



## Response from the European Sea Ports Organisation

to the

### Connecting Europe Facility II proposal

*(COM) (2018)438*

#### Introduction

On 6 June 2018, the European Commission adopted its proposal for the Connecting Europe Facility 2021-2027 (CEF II) (COM) (2018)438.

In order to contribute in a constructive and substantiated manner to the formulation of the CEF II proposal and the negotiations to follow, **end of 2017 the European Sea Ports Organisation (ESPO) commissioned a study<sup>1</sup>** with a view to:

- Identify the drivers and investment needs of European ports;
- Analyse the ports' ability to make use of EU funding and financing instruments;
- Recommend how CEF can be further improved.

The study confirms that **European ports play an increasingly important role in the transport chain and for the European economy**. They are not only essential nodes of transport and logistics, linking maritime with all others modes of transport, they have also developed into important nodes of energy, industry and blue economy. In order to fulfil their role as sustainable, efficient, and state-of-the-art ports, investments continue to be essential.

The study reveals that the important role of ports does not seem to be well reflected in the share of the CEF budget allocated to ports during the current financial period, as port managing bodies have **only been able to obtain 4% of the CEF transport budget**.

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<sup>1</sup>The Study "The infrastructure investment needs and financing challenge of European ports":

[https://www.espo.be/media/Port%20Investment%20Study%202018\\_FINAL\\_1.pdf](https://www.espo.be/media/Port%20Investment%20Study%202018_FINAL_1.pdf)

Hard copies are available at ESPO

At the same time, the study concludes that the **ports' investment needs amount to 48 billion EUR for the coming ten years**. The needs are very diverse and mirror the complex and diverse role of ports in Europe. Investments in basic infrastructure, including maritime access infrastructure and hinterland connections remain however very important.

Many port investments create **high societal value**, but the **limited and slow return on investment** for the investor, in this case the port authority, makes external funding necessary.

ESPO believes that in order to achieve a fully integrated and operational TEN-T network, more attention should be given to ports. We would like to see the **maritime pillar further strengthened and better integrated in the TEN-T corridor approach**, which is still primarily focused on the land-based connections. We also believe that given their role as gateways to cross-border trade and the cross-border impact of port projects, **ports should be considered as international in nature and thus be placed on an equal priority with cross-border projects**.

## ESPO's position on the main characteristics of the CEF II proposal

### 1. The budget

The Commission proposes a transport envelope of €30.6 billion, of which €12.8 billion are dedicated for the general envelope (all Member states) and €11.3 billion for the Cohesion countries. One fifth of the CEF transport budget proposed, €6.5 billion, is dedicated to support military mobility.

ESPO recognises the efforts made by the Commission to safeguard a strong CEF budget. It must be stated in that respect that the proposed envelope for CEF mainly results from the additional military mobility component (20% of the CEF transport budget proposed) and the increase of the energy and digital components. Considering this, **ESPO believes that the proposed transport budget is an absolute minimum and should preferably be further increased**.

Following the above mentioned study, ports' investment needs alone amount to **48 billion EUR** for the coming ten years; the needs are very diverse and mirror the complex and diverse role of ports in Europe. Many investments create high societal value, but the limited and slow return on investment makes external funding necessary.

From a port's perspective, it is worth mentioning that port managing bodies have only been able to obtain 4% of the CEF transport budget over the last 3 years. This small percentage does not reflect at all the important role ports are playing nowadays in the transport and supply chain and the broader economy.

Maritime transport projects (all applicants) have equally only received 4% of the CEF transport budget when compared to the other transport modes. ESPO therefore considers that the maritime dimension within CEF requires a higher importance in the next financial period.

Mode of Transport	Eligible proposals	Funded proposals	Funding granted 2014-2017	Share
Rail Transport	540	253	16.741.776.854	72%
Maritime transport	223	84	973.154.067	4%
Multimodal (incl. combined transport)	221	77	1.274.068.120	5%
Road Transport	271	134	1.684.669.285	7%
Inland waterway transport	103	52	1.656.573.354	7%
Air transport	126	53	1.047.795.618	4%
<b>Total</b>	<b>1.484</b>	<b>653</b>	<b>23.378.037.298</b>	

Source: Analysis based on INEA's data and publicly available information on project evaluation

**ESPO therefore asks the TRAN rapporteurs and TRAN members:**

- ⇒ **to put pressure on the budget negotiators to maintain, and if possible further increase the CEF transport budget;**
- ⇒ **to ensure that ports receive an increased share of the CEF budget, reflecting their role as essential nodes in the European Transport Network;**
- ⇒ **to ensure more clarity on the military mobility priority before the adoption of CEF II.**

## **2. Cross-border priority to cover the maritime dimension and ports**

The European Commission proposal is strongly focused on supporting cross-border links and the cross-border dimension, both in terms of eligibility (Article 9(2) a) (ii) and Article 13(1) c)) and in terms of co-funding rates (Article 14(2) a)).

ESPO does understand and support the rationale of prioritising the “cross-border dimension” if it is to enhance the connectivity within Europe and complete the European Transport Network. It is however of paramount importance to define this concept in an appropriate way. European ports believe that **the maritime-based and the land-based cross-border dimension should be equally considered in that respect**. Moreover, we believe that **ports should be considered cross-border actors and international in nature**, as they are Europe’s gateways for trade with third countries and serve a hinterland and a catchment area which go beyond their local and national borders.

In terms of cross-border connectivity, port projects reach further than any land-based project, which is in most cases limited to creating a cross-border link between two countries. **Port and maritime projects however, have the potential to link the respective port with any number of other ports and countries on the sea side.**

ESPO recognises that port investment projects are in most of the cases projects geographically realised on the territory of one Member State. But, many port projects create a value for society which exceeds the national borders, by increasing cross-border connectivity on the sea side and by enhancing the connectivity with a wider cross-border hinterland and economy (for instance the importance of the ports Trieste, Koper, Hamburg, Rotterdam and Constanta for landlocked Austria), as well as increasing the sustainability of the transport and logistics chain.

#### **ESPO proposes:**

- ⇒ to specify that the “cross-border” priority covers both land- and maritime based links;
- ⇒ to specify that the “cross-border link in the transport sector” is not limited to projects covering a cross-border section between Member States or a Member State and a neighbouring country but should also cover projects carried out in one Member State that demonstrates a high cross-border impact by enhancing cross-border land-based or maritime traffic flows between two Member States or between a Member State and a neighbouring country;
- ⇒ for projects covering a cross-border section, to limit the obligation of setting up a single project company to large projects, in order to avoid unnecessary administrative burden for smaller projects.

### **3. The 60%-40% earmarking of budget**

The Commission proposal earmarks **60%** of the overall CEF budget to be allocated to the “**infrastructure pillar**” and **40 %** to the “**horizontal priorities pillar**”. In comparison to the current CEF regulation, which allocates the budget in a 80% (Infrastructure) 20% (Horizontal priorities) ratio, it constitutes a more balanced distribution between the two pillars.

This means that more than before emphasis is placed on the horizontal priorities (smart, sustainable, safe and secure mobility). At the same time this earmarking implies that the comprehensive network will have access to more funding than before since the horizontal priorities are accessible to both the core and the comprehensive network.

ESPO supports this more balanced 60%-40% ratio, as port investment needs are very diverse: On the one hand, ports need investments to establish and maintain a sustainable, efficient and safe transport network, but on the other hand the basic infrastructure (incl. maintenance and upgrades) remains the prerequisite for any well-functioning transport network. The ESPO study has shown that investments in basic infrastructure, maritime access and transport hinterland connections make up 65% of all projects submitted.

#### **ESPO proposes:**

- ⇒ to keep the budget allocation of **60%** for the “**infrastructure pillar**” and **40%** for the “**horizontal pillar**” as proposed by the Commission.

### **4. Strengthening the maritime dimension and Motorways of the Sea (MoS)**

The Commission proposal mainly focuses on the land-based TEN-T network core corridors, in which ports are included as essential nodes. The pre-identified sections listed in the Annex focus exclusively on the land-based connections. ESPO stresses the importance of the maritime dimension of the TEN-T network, both for European connectivity and modal shift, as well as Europe’s connection with third countries.

The maritime dimension is notably defined in the Motorways of the Sea concept, which is included under the “horizontal pillar”, for which 40% of the budget are earmarked. Under the “infrastructure pillar”, the Commission includes actions implementing cross-border links of the comprehensive network (Article 9(2)a(ii)).

In order to be eligible as an MoS project, a project has to involve at least two Member States, therefore MoS projects should by definition be considered as cross-border in nature. ESPO believes that MoS infrastructure projects stimulating cross-border links involving the comprehensive network should be eligible under Article 9(2)a(ii).

ESPO regrets that the Commission proposal for Part III of the Annex of the Regulation “Transport Core Network Corridors and pre-identified Sections; pre-identified Sections on the Comprehensive Network”, does not include any MoS projects among the pre-identified sections or MoS as a horizontal priority, contrary to the current CEF regulation.

**ESPO proposes:**

- ⇒ **that MoS projects are considered as cross-border projects, as they involve by definition at least two Member States;**
- ⇒ **that MoS infrastructure projects stimulating cross-border links involving the comprehensive network should be eligible under Article 9(2)a(ii);**
- ⇒ **that relevant MoS projects should be reinserted in the list of pre-identified sections and MoS should be added as a horizontal priority next to SESAR and ERTMS in Part III of the Annex to the Regulation.**

**5. Alternative fuels**

In Article 9(2)b(iv), the Commission proposal specifies that actions supporting new technologies and innovation, including automation, enhanced transport services, modal integration and alternative fuels infrastructure will be eligible for funding under the horizontal pillar.

ESPO very much supports the possibility of giving financial support to infrastructure that facilitates the use and uptake of alternative fuels and stresses the need for a technology neutral approach, given the constant evolution of the ways to green the shipping sector. In view of the recently adopted CO2 emissions target for shipping within the IMO, the decarbonisation of the transport sector should be emphasized even more.

**ESPO believes that:**

- ⇒ **financial support should not only be given to LNG and OPS infrastructure in ports but also to any infrastructure that facilitates the development and uptake of energy sources that reduce CO2 emissions from shipping and thus contribute to decarbonising the shipping sector;**
- ⇒ **given the recently adopted CO2 emission target for shipping within IMO and the future short and long term measures to be defined and taken to achieve this target, actions to decarbonise the transport sector should be explicitly mentioned.**

## 6. Military mobility

The Commission proposal reserves 20% of the CEF transport budget for adapting transport infrastructure to enable the movement of military troops and equipment. While the Member States are still in the process of defining their military requirements, the Commission proposal only specifies that the budget should be used to enable a civilian-military dual-use of the infrastructure.

ESPO stresses the need for transparency and more clarity on the modalities of the military mobility priority. As the budget share of military mobility is a substantial part of the CEF transport budget, the objectives need to be further defined.

The Connecting Europe Facility is the main instrument for EU transport funding, therefore it should be ensured that in any dual-use project the civilian transport objectives are prioritised over the military objectives.

### ESPO believes that:

- ⇒ **in line with the overall TEN-T and CEF policy, which has always been a well-defined policy with clear priorities and objectives, the “military mobility” objective should be further defined within the CEF II regulation;**
- ⇒ **to enhance Europe’s security, this budget share should not only cover the adaptation of infrastructure to military movements and troops but should also be used to enhance the resilience of Europe’s infrastructure, and in particular its port infrastructure, to cyber security threats and ensure that European ports can play their role as vital part of the emergency supply chain;**
- ⇒ **the dual-use criterion is a conditio sine qua non for dedicating CEF transport budget for military purposes;**
- ⇒ **the award criteria (Article 13) should remain focused on the overarching objectives. Therefore the integration of military mobility requirements, which is relevant for a specific part of budget only, should not be included among the general award criteria.**

## 7. Brexit

The European Commission has proposed an alignment of the North Sea – Mediterranean corridor in preparation of Brexit, in order to ensure the connection of Ireland to mainland Europe. ESPO welcomes that the Commission is already taking action to ensure Ireland’s connectivity, but also stresses that an alignment of the corridor will have to be based on the future Brexit deal and will need to be reviewed in that context.

From a port’s perspective Brexit entails many challenges, especially in terms of financial, operational and spatial consequences of a reintroduction of border controls and the wider implications for the logistics industries and communities around port terminals. The directly affected ports will have to make infrastructure investments to provide the necessary facilities which will be required for smooth traffic flows.

## ESPO:

- ⇒ **welcomes the Commission's early efforts to ensure optimal connectivity of Ireland to mainland Europe**
- ⇒ **believes that the current alignment of the North Sea – Mediterranean Corridor should be reviewed against the future Brexit agreement;**
- ⇒ **believes that investments which are necessary to prepare the ports for the consequences of Brexit should be eligible for CEF funding.**

## 8. Member State Endorsement

In order to apply for CEF funding, project promoters have to receive the endorsement from their respective Member State.

While ESPO agrees that Member State endorsement should be a key requirement for large projects with implications for the national and European network, smaller port projects, which strictly aim at improvements within the port area (for example energy efficiency or data exchange) and which do not apply for national or regional funding, should not require the prior endorsement by the Member State.

- ⇒ **ESPO believes that certain projects should be exempted from the requirement of Member State endorsement due to their limited impact on the national transport network.**

## 9. Link to neighbouring countries

Under the proposal, actions supporting projects of common interest in order to **connect the TEN-T network with infrastructure networks and ports of neighbouring countries** are eligible. They cannot receive financial assistance, except where it is indispensable to the achievement of the objectives of the project.

ESPO welcomes the connection of TEN-T to the infrastructure networks of neighbouring countries as outlined out in the Commission proposal.

- ⇒ **ESPO believes that strengthening the maritime connections between EU and its neighbouring countries is of paramount importance for enhancing the economic prosperity of both the EU and the neighbouring countries and the stability in the regions.**

## 10. Importance of the Corridor Work Plans

The proposal aims at better taking into account the corridor approach in the transport sector, notably the Corridor Work Plans and the opinion of the responsible European Coordinator.

- ⇒ **ESPO supports a proactive role of the Corridor Coordinators in increasing the importance of the Corridor Work Plans with the involvement of ports as a relevant stakeholder.**

## **11. Annex – Part III Transport Core Network Corridors and pre-identified sections**

ESPO welcomes the extension of the Core Network Corridors to connect additional core sea ports to the corridors. However, ESPO stresses that sea ports should not be considered as the start/end points of the corridor network, but that the maritime dimension of the network needs to be acknowledged in the annex, as well.

The Commission proposal has considerably cut the projects listed as pre-identified sections in Part III of the Annex to the Regulation compared to the current Connecting Europe Facility regulation. ESPO is concerned that all previous MoS, maritime and port projects have been removed from the list and calls on the European Parliament to include those projects, which contribute to connecting the ports to the rest of the network.

### **ESPO believes that:**

- ⇒ **Motorways of the Sea (MoS) should be listed in Part III of the annex as a horizontal priority next to ERTMS and SESAR;**
- ⇒ **Currently included MoS and port projects, linking the port to the rest of the network should be included in the list of pre-identified sections.**

## **12. Additional points of concern**

### **Review mechanism**

The Connecting Europe Facility proposal will define the modalities of the transport budget until 2027. However, the TEN-T guidelines will be reviewed in 2023 and could change the modalities of the TEN-T network considerably. In addition, new political or market developments can also have an impact on CEF and TEN-T. In this respect, ESPO believes that a review mechanism should be set up, in order to keep CEF in line with the TEN-T guidelines and in order to better reflect new developments. Brexit on the one hand, or the impact of increasing MoS links (between two ports within one Member State, or links with a third country) on the other hand, are examples that should be considered when carrying out such a review.

### **Application procedure**

In order to submit well-prepared and high-quality projects to a CEF call, project promoters need to prove the project maturity in terms of planning and financing. A long-term vision on priorities by the Commission should provide sufficient time for preparing successful applications. On the one hand, the early announcement of call priorities will provide project promoters with sufficient time to prepare eligible projects that are solid and contribute to reaching the priorities. On the other hand, a two-phase application procedure would decrease the administrative burden of project promoters considerably. In a first step, basic applications could be shortlisted, with only the chosen projects requiring the complete application in a second step.



*The EUROPEAN SEA PORTS ORGANISATION represents the port authorities, port associations and port administrations of the seaports of the Member States of the European Union and Norway at EU political level. ESPO also has observer members in Iceland, Ukraine and Israel.*