Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council determining the general rules for the granting of Community financial aid in the field of trans-European transport networks and energy and amending Council Regulation (EC) No 2236/95

(COM(2004) 475 final — 2004/0154 (COD))

(2005/C 234/14)

On 9 March 2005 the Council of the European Union decided to consult the European Economic and Social Committee, under Article 156 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 21 February 2005. The rapporteur was Mr Ranocchiari.

At its 415th plenary session of 10 March 2005, the European Economic and Social Committee adopted the following opinion by 112 votes to 8, with 6 abstentions.

1. **Introduction**

1.1 **In 2000, the European Union accounted for a 15 % share of global energy consumption,** making it the world's leading importer, with the second highest consumption in the world after the USA. Its demand for primary energy rose by 10 % between 1990 and 2000. Political and economic systems in many of the ten new Member States were revised and restructured during the same period, resulting in a 17 % fall in their demand for primary energy. Demand for primary energy in the EU-25 consequently grew by an average of 6 % over the decade.

1.2 The scenario for primary energy demand for the 2000-2030 period assumes average EU-25 growth of 19.3 %, with a higher rate of 26 % for the ten new countries and 18.4 % for the older fifteen.

1.3 The improvement in systems in the ten new countries is borne out by energy intensity [1] trends, which is expected to rise by 1.7 % per annum between 2000 and 2030 for the 25 countries, i.e. the same as for the last decade (1990-2000). However, this figure corresponds to an increase of 2.6 % per annum for the ten new countries (3.5 % in the previous decade) and a 1.7 % drop in the fifteen older countries.

1.4 Lastly, it should be pointed out that this scenario also predicts continuing dependence on fossil fuels for the next 25 years, remaining at nearly 90 % in 2020.

1.5 **When considering transport,** the main subject of the draft regulation under consideration, it should be remembered that this represents approximately 32 % of energy consumption, and also that it makes up over 10 % of European GDP, with passenger and freight transport doubling in the last 30 years. In fact, the sector now provides employment for 10 million workers. Overall traffic is expected to double by 2020, with freight rising by 70 % in Europe-15 and by approximately 100 % in the ten new Member States. This follows a 185 % and 145 % increase for freight and passengers respectively, over the last 30 years. Such huge growth has had a negative impact in several respects, particularly road congestion, which currently places a 0.5 % annual burden on GDP. This burden is expected to double by 2010 to approximately EUR 80 billion. Road congestion or obstruction affects 7,500 km of roads on a daily basis. This is equivalent to 15 % of the EU-15 trans-European network and approximately 20 % of the railway network [2].

1.6 The development of a Trans-European Transport Network (TEN-T) and Trans-European Energy network (TEN-E) that have sufficient infrastructure to cope with the European Union's growing needs has been included in EU strategies for over ten years. It is rightly considered to be of paramount importance firstly, for the completion of the internal market and secondly, for achieving the targets of the Lisbon Strategy. The Barcelona European Council of 2002 reiterated the importance of completing existing electricity networks and established the specific objective of achieving a cross-border interconnection level of at least 10 % of installed national generation capacity. In December 2003, the European Council again placed TEN-T and TEN-E networks at the centre of its action for growth plan.

2. **Current situation**

2.1 Despite clearly identified present problems and further new needs, the relevant parties, principally the Member States, have so far failed to take appropriate action. Suffice it to say that of the 14 major transport projects that Member States undertook to complete by 2010 at the 1994 European Council

[1] Primary energy demand per unit of GDP at market exchange rate.

[2] European Union Energy and Transport Outlook 2000/2004.

in Essen, only three were completed by 2003. Furthermore, less than a quarter of the investment required for trans-European had been found. At the current rate of investment, it might take another 20 years to complete the programme.

2.2 The energy problem is no less serious even though the needs for EU financial support are far more limited, as shall be seen below. In fact, the networks' physical capacity does not correspond to the legislative provisions. The liberalisation process that should culminate in a genuine internal electricity market by 2007 might be of limited impact unless steps are taken to complete currently inadequate and overburdened networks. It is essential to eliminate physical obstacles to competition in areas of high market concentration in order to avoid negative repercussions for all consumers, including domestic ones. Nor should it be forgotten that the development of renewable energy forms could entail ad hoc investment in existing energy systems and their networks.

2.3 The reasons for TEN-T's disappointing results were identified and summarised in a Communication from the European Commission ([3]) in 2003 as follows:

— lack of political will on the part of the decision-makers in the Member States;

— inadequacy of the financial resources dedicated to the trans-European network; and

— fragmentation of the entities responsible for the projects.

2.4 Awareness of the severity of the situation was confirmed in a report by the High Level Working Group, chaired by Karel Van Miert (former Commissioner for competition) in June 2003. However the report also put forward some interesting suggestions for overcoming the crisis. The report was not restricted to the financial aspects of the problem but also took into consideration the organisational and coordination requirements that EU enlargement would entail.

2.5 Mr Van Miert's report provided the basis for a European Commission proposal in October 2003 for amending TEN-T guidelines and bringing the list of priority projects up to thirty, including the 14 Essen projects. The proposal was then discussed and adopted by the European Parliament and the Council on 29 April 2004. At this stage, the new guidelines and priorities were approved, as were the project characteristics in terms of anticipated costs.

3. **The Commission's proposal**

3.1 The proposal for a Regulation under consideration was needed to provide the Commission with a legal instrument that would enable it to apply the general rules for the granting of financial aid, revised in the light of the foregoing, to ensure secure and reliable funding for the period 2007-2013.

3.2 A clear need emerged to optimise the quantitative impact of Community financing, by increasing the current rate of funding, and the qualitative impact, by adopting new financial instruments. The overall goal was to encourage private investment as part of an intensified drive for public private partnership (PPP).

3.3 The fundamental requirements for achieving Community action are connected with the fact that the projects are of common interest, secure cross-border interconnections, and contribute to market integration in an enlarged Europe. In the field of transport, particular attention must be paid to environmental impact and the need for high-speed railway lines to free capacity for freight to bring about a modal shift. For these reasons, approximately 80 % of funding will be allocated to non-road modes of transport. Priority aspects of the energy sector include network continuity and optimising the capacity and integration of the internal market, the incorporation of the new Member States into this market, as well as connections with renewable energy sources.

3.4 In order to fulfil these objectives, criteria for allocation and co-financing are to be clear and objective. The criteria to be applied are: **conditionality** means that aid will be targeted according to **selection and concentration** criteria that prioritise the interconnections that will result in the highest Community added value and the **proportionality** of the co-financing rate, which will be increased to 30 % for cross-border links (or 50 % in exceptional cases). In exchange, Member States will have to provide appropriate guarantees on the basis of a financial plan and a firm commitment to implement the project within the specified deadline.

3.5 The co-financing rate could amount to a maximum of 50 % for TEN-T and TEN-E studies. On the other hand, the maximum rate for TEN-T construction is 30 % for certain sections of the priority projects (in exceptional cases, 50 % for cross-border sections) and 15 % for projects of common interest. The maximum co-financing rate will remain 10 % for energy, as stipulated in the present Regulation, but could be raised to 20 % in cases of exceptional financial difficulty or difficult interconnections with neighbouring countries. The fact that the co-financing rate for energy is much lower than for transport, as well as the substantial differences between the two budgets, may be justified by the fact that energy benefits from other Community instruments (Structural Funds, EIB loans) and higher levels of competition amongst operators in a clearly market-driven sector. In fact, only Member States may submit requests concerning transport networks, whereas private operators in the energy sector are also entitled to submit requests.

([3]) Communication of 23 April 2003: Developing the trans-European transport network: Innovative funding solutions Interoperability of electronic toll collection systems.

3.6 Under the present Regulation, available resources for 2000-2006 amount to little more than EUR 4.6 billion, with 4.2 billion allocated to transport and increased by EUR 225 million as of 2004, as a result of enlargement. In practice, this corresponds to approximately EUR 600 million per annum for the period.

3.7 The proposal under consideration would increase TEN-T appropriations for 2007-2013 to EUR 20.35 billion, i.e. EUR 2.9 billion per annum as opposed to EUR 600 million for the previous period. The specific TEN-E appropriations will be EUR 340 million, bringing the total Community TEN budget to EUR 20.69 billion.

3.8 Another new element, over and above the increased rate of Community support, is the possibility of Community financing to cover post-construction risks that could result in a lower than expected return on investment. This guarantee is intended to encourage private investment in the projects but is nevertheless restricted to the initial phase, and entails substantial support from the Member States involved.

3.9 Other novelties concern project management. The Commission proposes to give Member States the lead role in technical support and the certification of costs. Furthermore, the Commission reserves the right to delegate the management of the present programme for the trans-European transport network to an executive agency whilst retaining its own responsibilities in the area of planning.

4. **General comments**

4.1 The EESC welcomes the proposal, which incorporates, though not in their entirety, comments and recommendations that the EESC has consistently reiterated in its previous opinions ([4]).

4.2 The proposal in fact formalises the recommended increase in Community financing, which offers Member States and private investors greater security in a public private partnership. In this regard, the EESC would point out that the projected increase, although substantially higher than previous increases, should be assessed in the light of the growing needs mentioned above. It should be borne in mind that financial needs for the thirty priority transport projects have been estimated at EUR 225 billion, EUR 140 billion of which for the 2007-2014 period.

4.3 Furthermore, the EESC approves the definition of the abovementioned principles governing the allocation of Community financial aid, and welcomes the idea that the procedures for applying these principles will be decided on the basis of comitology, with a view to simplifying the process.

4.4 The EESC also welcomes the concept of providing support, not only during the preliminary study and construction phase but also, in exceptional cases, for the first years of the operational phase of the project. It is impossible to underestimate the sensitivity of the transport sector's situation, with all its well-known implications (congestion, pollution, safety etc.), which have repeatedly been the subject of EESC opinions. Equally, it is impossible to underestimate the risks relating to energy supplies and the need to ensure the interoperability of energy networks.

5. **Specific comments and conclusions**

5.1 The EESC believes that a rigorous policy should be adopted to ensure that Member States do not fall behind in setting up the infrastructure specified by the European Union. The fulfilment of commitments should take precedence over the national political or economic contingencies which can always arise. If need be, should requests for clarification remain unanswered, provision should also be made for penalties, or even for the funds disbursed by the Commission to be recalled and re-allocated to infrastructural projects that are on schedule.

5.2 Nevertheless, the EESC fears that despite the proposed increases the resources available will not always be sufficient to stimulate investment and render the commitments undertaken irreversible. For this reason, the EESC believes that a suggestion put forward in one of its previous opinions ([5]) to create a European fund for transport infrastructure remains worthy of consideration. It would be funded by a reasonable levy on European fuel consumption in EU-25 without incurring a corresponding increase in excise tax. A second possibility would be to restrict this proposal to those Member States involved in the TEN-T projects.

5.3 Since the proposal for a Regulation under consideration concerns the period 2007-2013, the current Regulation will remain in force until that date, including the above-cited appropriations. This entails the risk of further delays and reconsiderations while awaiting the new conditions. It would be preferable to bring forward the new Regulation's entry into force to the earliest possible date so that work can begin immediately. It is important to emphasise that due to the lead times involved in setting up the projects the road transport sector will undoubtedly experience a further increase in traffic, before new infrastructure, including that for other forms of transport, becomes available. This is not conducive to smooth and balanced operations.

([4]) Exploratory opinion on the Revision of the list of trans-European network (TEN) projects up to 2004 (OJ C 10 of 14.1.2004) and the opinion on the General rules for granting Community financial aid/ TEN (OJ C 125 of 27.5.2002).

([5]) Exploratory opinion on the Revision of the list of trans-European network (TEN) projects up to 2004 (OJ C 10 of 14.1.2004). In its opinion, the EESC envisaged a levy of 1 cent per litre on all fuel consumed in EU-25 for all transport of passengers or goods. At current consumption rates (approximately 300 million tonnes), the fund would receive some EUR 3 billion per annum.

5.4 The EESC welcomes the Commission's proposal to adopt comitology rather than co-decision procedures, to define the application of the rules that will govern the allocation of aid. These choices tend towards more streamlined and simplified procedures, which is much to be desired. However, the EESC is concerned that the proposed executive agency for the trans-European transport network may be unable to fulfil its role and that it may be more likely to duplicate the work of other participating institutions. Ex ante clarification by the Commission of the agency's future tasks would help to dissipate doubts.

5.5 The EESC is in full agreement with the lines suggested by the Commission proposals and reaffirms the need for an increase in available funds. The establishment of the proposed infrastructure will contribute to sustainable development since 80 % of the projects target alternatives to road transport and will therefore result in lower emissions and congestion. Nor should it be forgotten that the projects will have a positive impact on employment in the medium term, and will result in a no less important improvement to the European citizen's quality of life in the long term, especially those living in major transit areas.

5.6 In the final analysis, the Committee cannot but reassert its wholehearted conviction that a trans-European energy and transport network is a strategic necessity that plays an essential role in creating conditions that guarantee the free circulation of passengers, freight, and services. This is an indispensable objective that cannot be circumvented if, in compliance with the Lisbon Strategy, we are to build an integrated, competitive European Union that respects the principles of ecocompatible development.

Brussels, 10 March 2005.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

APPENDIX

to the opinion of the european economic and social committee

The following proposal for amendment was rejected, but received at least a quarter of the votes cast.

Point 5.2

Amend as follows:

'5.2 Nevertheless, the EESC fears that despite the proposed increases the resources available will not always be sufficient to stimulate investment and render the commitments undertaken irreversible. ~~For this reason, the EESC believes that a suggestion put forward in one of its previous opinions to create a European fund for transport infrastructure remains worthy of consideration. It would be funded by a reasonable levy on European fuel consumption in EU-25 without incurring a corresponding increase in excise tax. A second possibility would be to restrict this proposal to those Member States involved in the TEN-T projects.~~'

Reason

As the rapporteur very rightly states, the Member States retain the right of decision on tax questions. The Committee cannot and will not propose tax changes in the Member States.

Outcome of the vote:

For: 43

Against: 65

Abstentions: 9