

EU Environment & Structural / Cohesion Funds Expert Group Cohesion fund 3rd Pillar Environmental Expert Working Group

A Common Understanding Paper/Opinion

1. Purpose of the paper

The purpose of this paper is to represent recommendations of Ministers for Environment on the new sustainability priority of the Cohesion Fund (Cohesion Fund 3rd Pillar Environmental Expert Working Group) in order to improve the coherency between Community policy and financing instruments.

The paper intends to provide an overview of the key issues in the area of energy efficiency, renewable energy and sustainable transport leading to the development of guidance documents.

2. 3rd Pillar of the Cohesion Fund

In the 2007-2013 programming period a new Council Regulation establishing a Cohesion Fund will come into force. Article 2 of the new draft Regulation sets out 3 priorities/pillars under which projects co-financed from the Cohesion Fund in the period 2007-2013 should be classified:

1. *trans-European transport network, in particular priority projects of European interest as identified by Decision No 1692/96/EC,*
2. *achievement of the objectives of Article 174 of the Treaty falling within the priorities assigned to the Community environmental protection policy under the policy and action programme on the environment,*
3. *areas that can be developed on a sustainable basis and clearly present environmental benefits, namely energy efficiency and renewable energy and, in the transport sector outside the trans-European networks, rail, sea and inland waterway transport, intermodal transport systems and their interoperability, management of road and air traffic, clean urban transport and public transport.*

3. General considerations

- 3.1. The extension of the eligibility areas of the Cohesion Fund to a new sustainable priority is generally welcomed by the Working Group, although we ask the Commission to provide detailed explanation on objectives and types of projects to be financed under the 3rd pillar of the CF. The Strategic Guidelines of the European Commission are considered to be a key tool to translate the regulation into action, which should be carried out ultimately by the National Strategic Reference Framework.

- 3.2. We also emphasize the innovation potential of the new 3rd pillar of the Cohesion Fund in accordance with the Lisbon strategy.
- 3.3. We believe that coherence and harmonisations with other EU funding instruments is essential, overlaps and important priorities which are not covered by any title of the Financial Perspective shall be avoided. Close co-operation of related DGs is encouraged, systematic working groups should be established with all relevant DGs (DG Agriculture, DG Transport, DG Environment, DG Employment ...etc).
- 3.4. We welcome the elimination of minimum projects size requirement in the regulation and would like to emphasise the importance of determining project size by local needs and conditions.
- 3.5. We would welcome some guidance to be given by the Commission on the presentation or division of the new third priority during programming. We only agree with the merging of the 3rd Pillar of the Cohesion Fund if sustainable transport will fall under transport priority and energy efficiency and renewable energy will go under environment priority. Equal financial share of both sectors should be ensured.
- 3.6. Introduction of the new priority should not mean the provision of reduced financial resources for sustainable transport and sustainable energy projects from European Regional Development Fund.
- 3.7. We believe that Cohesion Fund and European Regional Development Fund shall be used to mainstream Research and Technical Development lessons and best practices taking into account geographic, economic, social and cultural features of each beneficiary Member State/Region.
- 3.8. We recommend that besides investing in new infrastructure the upgrading and rehabilitation of existing establishments should be also encouraged.
- 3.9. The use of creative and innovative financials schemes shall be preferred.
- 3.10. State aid rules shall be carefully applied not jeopardising environmental goals. Private-Public Partnerships shall be encouraged where they bring advantage, taking into consideration that only the public share is eligible for EU funds in this case.
- 3.11. It should be clarified by the European Commission whether there will be any differentiation between activities funded under ERDF and CF through negotiations with the Commission.

4. Sustainable transport

- 4.1. It should be decided on a case - by - case basis if sustainable transport measures should be funded through ERDF (lower grant rates) or CF (higher grant rates).
- 4.2. Procurement of new infrastructure and rolling stock and the upgrading of existing infrastructure and rolling stock should be eligible excluding operation/maintenance costs.

- 4.3. We recommend that the improvement of waterways and water transport should be in full compliance with the Water Framework Directive.
- 4.4. We believe that sustainable transport measures shall be programmed in close cooperation with environmental authorities and partners.
- 4.5. We propose an indicative list of potential types of sustainable transport to be financed under the 3rd pillar of the Cohesion Fund:

1	Establishing the so-called clean zone in the city centre – priority for pedestrians, cyclists, and public transport, restricted entry of personal vehicles
2	Creating adequate conditions for the development of bicycle traffic
3	Developing bus, trolley, tramway and metro transport – construction and upgrading of lines, fleet investment and upgrading
4	Introducing CNG-powered buses and taxis – developing the financing model for the modernization of fleets towards Compressed Natural Gas
5	Developing standards for public transport services – an integrated city card, systems of information on public transport stops and connections, public transport fleet management by GPS
6	Traffic management systems – dedicated bus lanes, truck parking restrictions, traffic monitoring systems
7	Introducing filters in vehicles used by the municipal transport service
8	Purchasing electric vehicles for the distribution of goods in the city centre
9	A City Centre Ring Road with a buffer parking system
10	Improving connections between city centres and their remote areas (suburban railway network ...etc)
11	Environmental awareness raising
12	Improvement of public transport among cities (construction, fleet investments, upgrading)
13	Improvement of waterways and water transport in full compliance with Water Framework Directive (construction, fleet investments, upgrading)
14	Development of environmental friendly combined, intermodal transport (for example ROLA and RORO), rail transport in freight context, the huckepack system, and the ACTS (Abroll-Container Transportsystem) (construction, fleet investments, upgrading)

5. Renewable energy and energy efficiency

Renewable energy

- 5.1. Procurement of new infrastructure and the upgrading of existing infrastructure should be eligible excluding operation/maintenance costs.

- 5.2. In accordance with State Aid Rules support for private and residential sector should be considered by the Commission in case of promotion of renewable energy as optimal methods for the generation of renewable energy shall be established in each beneficiary country.
- 5.3. We propose an indicative list of potential types of renewable energy to be financed under the 3rd pillar of the Cohesion Fund:

1	Promoting the construction and upgrading of Biogas Heat and Power Plants
2	Promoting the construction and upgrading of Biomass Heat and Power Plants
3	Promoting the construction and upgrading of Geothermal Heat and Power Plants
4	Promoting the construction and upgrading of Wind Power Plants
5	Promoting the construction and upgrading of Solar (Thermal Collectors, Solar Photo Voltaic) Heat and Power Plants
6	Promoting the construction and upgrading of small scale Hydro Power Plants
7	Promoting the construction and upgrading of Waste Heat and Power Plants
8	Promoting the construction and upgrading of hybrid systems (Wind/Bio solar Power Plants ...etc)

Energy efficiency

- 5.4. Besides investing in new infrastructure the upgrading of existing establishment shall be encouraged:

1	Upgrading of electricity networks and control systems
2	Upgrading of public buildings
3	Upgrading of district heating centres and pipelines

- 5.5. We understand that the Commission tries to set only a few non-eligibility criteria, which will largely be defined at national level. We emphasize our concerns in relation to solving the significant energy efficiency problems of the housing sector in the 10 new Member State in case of residents of deprived areas (district heating) as the eligibility of housing is excluded by the proposed Cohesion Fund regulation. We believe that the exclusion of housing should not extended to energy efficiency matters.

6. Other related considerations

- 6.1. We believe that environment as a horizontal, cross-cutting priority shall be included in all Operational Programmes.
- 6.2. Operational programmes co-funded by European Social Fund shall include environmental capacity building in the area of sustainable transport and energy efficiency, renewable energy and environmental training.

- 6.3. We believe that Programming should be discussed with governmental and non-governmental environmental partners in each Member State. Therefore, we strongly reject the removal of reference to the involvement of environmental partners from the draft of new regulation on structural and Cohesion funds (Presidency compromise on Art.10)
- 6.4. Institutional role of Ministries of Environment and environmental NGOs should be strengthened, more active involvement of the NGOs in the programming period shall be welcomed. Local involvement and public awareness-raising shall significantly contribute to the efficient implementation of the projects.
- 6.5. We request the Commission to consider involving energy efficiency audit in Strategic Environmental Assessment, Environmental Impact Assessment and Cost Benefit Analysis Studies for all Cohesion Fund and European Regional Development Fund programmes and projects, or even for other funds of the European Union providing assistance for infrastructural investments.
- 6.6. We would welcome the possibility of financing Technical Assistance for Environmental Networks from Cohesion Fund.