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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT

pursuant to Article 294(6) of the Treaty on the Functioning of the European Union

concerning the

position of the Council on the adoption of the European Regional Development Fund and Cohesion Fund Regulation

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1. BACKGROUND

Date of transmission of the proposal to the European Parliament and to the Council (document COM(2018) 372 final - 2018/0197 (COD)):	29 May 2018
Date of the opinion of the European Economic and Social Committee:	17 October 2018
Date of the opinion of the Committee of the Regions:	5 December 2018
Date of the position of the European Parliament, first reading:	26 March 2019
Date of transmission of the amended proposal (document COM(2020) 452 final - 2018/0197 (COD)):	28 May 2020
The European Economic and Social Committee was consulted and decided not to issue an opinion	/
The Committee of the Regions was consulted and decided not to issue an opinion	/
Date of adoption of the Council first reading position:	27 May 2021

2. OBJECTIVE OF THE PROPOSAL FROM THE COMMISSION

The proposal from the Commission sets out the specific objectives and the scope of support from the European Regional Development Fund ('ERDF') and the Cohesion Fund with the view of their contribution to the overall objective of strengthening the Union's economic, social and territorial cohesion enshrined in the Treaty on the Functioning of the European Union.

3. COMMENTS ON THE POSITION OF THE COUNCIL

The Council position respects, with limited exceptions, the architecture of the regulation and eligibility of the Funds defined under the specific objectives and the scope of support as proposed by the Commission.

The main modifications relate to:

- possibility to fulfil concentration requirements either at national or at category of regions level (increased flexibility);
- limited relaxation of the requirements for the thematic concentration through the following:
    - reduction of the applicable concentration thresholds for relatively less wealthy countries or regions (Member States with the gross national income ratio equal or below 100% of the EU average as well as for the transition and the less developed regions); on the other hand, for the more developed regions and countries a minimum requirement for policy objective 2 ('a greener Europe') of 30% has been set up;
    - counting environment and climate-friendly expenditure under the Cohesion Fund towards the thematic concentration;
    - exempting specific allocations for the outermost and sparsely populated areas from the concentration rules;
- shifting 'urban mobility' and 'digital connectivity' specific objectives from policy objective 3 to policy objectives covered by thematic concentration (policy objectives 2 and 1 respectively). The impact of such a shift has been mitigated by capping the maximum allowed contribution from those sectors to the thematic concentration requirements.

In relation to the specific objectives, additional emphasis has been put on the integration of third country nationals, including migrants as well as investment in culture and sustainable tourism.

In relation to areas excluded from the scope of support, the main change relates to the eligibility of support to fossil fuel-related investments, through a very limited eligibility of natural gas-related investments subject to certain conditions. Its impact has been mitigated by a restrictive definition of eligible investment, the capping of resources that may be used for supporting such investments (at less than 1% of the total ERDF and Cohesion Fund allocation) and time limitations. Some limited exceptions to the generally excluded areas have also been introduced, upon justification i.e. for targeted investment in airport infrastructure, waste management. The exclusions on investments in the area of broadband and rolling stock were eliminated - for these, the corresponding conditions under State aid rules will continue to apply in their entirety.

A reference to the Stability and Growth Pact has been introduced. The Commission's implementing powers that could be triggered in exceptional circumstances have been restricted.

The Treaty objectives of the Funds and their contribution to social, economic and territorial cohesion have been emphasised and the importance of disadvantaged areas, including rural areas and areas with natural or demographic handicaps has been stressed. In this latter respect, a dedicated provision has been introduced, providing for the opportunity to devote resources for disadvantaged areas in the partnership agreements prepared by Member States.

The urban dimension has been reinforced, by raising the earmarking requirement for sustainable urban development actions from 6% to 8% of national ERDF resources under the Investment for jobs and growth goal.

Furthermore, the new component of 'Interregional Innovation Investments' has been transferred from the Interreg regulation to the ERDF and Cohesion Fund regulation and its

management mode was clarified.

4. CONCLUSION

The Council position presents a balanced compromise that respects the equilibrium and the objectives of the Commission proposal.