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The Council took note of the state of play on the proposed Regulation establishing the Connecting Europe Facility (CEF), the future funding instrument for the trans-European networks (TEN) in the fields of transport, energy and telecommunications.

Good progress has already been made in negotiations between Council and Parliament. There is agreement on the majority of transport issues, on the provisions concerning the use of innovative financial instruments such as project bonds, designed to leverage additional investment from private and public sources, and on the question of whether value added tax should be an eligible cost for grants under the CEF.

However, some energy issues still need further discussion, as do a number of budgetary provisions related to the ongoing negotiations with the Parliament on the next Multiannual Financial Framework (MFF), for the years 2014-2020.

In addition, the part concerning the telecommunications sector will have to be adapted in the light of an [amended proposal for guidelines on telecommunication networks](#), adopted by the Commission at the end of May to take account of the budgetary cuts agreed by the European Council for this sector.

It should be recalled that in February 2013, the European Council agreed on the amounts to be allocated under the CEF to each of the three sectors covered. The final decision on the financial envelope will, however, depend on the outcome of the MFF negotiations. Certain items relating to the MFF negotiations remain open: The first issue relates to the amounts allocated in the financial envelope of the CEF. The percentage for the ceiling of programme support actions is linked to the global amount of the CEF budget.

As far as the issues relating to the EUR 10 billion transferred from the Cohesion Fund are concerned, as well as the question of the VAT eligibility, the EP indicated that the Presidency compromise proposals were acceptable. The same goes for the provisions concerning the financial instruments. The EP also indicated that it could accept most of the wording presented by the Presidency in Part IV of the annex.

Other outstanding issues include:

- costs of the TEN-T Executive Agency;
- synergies;
- the possibility to adopt strategic orientations under delegated acts (with the annual and multi-annual work programmes being adopted by implementing acts);
- recitals to be examined when an agreement on the normative provisions has been reached;
- the text of Part III of the Annex is pending the examination of the Guidelines by the telecommunications working group;
- discussions on the alignment of the rail freight corridors and core network corridors (Part V of the Annex) are still ongoing.

The general rules laid down in the CEF Regulation will be complemented by sector-specific policy guidelines defining development strategies, priorities and implementation measures for each of the three sectors concerned. These guidelines will be adopted separately from the CEF Regulation. The Council and the Parliament have already reached agreement on the sector-specific guidelines for the energy sector, and a provisional agreement on the transport guidelines is expected to be confirmed soon.