
European Fund for Strategic Investments: Orgalime views on the proposed Regulation COM (2015) 10 and on amendments of the Regulations 1291/2013¹ and 1316/2013² in the light of the current discussion in the European Parliament.

Brussels, 2 March 2015

Executive summary

As specified in our letter addressed to European Commission President Mr. Juncker, Orgalime welcomes the idea to kick-start the economic recovery of Europe with a 315 billion euro investment plan co-funded by the EU. As part of the plan, we understand that the proposed Regulation on the European Fund for Strategic Investments (EFSI) plays a crucial role in guaranteeing the swift implementation of the programme.

However, we note with some reservations that the EFSI will be partially funded by reallocation money from existing EU programmes, notably 2.7 billion Euros from Horizon 2020 and 3.3 billion euros of the Connecting Europe Facility (CEF). We question the proposed choice of sourcing funding from areas of in Horizon 2020 and CEF which create investment and growth, while other budget lines are bigger, have less of a multiplier effect and are not future oriented. We firmly believe that such a publicly co-funded plan must focus on the modernisation and completion of sustainable investments that will underpin the competitiveness of companies, develop jobs and growth in the economy. It is essential that the EU should be consistent in its approach if the aim really is to attract manufacturing investment back into the EU, thereby effectively contributing to the reindustrialisation of the EU.

While in our letter addressed to Commission President Mr. Juncker, Orgalime called that the plan should focus on the modernisation of essential high tech infrastructures (energy, broadband, safety and security, rail and harbour) as well as the development of business ecosystems which will strengthen Europe's competence in industrial internet and related technologies, now that the Commission has decided to allocate EFSI funding to Research and Innovation, Orgalime calls on the European Institutions to ensure that the EFSI budget coming from Horizon 2020 goes to innovation and research investments and especially to the infrastructure needed to support the digitalisation of manufacturing. Similarly, we suggest that money taken from the Connecting Europe

¹ Establishing Horizon 2020 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0104:0173:EN:PDF>

² Establishing the Connecting Europe Facility <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:348:0129:0171:EN:PDF>
Orgalime, the European Engineering Industries Association, speaks for 41 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs some 10 million people in the EU and in 2013 accounted for more than €1,700 billion of annual output. The industry accounts for over a quarter of manufacturing output and a third of the manufactured exports of the European Union.

Facility should support digitalisation in the area of energy projects, and in particular the modernisation of energy networks and energy efficiency and smarter technologies in the areas of buildings, transport, energy and industry.

Other environmentally sustainable projects, such as for example the deployment of technologies to improve the efficiencies of Europe's waste management infrastructures, could also tie in with the EU's advanced manufacturing and energy agendas while at the same time support the EU's resource efficiency policy.

Moreover, we call on policy makers to be fully transparent in the decision making process for allocating money and selecting projects.

In the light of the current discussion in the European Parliament on the Regulation on the European Fund for Strategic Investments and amendments of the Regulations 1291/2013 and 1316/2013, we provide our detailed views and recommendations hereafter:

1. Source of funds

Whilst being generally supportive for the goals of the "Investment plan for Europe", Orgalime expresses deep concerns about the sourcing of EFSI funding especially from Horizon 2020. Horizon 2020 seems to be often under pressure whereas bigger budget lines which have less of a multiplier effect and are not future oriented, are not touched. Money should not be taken from programmes which will generate jobs and growth in particular in the manufacturing sector.

Both H2020 and CEF programmes have been fixed after long and often controversial discussions within the European institutions. Accountability and an assurance that the programmes will continue are key for private investors and stakeholders. Many calls for project proposals have been already undertaken in both programmes, and we urge policy makers not to disturb the selection and evaluation process on these projects.

2. Decision making process and project selection

We understand that the Steering Board will prepare investment guidelines which determine the types of projects the EFSI will support. Orgalime asks for transparency in the decision making process of the Steering Board.

We welcome the fact that Investment operations will be in line with Union policies. The March 2014 European Council recommended to mainstream manufacturing competitiveness into all policy areas. Therefore we invite the Steering Board to set its investment guidelines through this.

Indeed the European Commission has set as a target for 2020 to have 20% of GDP coming from manufacturing. Orgalime is pleased with all the efforts made by the European Commission to provide support in the area advanced manufacturing technologies and the digitalization of manufacturing.

As stated in the EFSI Regulation proposal³ the reduction of both programmes (Horizon 2020 and CEF) to finance the guarantee fund is expected to ensure a greater investment in certain areas of their respective mandates than is possible through existing programmes. We support this recital which we see as providing some assurance that money will be spent in the interest of the European citizens, European industry and the economy.

³ Recital 29 of the EFSI proposal: COM(2015) 10

We strongly recommend that such a publicly co-funded plan should focus on the modernisation and completion of sustainable investments which provide long term benefits. We do not believe that such funding should be used for consumption or to cover incomplete structural reforms.

Moreover we invite the European Institutions to ensure a maximum of transparency in the EFSI processes. The set-up of Horizon 2020 was a transparent and democratic process, the budget lines have been negotiated and stakeholders were able to have their say. Now the money taken from Horizon 2020 will be allocated to investments based on six experts' recommendations and not in a transparent and democratic process. This is regrettable.

3. Horizon 2020

We invite the European Parliament to help to modify the allocation of the 2.7 billion euros which it is proposed should be taken from Horizon 2020. We call on the European Commission and the Council to rethink their views on the matter. The main difference between Horizon 2020 and the preceding research framework programmes is the strong focus on closer to the market research and innovation. This is in effect one of the rather limited number of areas where European policy has in recent years really been supportive of manufacturing and manufacturing competitiveness.

We understand that the Horizon 2020 budget for ICT research will be cut by €307 million, and nanotechnology and advanced material, laser technology, biotechnology and advanced manufacturing and processing projects by €170 million. These are crucial areas for European manufacturing industry and Europe's competitiveness. The possibilities to strengthen competitiveness in these areas would be clearly affected by any such cut.

We particularly regret that the part dedicated to innovation and supporting bridging the famous "Valley of death" between fundamental research and innovation is the most affected by the 2.7 billion euros reallocation.

We need to support applied research and innovation which will underpin the development of the products, processes, services or business models of tomorrow; otherwise Europe will continue to fund basic research that is not often transform into innovations in Europe.

Additionally Horizon 2020 enables industry, universities and research institutes to work together. Learning to work and working together develop networks of excellence, builds trust and generates value for the economy. This is not an intended benefit of EFSI. We call on the European Commission and the EIB to include this in their selection criteria for projects especially as, on paper at least, research, innovation and education can benefit from EFSI; this is important as top class R&D infrastructure and a high performance education system are among the main building blocks of an innovative environment.

Orgalime shares the European Commission's view that entrepreneurship is crucial to compete at global level and create jobs in our countries. Consequently Orgalime welcomes the creation of the value added manufacturing KIC (planned for 2016) as mentioned in the Strategic Innovation Agenda of the European Institute of Technology (EIT). 249 million euros are set aside for the third wave of KICs in which the value added manufacturing KIC is included.

Consequently we invite the European Parliament to ask the European Commission for more details on the 350 million which it is proposed should be taken from the EIT budget. Will this impact already running KICs and require them to become financially sustainable, as originally foreseen, or will this hinder the setting up and financing of the future value added manufacturing KIC?

Budget re-allocation in Research and Innovation not only means less projects and research activity, but also undermines the trust in the reliability of policy decisions. The role of public research and

innovation programmes is not only to offer financial support, but also to provide orientation and leadership. A budget reallocation only one year after the start of Horizon 2020 contradicts the objectives of Horizon 2020 and of the Europe 2020 agenda to become a smart, sustainable and inclusive economy.

Notwithstanding business not only needs funds for research and innovation but also legal certainty and trust in policy makers' words to win global markets. Therefore we invite the future EFSI Steering Committee to ensure that EFSI funds go into research and innovation projects, especially on manufacturing.

4. Connecting Europe Facility

We have some reservations about the use of the current CEF programme. We observe that some CEF-funded projects are of a rather traditional and national-oriented nature, although innovation and cross-border impact are criteria of the CEF regulation. Therefore, we are rather pleased to see the wider possibilities offered by EFSI to overcome this mismatch. However, we reaffirm our view that there is a huge risk to lose the trust of the private sector when reallocating money from the existing CEF programme, especially if it means moving money from energy projects to non-energy areas. We urge decision-makers to be extremely careful not to disturb the ongoing process.

We recommend that the EFSI supports investments in the modernisation of energy networks, in energy efficiency and smarter technologies, in the areas of buildings, transport, energy and industry.

We suggest to support projects in the following areas:

- Complement the support for Projects of Common Interests (PCI) by closing the gap of the TEN-E Regulation for smart grids projects.
 - The TEN-E⁴ sets a threshold for smart grid projects of above 10kV, which is in our view is not feasible for most of the smart grid projects, because most of the benefits for consumers are to be gained in the segment below 10kV. This is a major regulatory gap, and widely rules out smart grids project from the PCI and CEF selection process.
- Build electricity interconnections⁵ and electricity highways: there are too few of such projects in the current PCI Union wide list.
- Ensure that the necessary investments in a flexible European power system will be made: storage technologies and demand side management are needed to integrate intermittent renewable energy, highly flexible power generation.
- Reinforce investment in broadband networks prioritising investment in networks required by the manufacturing sector for the digitalisation / connectivity of products, processes and services (industrial internet) and for the development of e-health infrastructures, because the telecommunications infrastructure has the lowest share in the current CEF budget. Industrial internet and industrial IT security are critical to support the digitalisation of manufacturing.
- Include transport projects that will further develop the high-speed trans-European rail infrastructure.
- Support investments in alternative fuels infrastructure, for example in electro-mobility and shore-side electricity in harbours.

⁴ Regulation (2013) 347 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0347&from=EN>

⁵ Council conclusion October 2014 set a new EU target of 15% electricity interconnection by 2030: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/145356.pdf

Conclusions

Orgalime welcomes the Juncker plan and the setup of EFSI. We call on the European institutions to take a holistic view and make sure that EFSI funding focuses on the modernisation and completion of sustainable investments that will underpin the competitiveness of companies, develop jobs and growth in the economy for the long term and at the same time especially favour the reindustrialisation of the EU.

Where funding is allocated to research and innovation, this should focus on research and innovation needed to support the digitalisation of manufacturing and a modern energy and industrial internet systems.

This only can help to reach the objectives of smart, sustainable and inclusive growth.

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