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Multiannual-Financial Framework (MFF): what the future EU budget in the field of strategic public infrastructure should focus on

Orgalime welcomes the Commission's public consultation on the post-2020 Multiannual Financial Framework (MFF) and on EU funds in the area of strategic public infrastructure in particular, considering that **a stronger Union indeed needs to be equipped with appropriate financial means to achieve its political goals**. On 13 September 2017, President Juncker stated in his annual State of the Union address: *"I want to make our industry stronger and more competitive. The new Industrial Policy Strategy we are presenting today will help our industries stay or become the world leader in innovation, digitisation and decarbonisation."* In the light of the Commission's renewed industrial policy strategy and the EU's own and international energy and climate commitments, the **MFF therefore has a central role to play for a progressive, forward looking industrial strategy, which supports sustainable future growth, innovation and investment in Europe as well as global competitiveness**.

The Union has indeed changed fundamentally in recent years, as have the challenges it faces and the challenges that European technology manufacturers face at European and global markets. **Digitalisation, decarbonisation** and, in so far as energy is concerned also **decentralisation**, are fundamentally transforming the way we produce, use and consume resources, from energy to water, chemicals or raw materials throughout the economy and our society. European firms are merging the power of digital and data with their long-standing manufacturing strengths, thereby opening up for entirely new dimensions of innovation and sustainable growth for and with Europe's citizens. Connected digitised production lines and innovative data-driven business models are redefining any traditional notions of what 'industry' is. Digitisation is thus unlocking new growth potential across the entire economy.

In this setting,

- maintaining and further developing **the industrial pillar of Framework Programme 9** will be essential, as specified in Orgalime's [position](#) and response to the Commission MFF consultation on investment, research & innovation, SMEs and single market, and
- **high tech infrastructures are a prerequisite for bringing the benefits of the ongoing digital, energy and circular transformations to citizens** and therefore for delivering on the Commission's ten headline priorities, including on providing a new boost for jobs, growth and investment, a connected Digital Single Market, a resilient Energy Union with a forward-looking climate policy and the Circular Economy.

The **modernisation of essential high-tech infrastructures and the development of business ecosystems** which strengthen EU competence in Industrial Internet and related technologies should in our view be a priority in EU financing tools, notably the Connecting Europe Facility (CEF) and the European Fund for Strategic Investment (EFSI). Concentrating on innovative areas that provide real European value added, including in the area of high tech infrastructure investment, are in our view critical to deliver on the things that matter for Europeans.

Orgalime, the European Engineering Industries Association, speaks for 42 trade federations representing the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs nearly 11 million people in the EU and in 2016 accounted for some €2,000 billion of output. The industry represents over a quarter of the output of manufactured products and over a third of the manufactured exports of the European Union.

As the European Commission has pointed out in its ‘Reflection Paper on the Future of EU Finances’, it is necessary to shift towards new, sustainable growth models that combine economic, social and environmental considerations in a holistic and integrated way. Orgalime fully supports the Commission’s view that for the transition to happen successfully the investment needs are vast - the largest share of which will be for **low-carbon energy infrastructure**, for **generation, transmission and distribution**. Digital/broadband infrastructures will be required simultaneously as enablers of the clean energy transition.

For **energy and transport infrastructures**, we consequently request support for:

- investment into the modernisation of energy networks at all levels (especially of electricity networks at distribution grid level where most of the benefits for individual citizens will arise) to deploy more flexibility, energy efficiency and smarter technologies in the areas of buildings, transport, energy and industry.
- closing today’s gap of CEF, which fails to deliver on smart (distribution) grids, energy efficiency and sustainability of energy infrastructure (due to inappropriate criteria under Regulation 347/2013 (“TEN-E”), which we specify hereafter).
- investment into alternative fuels infrastructure (e-mobility, shore-side electricity in harbours), and high-speed trans-European rail infrastructure.

For **digital/broadband infrastructures**, we request the prioritisation of investment into

- networks required by the manufacturing sector for the digitalisation / connectivity of products, processes and services (Industrial Internet, Industrial IT Security, Cybersecurity, 5G), and
- the development of e-health infrastructures.

Finally, more investment into **innovative waste management infrastructures is needed** for a Circular Economy to develop bottom up.

Orgalime recommends improving the consistency between the Clean Energy Package, TEN-E Regulation 347/2013 and CEF Regulation 1316/2013:

EU Regulation 347/2013 on Trans-European Networks for Energy Infrastructure (TEN-E) provides for the legal framework and criteria for identifying and selecting Projects of Common Interests (PCIs) that are solely eligible for financing under the Connecting Europe Facility (CEF) as established by EU Regulation 1316/2013.

Today, there are fundamental gaps between the political objectives of the Clean Energy Package and the TEN-E Regulation, which negatively impacting the implementation of the CEF Regulation with respect to smart grids, energy efficiency and sustainability:

- First, an **increased target for electricity generation from renewable energy sources (RES)** as proposed by the Clean Energy Package will require smart grids, and smart distribution grids in particular, considering that 90-95% are coming onto the grid at that level. The TEN-E Regulation however today is not focused on effectively promoting smart distribution grids.
- Second, with respect to the **future electricity market design**, the Clean Energy Package promotes smart grids at the distribution level with empowered consumers. The current second Union PCI list includes 195 energy infrastructure projects, among which there are 3 smart grid projects only. Out of these 3 projects, 2 have already been included in the first Union list of 2013. Such a low number of smart grid projects is in our view due to the inappropriate criteria of the relevant TEN-E Regulation. From our point of view, the following existing criteria require modification:

- the threshold of 10 kV or more and the cross-border impact criterion.
- The scope of eligible projects should be extended to all levels of voltage, including low voltage, as most of benefits can presently be achieved in low voltage networks, where the highest numbers of consumers and small power generation facilities connect.
- Thirdly, **energy efficiency** has not been considered when selecting PCIs and corresponding actions when implementing the TEN-E Regulation today. In compliance with the “energy efficiency first” principle, also oil/gas pipelines should be conceived in a way that they are modern, climate-friendly and rely on the most efficient technologies. Considering that the energy infrastructure once built stays for the decades to come, it is important to ensure that EU public funding is spent in the most effective way.
- With respect to the envisaged **new Governance Regulation** under the Clean Energy Package, Member States’ National Energy and Climate Plans should also be considering TEN-E needs to further work towards the implementation of the Clean Energy Package.

In the future, **more focus should therefore be given to the combined deployment of smart grids, renewables and energy efficiency** under the TEN-E Regulation through:

- Closing the gap in the area of smart grids PCIs: through modifying the threshold of 10kV of Annex IV.1(e) of the TEN-E in combination with Article 4.1.c(iii) and Annex II.1.(e) and the current “cross border impact” criterion, and/or by providing financial support for smart distribution grid projects via other financing tools, such as EFSI.
- Explicitly including energy efficiency measures, notably waste heat recovery to power generation, among the energy infrastructure categories concerning gas listed in Annex II of the TEN-E Regulation.
- Consistently requiring and implementing the criteria of sustainability and energy efficiency throughout Article 4 and Annex IV of the TEN-E Regulation: we recommend making sustainable and energy efficiency measures a priority for the selection of PCIs and the implementation of actions.
- Focusing the modernisation of Europe’s energy infrastructure, in particular, the electricity networks at all voltage levels: Regarding electricity and gas network planning in relation to PCIs, Orgalime agrees that the Ten-Year Network Development Plan (TYNDP) is a good starting point for planning trans-European infrastructure, however improving the PCI selection process and actions should be envisaged to better align it with investment timing. Also, the TYNDP to date remains limited to the transmission level while most future challenges will occur at the level of the distribution grid. The current investment gap at distribution level should be closed.
- Including the term “technology providers” explicitly in Annex III.5 of the TEN-E Regulation.
- Promoting the need of mutually reinforcing and modernised infrastructures at both – transmission and distribution level, also in the further implementation of the new 15% interconnection target.

We have provided our recommendations regarding the TEN-E and CEF Regulations here:

- [Orgalime Comments on the Evaluation of Regulation 347/2013](#), Sept. 2017
- [Follow up comments to the TEN-E Thematic Group Meetings for Electricity, Gas, oil and Smart Grids](#), March 2016
- [Orgalime response to the mid-term evaluation of the Connecting Europe Facility](#), Feb. 2017

CONCLUSIONS

The future MFF has a central role to play in supporting a sustainable EU industrial base and global competitiveness. Orgalime believes that a prerequisite for Europe's sustainable growth and competitiveness will be efficient connectivity. High-tech infrastructures are an essential missing link for bringing the benefits of the Digital Single Market, the Energy Union and the Circular Economy to EU citizens.

This is a key area where EU spending can deliver tangible results for EU citizens and where by pooling of resources Member States can achieve more than they could by acting alone. At the same time, a future MFF that prioritises investment into high-tech infrastructures provides investment certainty to industry and investors and the ability to plan and invest into innovative areas for the long-term.

Therefore, and in addition to maintaining and further developing the industrial pillar of Framework Programme 9 (as specified in Orgalime's [position](#) and response to the MFF consultation on investment, research & innovation, SMEs and single market¹), Orgalime considers prioritising investment into the modernisation of its strategic public infrastructures as an investment in Europe's future – in the future of all of us. We look forward to the Commission's MFF proposal to build Europe's prosperous future together.

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