TRANSPORT & ENVIRONMENT
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Q&A - EU transport spending:

The 'Cohesion' fund and 'Connecting Europe Facility'

October 2011

What is being announced?

On 19 October, the European Commission's transport department (DG-MOVE) will publish details of its 'Connecting Europe Facility', a rebranded version of its funding programme for Trans-European Networks for Transport (TEN-Ts) which directly funds transport infrastructure projects that are seen as strategically important by the EU. The announcement follows details announced on 6 October by the regional development department (DG-REGIO) for future 'cohesion' funds; money given to Member States for infrastructure development, including transport projects.

Has the EU committed to cutting transport emissions?

Yes, on paper. In March 2011, the European Commission's White Paper on transport committed to a 70% cut in carbon emissions from transport compared with 2008, and a 20% cut by 2030[1].

Transport is the only sector that has seen its emissions increase over the past two decades. Under business-as-usual projections transport GHG emissions are expected to grow by 74% by 2050[2] (from the 1990 level).

How much does the EU currently spend on transport projects?

Around €13bn a year, made up of around €1bn from the TEN-T budget and €12bn from cohesion funds. The 'financial impact' is far higher than this because projects are co-funded with member state money and private finance. And without the EU cash, many co-financed projects would simply not go ahead.

Does the EU currently favour 'green' projects?

No. The argument is often made that because the lion's share of TEN-T funding goes to the rail sector, this is enough to ensure the sustainability of transport investments. This assumption is wrong. Spending from cohesion funds (representing ten times the level of funding) heavily favours roads. As a result, almost 50% of the current total EU investment in transport projects is allocated to road and aviation.

Do cohesion funds discriminate against rail projects and smarter road spending?

Currently yes. One of the rules is that the percentage of EU funding has to be lowered for projects which 'generate revenues' (Article 55). Applicants estimate the future revenues of a project and deduct them from the EU co-financing.

It effectively means that every euro paid by the users is deducted from the EU grants. This discourages Member states from making users pay for transport infrastructure.

This has two effects: It discourages Member States from introducing road pricing and it encourages spending on roads over rail. This is because EU legislation makes track access charges mandatory for rail[3], but merely optional for roads (Eurovignette Directive)[4]. In turn this means road projects can receive much higher EU co-funding rates.

Are environmental concerns taken into account at all?

Hardly. Projects are assessed on socio-economic criteria in order to check whether their realisation needs public support and whether the results will have a sufficient enough economic impact to justify the use of public funds. Projects are also assessed by testing whether public money is really needed, in other words, whether the private sector could not possibly finance it itself. Finally they are tested on EU 'value added' – i.e. that the EU should step-in because there are wider-than-national benefits.

All these tests may be necessary, but none of them structurally integrate sustainability. The Environmental Impact Assessment (EIA) is presently the only environmental safeguard for EU transport expenditure. But EIA results are not binding and have little or no impact on financial decisions.

Why should the EU promote greener transport infrastructure projects in cohesion funds and the 'Connecting Europe Facility'?

In the context of the new 70% reduction target for transport GHG emissions, it is time to re-examine TEN-T projects and cohesion funded transport projects. In the past they have failed to deliver environmental benefits and cohesion funding has heavily focused on carbon intensive modes of transport such as new roads and airports while discouraging user-pays infrastructure such as rail and toll roads. A major rethink of EU policy for transport funding is needed.

The EU 2010 Communication on the budget review[5] confirmed the EU objective of prioritising public support for the financing of 'public goods' and areas where EU action 'adds value'.

Therefore, encouraging, not discouraging, user-pays projects and integrating the climate performance of both TEN-T and cohesion projects into financial decision-making are crucial elements of such a rethink.

How should the EU promote user-pays projects?

In the upcoming political negotiations on the EU cohesion policy and Connecting Europe Facility, the Parliament and member states should call for user-pays projects to be directly encouraged.

The new 'cohesion' policy proposal, announced by the Commission on 6 October, may go some way to addressing the problem. However, the exact wording is rather opaque and it does not directly promote user-pays projects. Making user-pays projects mandatory would both level the playing field and set the right system of incentives.

How should the EU promote greener projects?

The EU should adopt a state-of-the-art 'climate rating' methodology ensuring that the environmental impacts of all EU funded transport projects are assessed so as to guarantee that EU funds are only used to stimulate clean and efficient infrastructure.

What is climate rating?

The core idea of climate rating is that the proposed projects would have to pass an additional and independent test to evaluate its climate performance (in terms of GHG emissions).

The instrument should assess the CO_2 emissions arising from operation, but ideally also include construction and maintenance of the infrastructure.

This document should be the basis for a mandatory analysis of the performance of the project, carried out by an independent expert committee and published prior to any funding decision in order to ensure due process and transparency.

Could greener projects be awarded a high rate of EU-funds?

T&E recommends using the results of the climate-rating process as a basis to reward projects in accordance with their climate performance: projects with the best carbon performance should enjoy preferential co-financing rates.

Such a system provides a clear incentive for applicants to choose the most carbon-efficient solutions in order to benefit from a higher co-funding rate. Moreover, it encourages the project managers to propose and implement concrete solutions to increase the efficiency of their projects in order to benefit from more attractive EU financial support.

Put simply, the cleaner a project is, the higher the percentage of EU funding it should receive.

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[1] European Commission, COM(2011) 144 final – White Paper: Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system
[2] Skinner, I., et al. (2010). EU Transport GHG: routes to 2050? – Towards the decarbonisation of the EU's transport sector by 2050.
[3] Directives 91/440/EEC and 2001/14/EC as amended.
[4] Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, as amended.
[5] European Commission, COM(2010)700 final – The EU Budget Review