

Trans European Networks for Integration and Growth in the Extended European Union²⁷

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European integration assumes that there are trans-national backbone networks existing, which interconnect the member countries and allow for easy mobility of passengers and goods. The idea of Trans-European Networks (TEN) has been developed in the early nineties and it is an element of the Maastricht treaty. The first guidelines have been published in 1996 and include transport, electrical power supply and communication networks. They are classified into a number of sub-networks, for example the TEN-T (transport) include 9 subnetworks.

The first EC regulation for providing community aid for Trans European Networks was adopted in 1995 and initially the projects could be supported with maximally 10% EU funding, eventually extended by the regional structural and the cohesion fund subject to the conditions in the member countries.

In its resolution of 8 June 2005 on policy challenges and budgetary means of the enlarged Union 2007-2013, the European Parliament underlined the strategic importance of transport networks for the completion of the single market and for closer relations with candidate, pre-candidate and "ring of friends" countries. Moreover, it also expressed its willingness to examine innovative financing instruments such as loan guarantees, European concessions, European loans and an interest relief fund.

To achieve these goals, both the Council and Parliament put forward the need to strengthen and adapt the financial instruments through an increase in the level of Community co-financing by providing for the possibility of applying a higher Community co-financing rate, in particular for projects characterised by their cross-border nature, their transit function, or by the crossing of natural barriers.

In the next chapter we will cover briefly the funding for Trans European Network energy (TEN-E). Our main focus in this section of the report will be the funding for TEN-T (the transport network as it gets the majority of the EU funds from Growth and Job budget. The TEN-E budget is just around 2% form the TEN-T budget and half of it is in form of technical assistance.

The EU support for TEN-E

The European Union finances electricity and gas transmission infrastructure projects of

²⁷ Community financial aid in the field of the trans-European transport networks and energy Regulation (EC) No 2236/95 of the Council amended by Regulation (EC) No 1655/1999, No 788/2004 and No 807/2004.

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European interest. A yearly budget of about 25 Million Euros is spent mainly for supporting feasibility studies. Most of the projects cross national borders or have an influence on several EU Member States.

The call for applications for funding is open in the first quarter of each year. Applications are made by promoters of eligible projects, like electricity and gas transmission companies, investors in LNG facilities and gas storages. Projects need to be supported by the Member States involved.

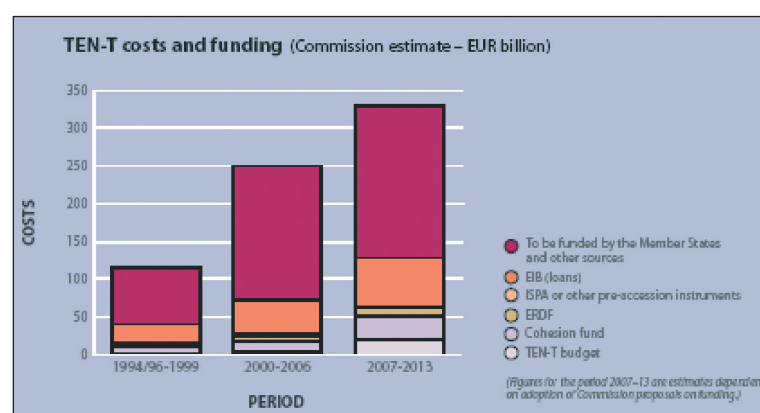
The Trans European Energy Networks are integral to the European Union's overall energy policy objectives, increasing competitiveness in the electricity and gas markets, reinforcing security of supply, and protecting the environment.

The EU support for TEN-T

The TEN-T is the most investments-intensive program for infrastructure development in EU. TEN-T was conceived in 1994 notably at the Essen Council in 1994 where an initial group of 14 priority projects were identified for completion by 2010. In 2004 when the guidelines for development of TEN-T were revised the program became more ambitious. 30 priority projects were adopted with total cost of €250 billion whilst the cost of completing the whole network amounts to €600 billion by 2020.

EU funding for the Trans-European transport networks comes in part from a dedicated TEN-T budget line managed by the Directorate-General for Energy and Transport of the European Commission. These funds come from the EU's 'Growth and Jobs' budget.

Figure 1. Ten-T cost and funding



Source: EC, 2005: *Trans-European Transport Network: TEN-T priority axes and projects 2005*

In 2000-2006, €4.425 billion were allocated from the TEN-T fund to projects. Despite the large amount of EU co-funding, only a handful of the priority projects have been completed using these funds:

- Oresund bridge between Sweden and Denmark (completed 2000)
- Milan Malpensa Airport (completed 2001)

- High-speed rail link Paris-Brussels-Cologne-Amsterdam-London (high-speed link in UK completed 2007; last section Brussels-Amsterdam should be operational in 2008)
- Betuwe route rail line from Dutch ports to German border (completed 2007, to be fully operational from 2008)

It is clear that EU commitment alone is not enough to ensure projects are completed. The major cause of delay of completion of the TEN-T projects is the lack of funds, as well as procedural and technical problems, particularly on cross-border sections. To address these problems, the European Commission requested increased provision of European Funds and European coordinators were nominated to oversee progress on six flagship projects. As regards the funding of the projects, whilst the EU can contribute from various funding lines, the majority of the resources must come from national and regional governments and the private sector.

Current budgetary period 2007-2013

The TEN-T fund will provide €**8.013 billion** from 2007-2013, which is almost double the amount available during the funding period 2000-2006. However, it is only around 40% of the approx. €20 billion that the Commission initially requested for TEN-T funds from the Community budget.

The funding will be gradually increased during the funding period:

Figure 2. Annual allocations TEN-T funding (Million Euro)

2007	2008	2009	2010	2011	2012	2013	Total:
831	950	1 029	1 062	1 242	1 357	1 541	8 013

Source: European Commission

The €8 billion available does not go far towards the cost of developing the TEN-T network between 2007-2013, which is estimated at €160 billion for the 30 priority projects alone. The main sources of EU funding are the **Cohesion Policy funds**, including around €37 billion available from that funding line, that still leaves €115 billion to be raised from national and private sources, and loans from the **EIB (of around €75 billions according to the EIB forecasts)**. The cost of completing the 30 priority projects is expected to cost a further €80 billion in the next financial period 2014-2020. As the budget line is considerably less than the amount requested, 80-85% of this funding will be concentrated on the priority projects, traffic management systems, and projects seen to give 'European added value', meaning those that would be least likely to succeed with only national inputs. Priority is therefore given to specific projects:

Priorities in TEN-T funding in 2007-2013 budget period are:

- Cross-border sections;
- Bottlenecks;
- Links crossing natural barriers, eg. mountain ranges;
- Technological projects to ensure vehicles can operate throughout the EU.

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Rates of co-financing from EU funds vary depending on the nature of the project, level of priority and type of contribution to the project. Higher maximum rates of 30% Community co-financing are available for the priorities listed above. The rest of priority projects could get 20% co-financing rate. The TEN-T funds could co-finance also 50% from TEN-T project studies (including feasibility studies and environmental studies) and 50% for ERTMS studies and works (trackside and on-board equipment).

The Forms of TEN-T funding are following:

- Grants for studies;
- Grants for works (including purchase, supply and deployment of components, systems and services, carrying out construction and installation works, acceptance of installations and launching of project);
- Grants for works under availability payments schemes (new);
- Interest rate rebates;
- Loan guarantees (LGI - new);
- Participation in risk capital funds.

TEN-T funding plans 2007-2013

Applications for multi-annual funding - only for priority projects and traffic management - were received by the Commission between May and July 2007. In November 2007, the Commission and committee of experts from Member States finalised a list of 79 priority projects sections that will share €5.1 billion, including €190 million for Galileo. The first annual payment will be allocated in early 2008.

Figure 3. Scenario proposed by the Commission

Priority project type	Proposed maximum co-financing rates	Total TEN-T funding available
Works on cross-border sections	25% except Brenner and Mont Cenis rail tunnels, Rail Baltica Project (27%)	€ 2304 million
Studies for cross-border sections and new sections for priority projects	50%	€ 576 million
Studies and works on inland waterways projects	20%	€ 550 million
Works on road and railway sections to remove bottlenecks	max. 5-10%, or up to 20% for projects in immediate border areas not formally considered cross-border sections	€ 1681 million

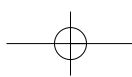
Conclusions and recommendations

The environmental balance of the projects is dubious. Whilst the Commission is presenting the package as “sustainable” and cites that almost 75% of the funding will go towards rail projects, this is far from any guarantee of sustainability. Some of the project sections that will receive funding are amongst the most controversial, including the Alpine base tunnels, (Brenner and Mont Cenis link between Lyon and Turin) the Fehmarn Belt road/rail bridge connecting Denmark and Germany, and Lisbon’s new airport. Many of the selected projects pose environmental threats, and in several cases proper strategic and environmental impact assessments have not yet been completed. The Commission claims that funding decisions needed to be made, even in absence of proper environmental assessment, in order to attract national and private co-financing.

The economical benefits from the TEN-T projects are also highly questionable. The expected impacts of transport infrastructure on economic growth are modest for the highly industrialised West European countries. On the other hand better transport in the industrially developed West European countries will only have little influence on production as long as the wage differentials are that huge. In West European countries it becomes more important to cope with the negative consequences of traffic growth and improve on the environmental conditions or other soft factors.

Bundling of transport, favouring environmentally more friendly modes, will increase attractiveness of the regions as well as a better traffic management will do by using economic instruments (see the London example). The economic, social, health and ecological conditions in the industrialised countries have become very vulnerable such that a consolidation of these systems are the major challenge in the next period of time. Infrastructure investments in West European countries therefore should be assessed most carefully to avoid overinvestment in social capital which will not be needed by future generations. To give an example: investing in all planned Alpine crossings such as Lyon-Turin, Lötschberg, Gotthard and Brenner will result in an overcapacity which will lead to long-term debt payments for future generations without sufficient benefits. It can also be questioned whether projects which aim at fulfilling historical dreams such as the Fehmarn Belt bridge, the Pyrenees crossing or the bridge over the strait of Messina are the best answers of the present generation to the challenges of the future.

Beyond the discussion on new spectacular bridges and tunnels one problem is almost forgotten because it is almost impossible to mobilise a powerful stakeholder groups for this issue: it is the maintenance of the developed networks in the industrialised countries. In Germany, for instance, about one half of the investment funds for trunk roads go for rehabilitation. In the case of railways this share is already about two thirds. After the disaster the change from the Eurovignette to the Tollcollect system for charging heavy goods vehicles and the losses of revenues presently the financial resources are just sufficient to finance the maintenance and reinvestment. Looking with more realism at the forthcoming problems generated



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by lower growth rates and higher challenges to preserve the quality of the presently existing infrastructure one should hesitate to recommend a national and European big deal with investing in many megaprojects for transport infrastructure"²⁸.

For 2010 is planned the review of the TEN-T program. The main of the EC so far is to review the traffic forecasts, bottlenecks and to update the list of the priority projects adding extension of the TEN-T to neighboring countries and to trade partners as China and India.

The TENs policy promotes a development model based on continuous traffic growth. Fourteen years into the policy, the geographical scope is no longer restricted to the EU and our immediate neighbours, but is also laying the policy groundwork for cross-continental links. Before setting our sights on a new and even more ambitious infrastructure program we call on the European Commission, European Parliament and the Council to make a comprehensive assessment of the TEN-T progress to date. We call for a thorough analysis of the planning and implementation of TEN-T infrastructure projects since 1994, in comparison with original policy objectives, demand forecasts and cost-benefit analyses. Current TEN-T plans must be analysed in the light of recent EU commitments to limit climate change and to the renewed EU Sustainable Development Strategy.

²⁸ Prof. Werner Rothengatter, Contribution to the Milan-Workshop on European Economic Policy.

