reasons for action at European level (ex-ante)

Article 171 of the TFEU empowers the Union to define projects of common interest in TENs infrastructure while leaving the Member States to choose the methods of implementation. The same Article empowers the Union to support such projects of common interest.

28

See section 1.6

Over the period 2014-2020, the CEF programme supported investments in transport, energy and digital infrastructure in line with the above articles of the Treaty. However, the investment needs in TENs go beyond 2020 and furthermore, the scale of the problems exceeds the resources available at Member States' level. Indeed, TEN projects are by definition EU-dimensional and can be more efficiently resolved at Union level, leading to overall greater benefits, more accelerated implementation and reduction of costs if Member States act together. Therefore, action at EU level in this area is justified.

An extended CEF programme in the period post-2020 will provide the necessary framework for continued EU support in transport, energy and digital infrastructure of trans-European nature. For each sector, EU financial support is necessary for the following reasons:

Transport: the substantial investment needs cannot be covered by Member States alone. Public budgets are still under considerable fiscal consolidation, while the implementation of the CEF for TEN-T in 2014-2016 shows that financial support from Member States and private sector continues to be crucial but insufficient for projects with European dimension.

Energy: while the majority of projects of common interest can be financed in principle by the market, EU support is indispensable for a number of projects because of their externalities (including innovation) and the investment volume that exceeds capacity of the system to socialise the cost.

Renewable energy: currently, EU support for renewable energy does not aim to facilitate joint development. An EU-wide coordination for renewable energy deployment and targeted EU support could facilitate sector integration and generate further investment in this area. Potential support in this area would only compensate the cost of overcoming barriers associated with cooperation beyond borders amongst Member States and/or the barriers preventing sector integration. It is expected that in the future these projects will be increasingly financed by the market.

Digital: EU economy and society depend heavily on the deployment of data infrastructure capable of supporting the development of new technologies, services and applications. Insufficient funding as well as missing links in current programmes lead to persistent gaps in broadband connectivity infrastructure, creating a barrier to the achievement of the full potential of the EU's digital economy. EU action is required to ensure seamless connectivity across the EU, which will in turn lead to massive benefits across various economic sectors, as well as to increased cohesion across the continent.

Expected generated Union added value (ex-post)

CEF provides EU added value through the development of connectivity in transport, energy and telecommunications, by focusing on public goods with a European dimension and on projects that would not be realised without EU support. More specifically, the EU added value of CEF resides in its capacity to:

~steer public and private finance towards EU policy objectives;

~enable key investments where the costs are borne at national/local level whereas the benefits are tangible on a European scale;

~accelerate the shift to a low-emission and digital society.

EU support from the new CEF programme focuses on actions that carry the highest EU added value. More specifically:

In transport, it covers cross-border sections and bottlenecks on the core network, the large scale deployment of traffic management systems and major new priorities such as alternative fuels, digitalisation, safety and military mobility.

In energy, it covers infrastructure projects with cross-border relevance in electricity transmission and storage, gas, CO₂ transportation and smart grids at the interface between transmission and distribution networks as well as increasing the intelligence of the transmission networks. It also covers targeted cross-border renewable energy deployment and planning involving at least two Member States.

In the digital sector, it covers the deployment of digital connectivity projects expected to have a high impact on the Digital Single Market, inter alia through their alignment with the objectives of the Gigabit Society Strategy Communication, through strong cross-border effects and through synergies across sectors and with the digital services enabled. Projects are furthermore prioritised taking into account the advantages of realising them at EU scale, noting that on the one hand, some projects would not be realised at all if left to Member States, while for other projects a series of granular, un-coordinated interventions would not achieve the same impact on the Digital Single Market.

1.4.3. *Lessons learned from similar experiences in the past*

The findings of the CEF mid-term evaluation in the period 2014-2020 and the open public consultation on the future CEF programme show that there is scope to continue the programme beyond 2020.

The main conclusions of the Mid-Term Evaluation of CEF, adopted by the Commission on 13 February 2018, were as follows:

Overall, after the first three and a half years of CEF implementation, the programme is on track, although it is much too early to measure results given that the programme implementation is still at an early stage. Moreover, the performance framework provided in the Regulation has proven lacking well defined or robust indicators. With this reservation in mind, the evaluation showed the following results for the CEF sectors:

CEF is an effective and targeted instrument for investment in trans-European infrastructure in transport, energy and the digital sector. CEF contributes to the Commission's priorities on jobs, growth and investment, the internal market, the Energy Union and climate, and the Digital Single Market.

CEF brings high European added value for all Member States by supporting connectivity projects with a cross-border dimension.

Projects in energy provide security of supply and are key for the cost-effective decarbonisation of the economy. CEF is also instrumental in the deployment of EU-wide new systems in traffic management and safety, high-performance electricity lines and smart grids, and in the roll-out of broadband and interconnected Digital Services.

In the Telecom sector, the dual focus of CEF on digital cross border services of public interest and communication and computing infrastructure has shown that the programme has an important impact on achieving the EU digital single market goals. However, due to the limited resources CEF Telecom could only support the very first steps towards a full cross border digital infrastructure in areas of public interest.

The completion of the TENs defined in the EU policy priorities will still require massive investments, part of which will depend on continued EU support. Potential exists for unlocking further public and private investment if additional EU budget was made available to address market failures.

Regarding the implementation of the programme, the evaluation indicated that:

The direct management of CEF grants has proven very efficient, with a strong project pipeline and a competitive selection process, a focus on EU policy objectives, coordinated implementation and the full involvement of Member States. The INEA executive agency has a very good track record on the financial management of CEF.

For the first time, a share of the cohesion budget for transport was executed under direct management within the CEF framework. 100 % of the envelope was allocated during the first half of the programme period, almost exclusively on sustainable transport modes.

CEF has continued to use and develop innovative financial instruments. However, their deployment has been limited due to the new possibilities offered by EFSI. The use of the CEF financial instruments is expected to take up during the second half of the programme when complementarity with EFSI will have been ensured.

A very positive first experience of blending grants with financial instruments was carried out in 2017 in transport, enabling the use of grants to maximise the leverage of private or public funds.

CEF has also tested cross-sectoral synergies, but has been limited by constraints in the current legal/budgetary framework. The sectoral policy guidelines and the CEF instrument would need to be made more flexible to facilitate synergies and be more responsive to new technological developments and priorities.

In the period 2021-2027, CEF will be further aligned with the current political priorities of the Commission, in particular digitalisation and decarbonisation. This will contribute to a strengthening of CEF delivery as more areas for synergy may emerge.

The Commission proposes to continue the implementation of CEF beyond 2020 with direct management as in the period 2014-2020. At the same time, some improvements will be introduced. Further to the need for well-defined indicators and

other recommendations stemming from the Mid-Term Evaluation, it will be necessary to integrate simplification and efficiency adaptations, in line with the Commission's simplification guidance.

Additional points of improvement relate to the reduction of administrative requirements for small grants, innovative forms of support, technical assistance to project preparation, sustainability/climate proofing of certain types of projects and synergies. The current lack of flexibility as regards priorities and scope of intervention, for instance to accommodate new policy priorities or to reflect technological evolutions, will also be addressed.

1.4.4. *Compatibility and possible synergy with other appropriate instruments*

Cohesion Fund (CF)/ERDF	• Better delineation of scope between CF/ERDF and CEF concerning transport²⁹: CEF focusing on the TEN-T infrastructure of cross-border relevance (including through the implementation of a Transport Cohesion Fund envelope) while ESIF focuses on the urban, local and regional mobility needs. • Better coordination and streamlining of policy objectives and interventions through the ex-ante conditions applicable to transport investment under shared-management (to ensure full consistency with the TEN-T). • In case of energy, clear delineation ensured with CEF focusing on TEN-E (including smart grids on transmission and transmission/distribution interface) while CF/ERDF on national/regional transmission, distribution and distribution level smart grids and storages. Increasing importance of investments at local and regional level in a decentralised energy system points to a continued or even increased relevance of CF/ERDF funding for energy. • CF/ERDF and CEF are aligned in providing coherent and complementary support to EU's strategic connectivity objectives in the digital sector. As regards one target to which both CF/ERDF and CEF are expected to contribute, CEF is expected to cover market failures areas where projects can be deployed with low intensity grants, allowing CF/ERDF to address further and more severe market failure areas which require higher grant amounts and intensity. • Better alignment of rules concerning applications, implementation and monitoring.
InvestEU	• No financial instruments in CEF. • Focus grant support on projects that cannot be supported through financial instruments, or • Use grants for blending with InvestEU (or other private financing) if needed for bankability.
Digital Europe Programme	• According to its current definition, Digital Europe will include future activities concerning the Digital Services Infrastructures part of the current CEF.

²⁹

Subject to final decisions concerning the scope and budget of each programme.

	• Services developed in Digital Europe will run over the connectivity infrastructure provided by CEF 2021-2027. • Cybersecurity developed in Digital Europe will be used also to protect critical infrastructures supported by CEF 2021-2027.
Horizon Europe	• As in the current period, while the development of innovative solutions will be supported by the EU research programme Horizon Europe, the deployment of innovative solutions will be supported by the new CEF when in relation with its scope (for instance as regards alternative fuels or digital traffic management systems). No risk of overlaps as inherently different stages of market maturity of Horizon Europe and CEF actions.

1.5. Duration and financial impact

☒ **limited duration**

- ☒ in effect from 01/01/2021 to 31/12/2027
- ☒ Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to 2033 for payment appropriations.

☐ **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,

followed by full-scale operation.

1.6. Management mode(s) planned³⁰

☒ **Direct management** by the Commission

- ☒ by its departments, including by its staff in the Union delegations;
- ☒ by the executive agencies

☐ **Shared management** with the Member States

☒ **Indirect management** by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated;
- ☐ international organisations and their agencies (to be specified);
- ☐ the EIB and the European Investment Fund;
- ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation;
- ☒ public law bodies;
- ☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

³⁰

Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:

<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

Comments

The Programme shall be implemented in direct management in accordance with the Financial Regulation. A possibility of indirect management mode may be considered for digital connectivity infrastructure, in particular for socio-economic drivers. For the purposes of the present Legislative Financial Statement, direct management is assumed in view of making the most prudent projections.

Depending on the outcome of a future cost-benefit analysis and mirroring the 2014-2020 period, most of the budget could be implemented through delegation to an executive agency³¹. In which case, only programme support actions would be managed directly by the Commission departments.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Compared to the CEF 2014-2020, a simpler but more robust performance framework will be put in place to monitor the achievement of the Programme's objectives and its contribution to the EU policy objectives. Indicators to monitor implementation and progress of the Programme will be developed.

The Programme will be subject to a mid-term and an ex-post evaluation in order to assess its efficiency, effectiveness, relevance, coherence and value added.

As regards the actions, the performance reporting system will ensure that data for monitoring programme implementation and results are collected efficiently, effectively, and in a timely manner. To that end, proportionate reporting requirements will be imposed on recipients of Union funds and (where relevant) Member States.

Regular operational reports will be issued on project management and financial execution to support the monitoring of the Program's objectives.

2.2. Management and control system(s)

2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The programme will be implemented through direct management. It might be delegated to an executive agency, subject to the outcome of the cost-benefit analysis and related decisions to be taken. Some programme support actions might in that case be managed directly by the Commission.

³¹ The programme might be (partially) delegated to an executive agency, subject to the outcome of the cost benefit analysis and related decisions to be taken; the related administrative appropriations for programme implementation in the Commission and the executive agency will be adapted accordingly.

An established executive agency, INEA has the necessary structure and processes to ensure the continued management of CEF. It was built around the management of the TEN-T projects from the 2000-2006 and 2007-2013 financial perspectives, as well as from CEF 2014-2020.

As evidenced by the mid-term evaluation of CEF 2014-2020, the direct management of CEF grants under INEA's current mandate has proved to be efficient, with a strong project pipeline and a competitive selection process, a focus on EU policy objectives, coordinated implementation and the full involvement of Member States. INEA has a good track record on the both budgetary and financial management of CEF.

A possibility of indirect management mode may be considered for digital connectivity infrastructure, in particular for socio-economic drivers.

The Programme will be principally implemented through grants. The control strategy will be set up accordingly and will focus on three key stages of grant implementation, in accordance with the Financial Regulation:

The organization of calls and the selection of proposals that fit the policy objectives of the programme;

Operational, monitoring and ex-ante controls that cover project implementation, public procurement, pre-financing, interim and final payments, management of guarantees;

Ex-post controls of projects and payments.

This control strategy is expected to deliver performance results in line with the metrics observed for the first iteration of the programme³²

~100 % of execution of commitment and payment and payment appropriation;

~100% of beneficiaries informed on time;

~More than 95% of the grants signed on time;

~100% of payments made on time;

~Residual error rate (RER) under the 2% materiality threshold.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The risks identified remain broadly identical to those identified for the previous programme:

³² Based on information published in INEA's 2017 AAR

Slower than intended development of the key priorities (Corridors, Projects of Common interest), due to an insufficient market uptake or to the quality of projects presented;

Delays in the implementation of the projects;

Possible errors or mismanagement of EU funds;

Changing market conditions, in particular should there be a reduction in the demand for infrastructure as was the case in the last financial crisis.

In this respect the new initiative on Military Mobility is expected to be subject to the same risks as other transport projects.

In the digital sector, CEF will finance new types of digital infrastructure projects (e.g. 5G corridors, submarine cables), not previously covered by the CEF programme and involving new types of stakeholders (e.g. Socio-Economic Drivers (SEDs) such as schools, hospitals, etc.). For this reason, CEF digital will include support actions aimed at intensive stakeholder commitment as well as at project development (including for example Technical Assistance). In addition, the actions for the deployment of 5G corridors concern new technologies that depend on developments in the market towards industry standards and availability of new technologies for the required hardware and software deployment. Market conditions may therefore affect the timing of implementation of specific actions.

These risks are to be addressed, by ensuring attention is given to the competitiveness of the project pipeline, by focussing on the contributions of the projects to the policy objectives, by ensuring a systematic involvement of all actors, by maintaining appropriate budgetary flexibility. The set of ex-ante and ex-post controls will be adapted to the perceived risks level.

These controls will to this avail be supported by a yearly bottom up risk assessment, by a systematic assessment of the control framework, by an appropriate reporting of deviations (exception and non-compliance register) and by corrective actions undertaken with regard to recommendations issued by the Internal Audit Service, by the European Court of Auditors, or by the Discharge Authority.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

Under the assumption that the new CEF programme would be managed by the Commission, the cost of control would be higher than under the setup of the current CEF and could be in a range of 1 to 3% of the payment appropriations.

Cost and benefits of controls

The cost of control for the current CEF was divided between the cost of oversight at Commission level and the cost of operational controls at implementing body level. The cost of control for related financial instruments, that will not be part of the new CEF, was considered separately.

The cost of the controls at Commission level, in the three DGs involved, is estimated³³ to be around 0,1% of the operational payment appropriations at programme level.

These controls aim at ensuring a smooth and effective oversight of the Agency by its parent DGs and at ensuring the necessary degree of assurance at Commission level.

At constant perimeter, an increase of the cost of supervision at Commission level should be expected to reflect the extended requirements as regard the oversight of executive agencies as well as the additional effort that will be linked to the provision of assurance on the new components of the programme, such as military mobility.

Historically, INEA presented stable control environment, with the costs of controls representing around 0.95% of operational payments for 2015 and 2016 respectively. In the 2017 AAR, INEA estimated that the 2017 costs of controls for CEF (incl. Legacy) was EUR 20 million or 1.25% of total operational payments (EUR 1602.2 million).

Considering that the new CEF programme, in terms of project size and type, is a continuation of the current CEF, the cost of control at entity level is expected, pending the forthcoming cost-benefit assessment, to remain broadly within that range, although logically the capacity building necessary to launch the additions to the programme may translate into an increased cost of controls.

The benefits of the controls are the following:

- Avoiding the selection of weaker or inadequate proposals;
- Optimising the planning and the use of EU funds, so as to preserve EU added value;
- Ensuring the quality of the grant agreements, avoiding errors in the identification of legal entities, ensuring the correct calculation of the EU contributions and taking the necessary guarantees for a correct operation of the grants;
- Detection of ineligible costs at payment stage;
- Detection of errors affecting the legality and regularity of operations at audit stage.

The opportunity to introduce simplified cost options will be considered, subject to a positive cost benefit assessment as to their effect on the error rate, on the costs of controls and on the effectiveness and efficiency of controls.

Estimated level of error

³³ This estimate does not include the strategic and policy aspects attached to the programme, or the supervision of CEF delegated instruments.

For the CEF programme, 2017 was the first year of the audit campaign. For CEF Transport and Energy, limited audit results are available at this stage. The estimated residual error for all CEF sectors is set in the range of 1-2%. This estimate remains valid for CEF2.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

The Commission's Directorates-General responsible for the actions financed under this Regulation are committed to protect the financial interests of the Union in line with the Commission Anti-fraud strategy (COM(2011)376 of 24 June 2011) and its forthcoming revision. The anti-fraud measures cover notably the application of preventive measures against fraud, corruption and any other illegal activities; effective checks; the recovery of amounts unduly paid and, if irregularities are detected, effective, proportional and dissuasive penalties, in accordance with Council Regulation (EC, Euratom) No 2988/95, Council Regulation (Euratom, EC) No 2185/96 and with Regulation (EC) No 1073/1999 of the European Parliament and of the Council.

DG CNECT, MOVE and ENER, as well as the implementing agency INEA, have updated (MOVE: November 2017, ENER: December 2017), or will update (DG CNECT, INEA) by end 2019 their anti-fraud strategies and related action plans at DG level that cover the entire expenditure cycle, taking into account the proportionality and the cost-benefit of the measures to be implemented, allowing for a risk assessment of the programme.

The Commission services will ensure that their fraud risk management approach is used to identifying high-risk areas, taking into account a sector-specific cost-benefit analysis and the fraud prevention and risk analysis work of OLAF.

The administrative monitoring of the contracts, grants and related payments fall under the remit of INEA. The Anti-fraud strategy is updated every two years, the last time end 2016. The Agency develops its own anti-fraud measures, including an ex-post audit strategy to assess the legality and regularity of the underlying transactions and to recover the amounts unduly paid. INEA is yearly subject to the European Court of Auditors audit on the true and fair view of accounts and legality and regularity of the underlying transactions (income and expenditure) and the Agency is yearly subject to the discharge procedures of the European Parliament and the Council of the EU.

Contracts for grants and procurement concluded by the implementing DGs or INEA will be based on standard models, which will set out the generally applicable anti-fraud measures, including the power of audit, on-the-spot checks and inspections mentioned above. The Commission, its representatives and the Court of Auditors will have the power of audit, on the basis of documents and on-the-spot, over all grant beneficiaries, contractors and subcontractors who have received Union funds.

The European Anti-fraud Office (OLAF) shall be authorised to carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding in accordance with the procedures laid down in Regulation (Euratom,

EC) No 2185/96 with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the European Union in connection with a grant agreement or decision or a contract concerning Union funding. The European Public Prosecutor's Office (EPPO) may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading of the multiannual financial framework and new expenditure budget line(s) proposed

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
			from EFTA countries ³⁵	from candidate countries ³⁶	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
	1 – Single Market, Innovation and Digital 2 – Cohesion and Values 5 – Security and Defence	Diff./Non-diff. ³⁴				
	02 03 01 Connecting Europe Facility (CEF)-Transport specific objective	Diff.				
	05 03 Cohesion Fund contribution to CEF–Transport specific objective	Diff.				
	13 03 Military mobility specific objective under CEF-Transport	Diff.	YES	NO	YES	NO
	02 03 02 CEF – Energy specific objective	Diff.				
	02 03 03 CEF – Digital specific objective	Diff.				
	CEF administrative support	Non-diff				

³⁴ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

³⁵ EFTA: European Free Trade Association.

³⁶ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	1, 2, 5	1 – Single Market, Innovation and Digital 2 – Cohesion and Values 5 – Security and Defence
--	---------	--

			2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
02 03 01 Connecting Europe Facility – Transport	Commitments	(1)	1 717,800	1 752,656	1 787,509	1 823,359	1 861,206	1 898,051	1 935,892		12 776,473
	Payments	(2)	212,678	787,447	1 000,889	1 157,909	1 301,191	1 439,954	1 510,550	5 365,855	12 776,473
05 03 Cohesion Fund contribution to the Connecting Europe Facility - Transport	Commitments	(1)	1 435,757	1 487,467	1 543,787	1 601,874	1 661,779	1 723,866	1 788,588		11 243,118
	Payments	(2)	77,593	498,789	522,922	542,758	563,230	584,362	606,284	7 847,181	11 243,118
13 03 Connecting Europe Facility – Transport - Military mobility	Commitments	(1)	871,300	889,266	908,231	926,196	945,160	964,123	983,086		6 487,362
	Payments	(2)	109,577	400,629	509,443	588,928	661,407	731,950	767,571	2 717,857	6 487,362
02 03 02 Connecting Europe Facility – Energy	Commitments	(1)	1 158,000	1 180,900	1 204,798	1 229,694	1 254,588	1 279,480	1 307,200		8 614,659
	Payments	(2)	107,636	418,723	498,757	572,186	604,053	623,041	641,070	5 149,194	8 614,659
02 03 03 Connecting Europe Facility – Digital	Commitments	(1)	394,800	402,636	411,469	419,298	428,124	435,947	446,765		2 939,039
	Payments	(2)	22,827	142,297	200,809	234,226	250,232	257,186	262,325	1 569,136	2 939,039

CEF administrative support ³⁷	Commitments = payments	(3)	27,800	28,356	28,923	29,502	30,092	30,693	31,307		206,673
TOTAL appropriations for the envelope of the programme	Commitments	=1+3	5 605,457	5 741, 281	5 884,717	6 029,923	6 180,949	6 332,159	6 491,007		42 265,493
	Payments	=2+3	558,111	2 276,241	2 761,743	3 125,509	3 410,205	3 667,185	3 817,276	22 649,223	42 265,493

Heading of multiannual financial framework	7	‘Administrative expenditure’
---	----------	-------------------------------------

This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex to the Legislative Financial Statement, which is uploaded to DECIDE for interservice consultation purposes.

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
Human resources		22,283	22,252	21,714	20,073	19,228	18,137	17,190		140,877
Other administrative expenditure		8,805	9,947	10,192	10,479	9,852	9,840	10,695		69,811
TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	31,089	32,199	31,906	30,552	29,080	27,977	27,886		210,688

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
--	--	-------------	-------------	-------------	-------------	-------------	-------------	-------------	----------------------	--------------

³⁷ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research

TOTAL appropriations across HEADINGS of the multiannual financial framework	Commitments	5 636,546	5 773,480	5 916,623	6 060,475	6 210,029	6 360,136	6 518,893		42 476,181
	Payments	589,200	2 308,440	2 793,649	3 156,061	3 439,285	3 695,162	3 845,162	22 649,223	42 476,181

3.2.2. Summary of estimated impact on appropriations of an administrative nature

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
-------	------	------	------	------	------	------	------	-------

HEADING 7 of the multiannual financial framework								
Human resources	22,283	22,252	21,714	20,073	19,228	18,137	17,190	140,877
Other administrative expenditure	8,805	9,947	10,192	10,479	9,852	9,840	10,695	69,811
Subtotal HEADING 7 of the multiannual financial framework	31,089	32,199	31,906	30,552	29,080	27,977	27,886	210,688

Outside HEADING 7³⁸ of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature	27,800	28,356	28,923	29,502	30,092	30,693	31,307	206,673
Subtotal outside HEADING 7 of the multiannual financial framework	27,800	28,356	28,923	29,502	30,092	30,693	31,307	206,673

TOTAL	58,889	60,555	60,829	60,053	59,171	58,670	59,193	417,361
--------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	----------------

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

³⁸ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research. It includes the amounts necessary for the management of the outstanding commitments ("legacy") of 2014-2020 programmes currently managed by an executive agency

3.2.2.1. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources.
- ☐ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

Years	2021	2022	2023	2024	2025	2026	2027	
• Establishment plan posts (officials and temporary staff)								
Headquarters and Commission’s Representation Offices	93	90	83	75	71	67	88	
Delegations								
Research								
• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED ³⁹								
Heading 7								
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	122	128	133	126	122	116	85
	- in Delegations							
Financed from the envelope of the programme ⁴⁰	- at Headquarters							
	- in Delegations							
Research								
Other (specify)								
TOTAL		215	218	216	201	193	183	173

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	• Policy development and strategy • Support to regional and thematic fora for the identification of projects of common interest • Coordination and liaison with all stakeholders (Member States, third countries, other DGs and other EU institution, thematic and regional fora, etc.). • Development of the annual work programme • Selection process • Management of annual calls for proposals and selection of projects for EU financial support • Operational and financial project management • Evaluations
External staff	• Support to regional and thematic fora for the identification of projects of common interest • Support to selection process • Support to management of annual calls for proposals and selection of projects for EU financial support • Support to financial and project management • Support to the organisation of the evaluations

³⁹ AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

⁴⁰ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.3. Third-party contributions

The proposal/initiative:

- ☐ does not provide for co-financing by third parties
- ☒ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
Specify the co-financing body	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
TOTAL appropriations co-financed	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.

3.3. Estimated impact on revenue

- ☒ The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
 - ☐ on own resources
 - ☐ on other revenue

please indicate, if the revenue is assigned to expenditure lines ☐

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal/initiative ⁴¹						
	2021	2022	2023	2024	2025	2026	2027
Article							

For assigned revenue, specify the budget expenditure line(s) affected.

[...]

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

[...]

⁴¹ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.