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Climate related standards and measures for assessing investments in infrastructure projects

Annex Report

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DG Climate Action

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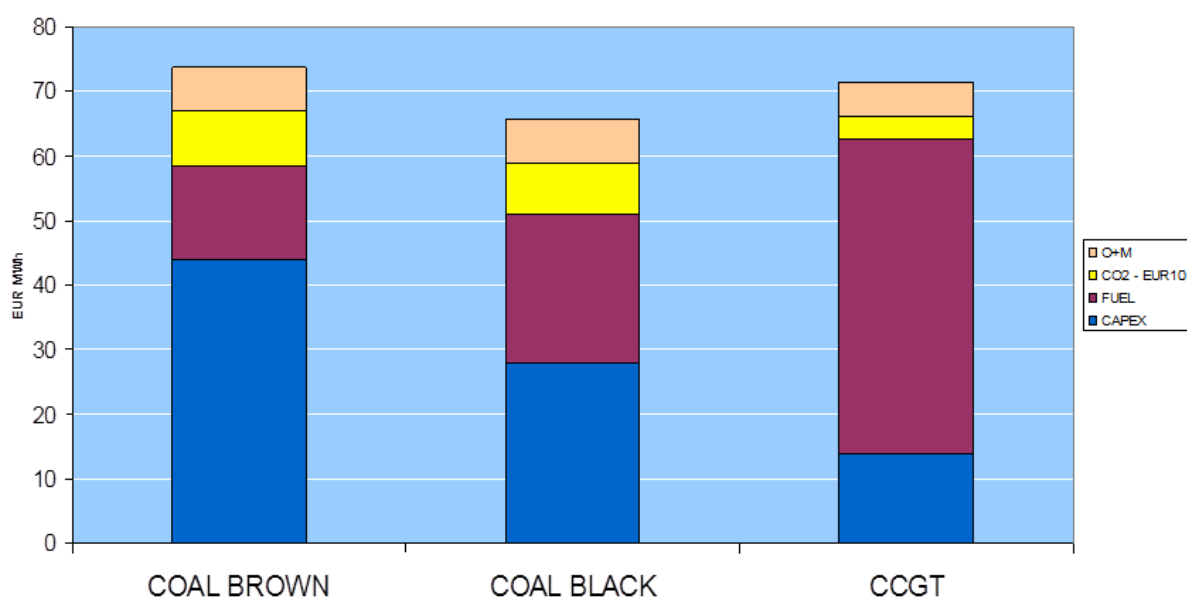
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Annex 1: EIB CBA sector case studies

This Annex demonstrates how an assumption regarding the price of carbon can influence the decision to support different types of fossil-fuel power generation. Figure A1-1 shows the levelised cost of electricity i.e. the constant price required to cover the full costs of plant over its economic lifetime. It covers capital expenditure (CAPEX) in dark blue, operating and maintenance costs shown in orange, fuel costs in purple, and the cost associated with carbon emissions in yellow. Non-CO₂ prices are based on IEA estimates¹ (from 2010).

Figure A1-1 Levelised cost of electricity at EUR 10 per tonne



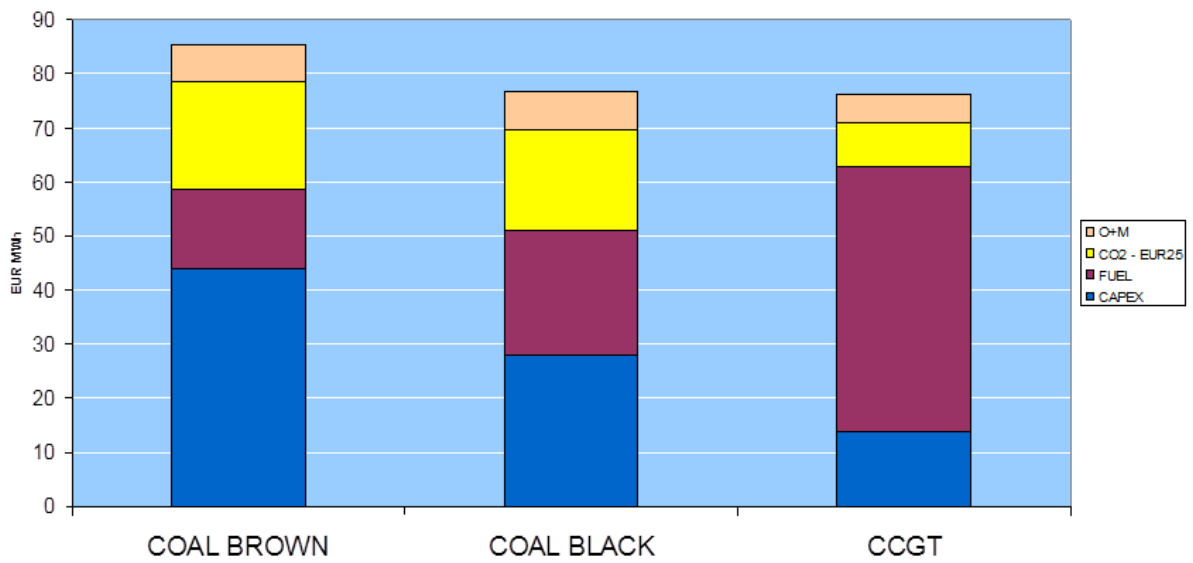
If the cost of carbon is assumed to be EUR 10 per tonne – above current EUA prices – the levelised cost of coal is around EUR 65/MWh, marginally below CCGT and lignite, respectively. Coal is characterised by higher capital expenditure (compared with gas), but is competitive due to low fuel costs. The cost of carbon emissions – shown in yellow – only plays a rather marginal role in choosing between technologies.

Figure A1-2 shows the same analysis assuming a cost of carbon of EUR 25 per tonne. The relative importance of the yellow component – the penalty associated with carbon emissions – grows. As a result, at this level, CCGT becomes competitive with coal. The central point here is to show how the decision of a public body to support a privately-supplied power plant can depend very strongly on the assumption regarding the cost of carbon, which, as discussed in Section 4, in general will deviate from ETS prices.

As noted in **Error! Reference source not found.**, EIB applies a base case cost of carbon of approximately EUR 30 per tonne in 2013, rising to EUR 50 in 2030 (measured in 2012 prices). This price scenario is applied systematically across the economic analyses undertaken by the Bank.

¹ Based on IEA/NEA Projected costs of Generating Electricity (2010 Edition). Asset life 40 years; 85% load factor; fuel efficiency 45% (coal), 58% gas.

Figure A1-2 Levelised cost of electricity at EUR 25 per tonne



Annex 2: Application of investment framework to TEN-T

2.1 Policy framework for TEN-T

As outlined in section 6, the primary goal of the TEN-T is the establishment of an efficient and interconnected transport network by 2020² to ensure the development and functioning of the internal market and strengthening of economic and social cohesion.³

The overall policy objectives are outlined in the TEN-T Guidelines, which include an overview of the 30 priority projects. These priority projects were identified by the Commission and the Council due to their common European interest and added value.

The transport network investments are divided into two layers: **comprehensive networks** which are general projects of common interest; and into **priority projects** were they are chosen due to their European added-value and their particular importance for the development of the network and contribution to the sustainable development of the transport sector amongst other goals.

A summary of the policy, work programmes and targets are summarised below:

Policy	The <i>TEN-T Guidelines</i> (Decision 661/2010 of the European Parliament and of the Council of 7 July 2010) outline the Union guidelines for the development of the trans-European transport network and provide the overall policy framework for the TEN-T Programme and cover the objectives, priorities and broad lines of measures envisaged in the area of the TEN-T network. ⁴
Work Programmes	On the basis of the overall goals and priorities as provided by the TEN-T Guidelines, DG MOVE prepares the Annual and Multi-Annual Work Programmes, which are decided upon by the Commission as outlined in Art. 8 of Regulation 680/2007. DG MOVE works in close collaboration with the TEN-T EA on the preparation of the Work Programme. In these Work Programmes, the priorities for the Annual and Multi-Annual Call for Proposals are outlined. Please see box 1 for the priorities in the 2011 Annual Call.
Climate change targets	There are no formal lending targets for climate related projects under the current MFF. However, the project focus under the TEN-T programme has in general shifted to sustainable transport modes, e.g. from road to rail projects. ⁵ The Annual Work Programme in 2011, for example, established with priority 2 “ <i>Promote infrastructure development contributing to mitigation and adaptation to climate change and reducing the impact of transport on the environment</i> ” a specific climate change related priority. ⁶ Moreover, the great majority financed under objective 3 (accelerate the implementation of TEN-T projects) are rail projects (28 rail projects vs. 3 road projects.) An approach that is also reflected in the current Call for Proposals. ⁷ Moreover, in January 2010, a new project “Supporting EU’s Freight Transport

² Art. 2 (1) of Decision No 661/2010/EU of the European Parliament and of the Council of 7 July 2010 on Union Guidelines for the development of the trans-European transport network.

³ Decision No 661/2010/EU of the European Parliament and of the Council of 7 July 2010 on Union Guidelines for the development of the trans-European transport network.

⁴ Decision 661/2010/EU is based on Decision 1692/1996/EC that first established the TEN-T Guidelines.

⁵ Interview Judit Bertrand, DG MOVE.

⁶ Commission Implementing Decision on the adoption of a financing decision for granting financial aid in the field of the trans-European transport network C(2011), 9531 final.

⁷ Interview Judit Bertrand, DG MOVE.

http://tentea.ec.europa.eu/en/apply_for_funding/follow_the_funding_process/calls_for_proposals_2012.htm

	Logistics Action Plan on Green Corridors Issues” (“SuperGreen” project) was launched with the aim to promote environmentally friendly European freight logistics especially through so-called Green Corridors. ⁸ Green corridors will support the development of sustainable transport networks by fulfilling requirements covering environmental, technical, economic, social and spatial planning aspects, e.g. benchmarking of Green Corridors, using green technologies, smarter utilisation of ICT-flows, recommendations for R&D, provide assistance in the formulation and harmonisation of policies on Green Corridors, dissemination and awareness-raising. ⁹
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Please refer to section **Error! Reference source not found.** in the main report for an overview of the policy changes that will be established under the next MFF and the CEF. Though the overall appraisal process for transport projects will largely stay the same,¹⁰ this section indicates where changes to overall policies will impact the TEN-T programme.

Box A2-1 Annual Work Programme 2011¹¹

Projects under the Annual Work Programme 2011 had to contribute to the following objectives:

- **Priority 1** - Promote the development of an integrated and multi-modal transport system (€ 25 million)
- **Priority 2** - Promote infrastructure development contributing to mitigation and adaptation to **climate change and reducing the impact of transport on the environment** (€ 15 million and € 20 million)
- **Priority 3** - Accelerate/facilitate the implementation of TEN-T projects (€ 100 million)
- **Priority 4** - Support to Public Private Partnerships (PPPs) and innovative financial instruments (€ 15 million)
- **Priority 5** - Support to the long term implementation of the TEN-T network (€ 25 million)

Note that rail projects are covered under priority 3 with the great majority being rail projects as compared to road projects.

Source: Commission Implementing Decision C(2011), 9531 final;

http://tentea.ec.europa.eu/download/publications/ap_fac_brochure_final_web.pdf. Figures refer to the indicative budget.

2.1.1 Project Origination

2.1.1.1 Knock-out Criteria

There are no formal knock-out criteria in place. Projects need to comply with the priorities of the programme and the eligibility criteria as set out in the following section. There also no criteria that eliminate potential projects on the basis of environmental / climate considerations beyond those of applicable EU environmental policy, e.g. the results of the Environmental Impact Assessment (see **Error! Reference source not found.**)¹².

2.1.1.2 Eligibility Criteria

The *TEN Regulation* under the MFF for 2007-2013 (Regulation 680/2007 of the European Parliament and of the Council of 20 June 2007) outlines the general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks. This regulation provides the overall legislative framework and establishes the general criteria for Community funding under the TEN-E and TEN-T budget.

Eligibility Criteria¹³	The following eligibility criteria need to be fulfilled: <ul style="list-style-type: none"> • Application through a Member State (MS) or an international organisation, joint undertaking, public or private undertaking with agreement of the Member States concerned¹⁴
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⁸ <http://www.supergreenproject.eu/project.html>

⁹ <http://www.supergreenproject.eu/project.html>

¹⁰ Interview Judit Bertrand, DG MOVE.

¹¹ Note that even though the Call was issued in 2012, it refers to the Work programme of 2011.

¹² Interview Ignacio Ramallo, TEN-T Executive Agency.

¹³ Art. 114 of Financial Regulation and Art. 175a of Implementing Rules for the Financial Regulation; European Commission 2012b; TEN-T Executive Agency 2012b.

¹⁴ Art. 2 (7) of Regulation 680/2007 of the European Parliament and of the Council of June 2007 laying down general rules for the granting of Community financial aid in the field of European transport and energy networks.

	<ul style="list-style-type: none"> • Commitment by the applicant for Union financial aid and, where appropriate, by the MS concerned, to make a financial contribution to the project submitted, mobilising private funds if necessary • Contribution to one or several projects of common interest or priority projects as defined in the TEN-T and TEN-E Guidelines. • Non-accumulation of Union funding (whereby the same project cannot receive funding from multiple EU funds) • Compliance with relevant EU law
Eligible projects	Transport infrastructure refers to railway transport, inland waterways, road transport, maritime transport, air transport, infrastructure for multimodal transport and the equipment and intelligent transport systems associated with the transport infrastructure.
Forms of aid	<ul style="list-style-type: none"> • Grants for studies and works (construction). • Grants for works in the framework of availability payment schemes • Interest rate rebates on loans provided by the EIB or other public or private financial institution • Loan guarantees • Risk capital funds (for projects involving substantial private sector investment – not to exceed 1 % of the budgetary resources set out in Article 18) • Financial contribution to project-related activities of joint undertakings (where two private institutions apply for funding)¹⁵
Decision criteria ¹⁶	<ul style="list-style-type: none"> • The maturity of the project; • The stimulating effect of Community intervention on public and private funding; • The soundness of the financial package; • Socio-economic effects; • Environmental consequences (as per EU environmental law) • The need to overcome financial obstacles; and • The complexity of the project, e.g. the need to cross a natural barrier.
Co-financing rates	A maximum of 50 % of Union financial aid for studies and 20 % for inland transport connections can be granted under TEN-T. The rate can be higher for actions concerning cross-border sections (30 %).

2.1.1.3 Project Identification

Projects are identified through Annual and Multi-Annual Calls for Proposals, which are based on the Work Programme as defined by the Commission. Projects are usually submitted by national and state transport ministries but can also be submitted by an international organisation, a joint, public or private organisation with agreement of the Member State(s) concerned.¹⁷

Call for Proposals	<p>After the European Commission has decided on the budget and priority areas for the project period in an Annual and Multi-Annual Work Programme, Calls for Proposals are launched.</p> <p>Since 2009, the Trans-European Transport Network Executive Agency (TEN-T EA) publishes an annual and a multiannual Call for Proposals on behalf of DG MOVE.¹⁸ Both types of calls are usually launched each year. The Call for Proposals lays down the objectives as agreed upon by the Commission in the Work Programme.¹⁹</p>
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¹⁵ Art. 6 (1) of Regulation 680/2007 of the European Parliament and of the Council of June 2007 laying down general rules for the granting of Community financial aid in the field of European transport and energy networks.

¹⁶ Art. 5 (4) of Regulation 680/2007 of the European Parliament and of the Council of June 2007 laying down general rules for the granting of Community financial aid in the field of European transport and energy networks.

¹⁷ TEN-T Executive Agency 2012, p. 17 – 18.

¹⁸ Before 2009, DG MOVE was managing the Calls.

¹⁹ The Calls for Proposals can be accessed online:
http://tentea.ec.europa.eu/en/apply_for_funding/follow_the_funding_process/

	<p>The aim of Multi-Annual Calls is to support the implementation of TEN-T priority projects in line with the TEN-T Guidelines and to address some horizontal priorities, that is cross-cutting themes such as equal opportunities, environmental sustainability and social inclusion. The completion of these networks is targeted for the year 2020. The Multi-Annual projects are of larger size and longer duration as compared to the Annual projects. Multi-Annual Projects account for 80 to 85 % of the TEN-T budget.</p> <p>Annual Calls have the aim to complement the Multi-Annual Calls, and have more flexibility to account for new targets and priorities.</p> <p>After the publication of the Call for Proposals an Info Day is usually organised by the TEN-T EA and DG MOVE. The aim is to provide practical information about the funding opportunities of the respective Call and guidance on how to submit a successful project proposal.²⁰</p>
Project submission	<p>Member states of the European Union can submit project proposals to the TEN-T agency in line with the objective of the call and within a specific deadline (usually about 3 months). Moreover, international organisations, joint undertakings, public or private organisations can apply with the agreement of the Member States concerned.²¹</p>

2.1.2 Risk Analysis

The risk analysis is prepared by the applicant of the respective project and, hence, depends on national requirements and tools/methodologies for a specific evaluation of climate related risk. There are no specific performance standards, safeguards or assessments regarding climate change mitigation or adaptation at the European level for risk analysis.²²

Required documents for application	<p>Apart from the expected overall impact on the environment (see next row), no direct reference is made to climate change issues in the application forms.</p> <ul style="list-style-type: none"> • Application Form A <ul style="list-style-type: none"> ○ administrative information about the proposal and the applicants ○ brief description of the work and the characteristics of the applicant • Application Form B1 <ul style="list-style-type: none"> ○ Administrative Information ○ Financial and operational capacity ○ Compliance with relevant Union policy and law (incl. environmental legislation – see next row) • Application Form B2 <ul style="list-style-type: none"> ○ Technical information about the proposal <ul style="list-style-type: none"> ▪ Detailed description of activities and milestones ▪ Reference on how award criteria are planned to be fulfilled • Annexes as required in the application • Additional documents may be included as separate annexes²³ <p>Guidance on how to complete the application forms is provided in Annex 1 to 3 of the 2012 Guide for Applicants.</p>
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²⁰ http://tentea.ec.europa.eu/en/news_events/events/2012_ten-t_calls_for_proposals_info_day.htm

²¹ Art. 2 (7) of Regulation 680/2007 of the European Parliament and of the Council of June 2007 laying down general rules for the granting of Community financial aid in the field of European transport and energy networks.

²² Interview Judit Bertrand, DG MOVE, Interview Ignacio Ramallo, TEN-T EA.

²³ The application forms are available online at http://tentea.ec.europa.eu/en/apply_for_funding/follow_the_funding_process/annual_call_2011.htm

Compliance with EU environmental directives	<p>Compliance with relevant Union Law regarding:²⁴</p> <ul style="list-style-type: none"> • Environmental Impact Assessment (EIA) Directive²⁵ • Strategic Environmental Assessment (SEA) Directive²⁶ • Habitats Directive²⁷ • Birds Directive²⁸ • Water Framework Directive²⁹ <p>For TEN-T projects these issues are covered in Application Form Part B1, for TEN-E projects in Application Form Part D2.</p> <p><u>Climate change in SEA and EIA</u></p> <p>The EIA and SEA directives³⁰ request consideration of climatic factors as a potential significant effect on the environment. However, there is little evidence that this is implemented in practice as it is not a requirement for applicants to provide information on this issue. There is also no methodology available on how climatic factors could be included in these assessments. Currently DG ENV is not assessing climate change issues in the consultation process on infrastructure projects in either the EIA or SEA.³¹ The current lack of consideration of climatic factors in the EIA is also confirmed by a commission report.³²</p> <p>DG ENV has proposed measures to better take into account climate change considerations in the current review of the EIA directive (applicable for investments across the EU, including those of the EIB).³³ The proposal is currently under discussion in the Council.</p>
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2.1.3 Disclosure

In addition to the information on compliance with EU environmental legislation requested in application form Part B1, in the project application form Part B2 (Award criteria - Impact) it is required that applicants provide information on the expected overall impact on the environment. Applicants are required to list in detail the expected positive and negative environmental impacts of the action, e.g. support for environmentally friendly transport modes, reduction of fuel consumption or reduction of CO₂ emissions. The measures that are needed to monitor, prevent and mitigate negative environmental impacts must be stated in this section along with a cost estimation.³⁴ However, it is not compulsory to provide a specific estimate of GHG emissions or information on climate mitigation measures.

DG MOVE does not currently require the disclosure of adaptation costs or estimated GHG emissions of projects, in the appraisal processor as a reporting requirement. However, applicants are asked to provide data on GHG emission *reduction* for sustainable transport modes.³⁵ No specification on the methodology to calculate or report GHG reductions is provided.

²⁴ TEN-T Executive Agency 2012, p. 19; Presentation Fruzsina Ellenrieder, Environmental issues and TEN-E projects.

²⁵ Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment, as amended by 97/11/EC and 2003/35/EC.

²⁶ Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment

²⁷ Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora

²⁸ Directive 2009/147/EC on the conservation of wild birds

²⁹ Directive 2000/60/EC establishing a framework for Community action in the field of water policy

³⁰ Art. 3, Art. 5 and Annex IV of Directive 2011/92/EU; Art. 5 and Annex I of Directive 2001/42/EC.

³¹ E-Mail Communication with DG ENV. This applies to both TEN projects and cohesion/structural funds projects.

³² Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on the application and effectiveness of the EIA Directive, COM(2009) 378 final, 23.07.2009

³³ E-Mail Communication with DG ENV; Proposal for a Directive of the European Parliament and of the Council amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment, COM(2012) 628 final, 26.10.2012.

³⁴ TEN-T Executive Agency 2012b, p. 61.

³⁵ TEN-T Executive Agency 2012b, p. 61.

2.1.4 Options Assessment ³⁶

Projects are selected and identified by the Beneficiary (member state or other applicant on a Call for Proposals) and evaluated according to internal methodologies and / or requirements at the Member State level. Once applications have been received, the Commission, together with the TEN-T Executive Agency, evaluates the projects for community funding. **The main tool for the options evaluation is the scoring system for the award criteria.**

Eligibility check	<p>TEN-T EA</p> <p>TEN-T EA assesses the received proposals according to the eligibility criteria and excludes those ineligible.</p>
External evaluation:	<p>External Experts</p> <p>The TEN-T Executive Agency holds a briefing for the experts on the assessment of project proposals in terms of the overall award criteria (as provided by the applicants in Application Form B2) and compliance with EU environmental law. The briefing refers to the consultation of environmental authorities, development consent, the EIA and SEA Directive, Natura 2000 and the Water Framework Directive. However, no explicit reference to climate change is made.³⁷</p> <p>Award Criteria</p> <p>Projects that meet the eligibility criteria are evaluated against the following award criteria:</p> <ul style="list-style-type: none"> • Relevance – How does the action contribute to the TEN-T policy and the objectives of the calls? • Maturity – How advanced is the project planning? • Impact – What socio-economic effects and impacts on the environment does the activity entail? • Quality – Is the proposal complete and clear? Coherence between objectives, activities and resources? Project management structure? <p>In application form Part B2 a section on each of these 4 blocks is included and the Guide for Applicants provides detailed information on the scope of the award criteria.</p> <p>Each proposal is examined by at least three external experts in terms of the Award Criteria using a weighting and scoring methodology. Subsequently, experts convene in consensus meetings (moderated by TEN-T EA staff) to discuss and agree on a score and recommendation for each proposal. Experts are advised not to recommend proposals that score <3 points for one or more of the award criteria. The experts decide independently whether they suggest a project for TEN-T funding.³⁸</p>
Internal Evaluation Panel	<p>DG MOVE and TEN-T EA (DG ENV and other DGs if appropriate)</p> <p>The internal evaluation panel reviews all proposals and the expert report. At this point in the assessment, policy-related issues are taken into consideration in addition to the award-criteria.³⁹</p> <p>Simultaneously, DG ENV is granted access to the project documents and is given the opportunity to identify environmental related concerns.⁴⁰</p>
Evaluation Committee	<p>DG MOVE directors</p> <p>The Evaluation Committee takes a qualitative approach to assessing the</p>

³⁶ The Guide for Applicants provides a detailed overview of the appraisal process.

³⁷ Internal TEN-T EA documents.

³⁸ Interview Judit Bertrand, DG MOVE

³⁹ TEN-T Executive Agency 2012b, p. 26.

⁴⁰ Interview Ignacio Ramallo, TEN-T EA.

	Panel's list of proposals, makes modifications were considered appropriate and presents the final list of projects. ⁴¹
EC Consultation	DG ENV, DG REGIO An inter-service consultation is launched where other DGs (particularly DG ENV and DG REGIO) can comment on the final list of projects and verify compatibility with other policies. It is also intended to avoid double-financing of a project. (e.g. for the construction of a road to avoid that the beneficiary receives funds from TEN-T programme and the Cohesion Fund. A more common approach would be to have the study financed by TEN-T and the construction work with cohesion support. Or finance A to B with TEN-T and B to C with cohesion.)
Approval by Financial Assistance Committee (FAC)	Financial Assistance Committee The Member States representatives on the Financial Assistance Committee approve the final list of projects. They have the right to review all provided documents. ⁴²
European Parliament scrutiny	European Parliament The EP has a right of scrutiny and can oppose the list according to certain conditions. A framework decision is adopted where the selected projects, the amount of funding and the co-funding rates are listed.
Methodology	
CBA	A CBA is currently not required (I think is however recommended) by the TEN-T EA or DG MOVE for projects under the TEN-T programme as they involve relatively small volumes of finance. If a CBA is presented it is not part of the assessment conducted by the external experts. ⁴³
MCA	See above: The evaluation by external experts according to award criteria could be considered a type of Multi Criteria Analysis.

2.1.5 Design

There are no specific requirements regarding mitigation measures or climate proofing of the projects once they are approved / selected. Moreover, no climate relevant design manuals or procurement policies are in place. EU Procurement procedures as outlined in Directive 17/2004 are applicable. ⁴⁴

2.1.6 Monitoring and Evaluation

Member States are responsible for technical monitoring and financial control of projects in close collaboration with the Commission. ⁴⁵ Projects are monitored regarding whether they are implemented as outlined in the project proposal. Beneficiaries have to prepare an annual report, which is sent to DG MOVE. If the construction is not finished or not implemented with the specified technical conditions, EU support is withdrawn. The TEN-T EA visits and examines the project once it has been built/established. Five years after project completion, the concerned MS is required to carry out an impact assessment of the project (including socio-economic and environmental impacts), and inform the Commission about the results. ⁴⁶

Reduction in CO₂ emissions *may be* established as an indicator for project success for (sustainable) transport projects. No methodology for the reporting is provided by DG MOVE. ⁴⁷

In general, Beneficiaries are not required to report on the GHG emissions of the project.

⁴¹ Interview Ignacio Ramallo, TEN-T EA.

⁴² Interview Judit Bertrand, DG MOVE.

⁴³ E-Mail communication with Ignacio Ramallo, TEN-T EA.

⁴⁴ Art. 12, Regulation No 680/2007; http://ec.europa.eu/energy/infrastructure/grants/doc/2012/2012_ten_e_call_faq.pdf

⁴⁵ Art. 11, Regulation No 680/2007.

⁴⁶ Art. 27 of Decision No 661/2010/EU of the European Parliament and of the Council of 7 July 2010 on Union Guidelines for the development of the trans-European transport network.

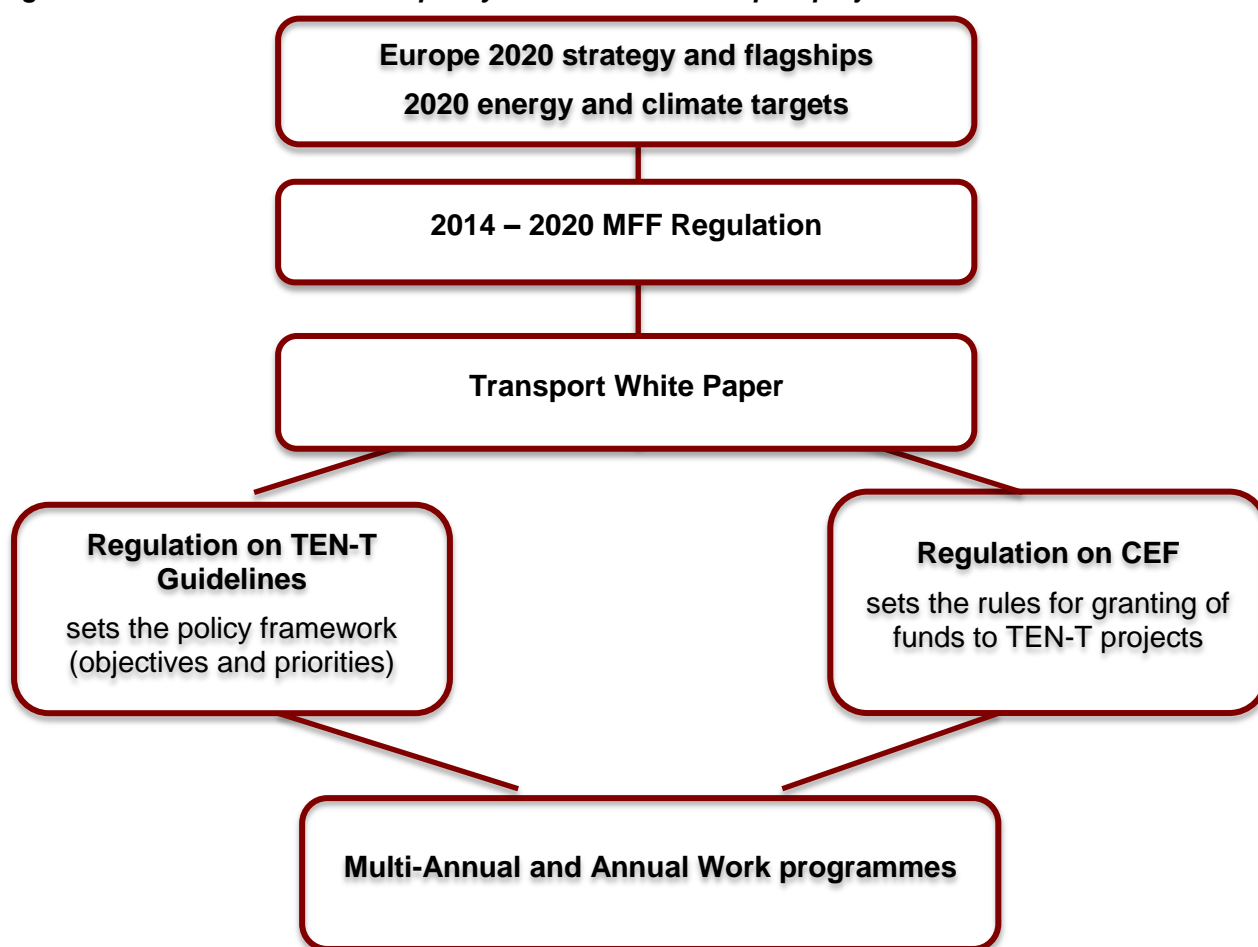
⁴⁷ TEN-T Executive Agency 2012b, p. 33.

Annex 3: Application of investment framework to TEN-T projects CEF

3.1 Policy

CEF is part of a larger, new “European infrastructure package”, which includes a set of revised policy guidelines in each of the energy, transport and ICT sectors. The CEF will constitute the common financial framework establishing the rules according to which EU financial support will be awarded to support these policy objectives.

Figure A3-1 Overview of the CEF policy framework for transport projects



Source: Presentation provided by DG MOVE

Policy	The Europe 2020 Strategy and the 20-20-20 energy and climate change targets as well as the 2014-2020 MFF Regulation provide general policy objectives for the CEF (proposal). ⁴⁸
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⁴⁸ Proposal for establishing the Connecting Europe Facility COM (2011) 665, 19.10.2011, p. 3-4. Proposal for a Council Regulation laying down the multiannual financial framework for the years 2014 – 2020, COM (2011) 398 final, 29.06. 2011.

	<p>In the field of <u>transport</u>, the new Transport White Paper 2011⁴⁹ provides a roadmap for transport initiatives with ambitious goals, amongst others, in the field of cutting carbon emissions.</p> <p>In the field of <u>energy</u>, the Communication “Energy infrastructure priorities for 2020 and beyond – a Blueprint for an integrated energy network” (adopted in November 2010) provides the framework for the new TEN-E Guidelines.</p> <p>The Annex to the Proposal for establishing the CEF provides a list of priority projects and corridors. A list of pre-identified CEF projects in the field of transport is available online.⁵⁰</p> <p>For the MFF 2014 – 2020, the Commission has committed to direct at least 20 % of the overall Union budget to climate-related objectives.⁵¹</p>
Guidelines	<p>In addition, the Regulation on the Connecting Europe Facility sets the rules for the granting of funds to TEN-projects.</p> <p>For each sector (transport, energy, ICT), new Guidelines are proposed in line with the CEF and the respective sector policies. They will constitute the policy framework for financing projects under the new facility.⁵² The new TEN-E Guidelines were recently agreed on.⁵³</p>
Work Programmes	<p>The Commission defines work programmes for each sector – as was the case in the previous decision models. They will be based on the new TEN-T and -E Guidelines and the Regulation of the CEF.</p>
Climate Change Target	<p>There is no specific climate change lending target set for the CEF. However, it is mentioned in the Proposal for the CEF regulation that achieving the 20-20-20 target constitutes one of the objectives of the facility.</p> <p>The proposed TEN-E guidelines explicitly mention the goal of reducing GHG emissions: “This regulation ... contributes to sustainable development and protection of the environment by enabling the Union to achieve its targets of a 20% reduction of greenhouse gas emissions, 20% increase in energy efficiency and 20% of renewable energy in final energy consumption by 2020.”⁵⁴</p> <p>The proposed TEN-T guidelines go a step further and specifically mention the role of TEN-T projects to the goal of reducing GHG emissions in the transport sector by 60 % by 2050.⁵⁵ This is in line with the Transport White Paper.⁵⁶ This is a key driver of the TEN-T Policy. The upcoming TEN-T call for proposals includes projects that serve this goal.⁵⁷</p> <p>Both sets of guidelines also specifically mention the need to take into consideration of the climate and disaster resilience of the projects.</p>

⁴⁹ COM 2011 (144) final.

⁵⁰ <http://ec.europa.eu/transport/themes/infrastructure/connecting/doc/revision/list-of-projects-cef.pdf>

⁵¹ Commission Communication, A Budget for Europe 2020, COM (2011) 500 final, 29.6.2011.

⁵² Proposal for establishing the Connecting Europe Facility, p. 1.

⁵³ Proposal for a Regulation for trans-European energy infrastructure, 2011/0300 (COD), 05.12.2012.

⁵⁴ Proposal for a Regulation for trans-European energy infrastructure, COM (2011) 658 final, p. 2.

⁵⁵ Proposal for a Regulation on Union guidelines for the development of the Trans-European transport network.

⁵⁶ http://ec.europa.eu/transport/themes/strategies/2011_white_paper_en.htm; Transport White Paper, COM (2011) 144 final.

⁵⁷ Interview Judit Bertrand, DG MOVE. See also:

http://tentea.ec.europa.eu/en/apply_for_funding/follow_the_funding_process/calls_for_proposals_2012.htm

3.1.1 Project Origination

3.1.1.1 Knock-out criteria

Currently, there is no explicit climate-change related knock-out criteria planned under the CEF – for transport, or energy.⁵⁸ There are also no other such formal criteria in place. Projects have to be eligible and be in line with the policy objectives and priorities as set forth in the work programmes. However, it should be noted that CEF will finance as a matter of priority the projects and areas identified in the CEF Annex: horizontal priorities, core network corridors, and other important cross-border sections, which focus largely on environmentally-friendly modes of transport (rail and inland waterways). Also, the EU funding rates are adapted so as to benefit such modes.

3.1.1.2 Eligibility criteria

The TEN Regulation 680/2007 that will outline the eligibility criteria for CEF is under revision for the new financing period.

Eligible applicants	As was the case under the previous TEN-T/E processes, Member States can apply, as well as international organisations, joint undertakings, or public and private undertakings or bodies established in Member States can apply with the agreement of the MS concerned. ⁵⁹
Co-financing rates	<p>The co-financing rate for <u>energy projects</u> is 50 % of the eligible cost of studies and/or works. Co-financing rates can increase to up to 80 % for projects that provide a high degree of regional or Union-wide security of supply, or strengthen solidarity of the Union or comprise highly innovative solutions.⁶⁰</p> <p>The co-financing rates for <u>transport projects</u> are 50 % for studies, 20 % for works with the exception of actions addressing bottlenecks that can receive up to 30 % and actions concerning cross-border sections (40%).⁶¹</p> <p>Co-financing rates may be increased by up to 10 % for actions with climate mitigation objectives that enhance climate resilience or reduce greenhouse gas emissions. The increase does not apply to projects that are financed with the funds that are earmarked from the Cohesion Fund.⁶²</p>

Please refer to sections **Error! Reference source not found.** and **Error! Reference source not found.** in the main report for further information on the type of projects eligible under TEN-T and TEN-E.

3.1.1.3 Project Identification

Projects need to be part of the list of projects of common interest in order to be eligible for funding. Projects will be identified via call for proposals, which are carried out with support of an Executive Agency – similar to current TEN-T processes (see sections **Error! Reference source not found.** and **Error! Reference source not found.** in the main study report).

3.1.2 Risk Analysis

A draft application form for CEF projects is not available yet. As already mentioned, the methodology for transport projects will probably not undergo major changes in terms of processes (see section **Error! Reference source not found.** in the main study report). An overview of the general procedures for energy projects is outlined in section 7.4 in the main report.

⁵⁸ Interview Judit Bertrand, DG MOVE; Interview Nicole-Nabi Siefken, DG ENER.

⁵⁹ Art. 9 of the Proposal for establishing the Connecting Europe Facility, COM(2011) 665, 19.10.2011.

⁶⁰ Art. 10 (3) of Proposal for a Regulation establishing the Connecting Europe Facility, COM (2011) 665, 19.10.2011.

⁶¹ Art. 10 (2) of Proposal for a Regulation establishing the Connecting Europe Facility, COM (2011) 665, 19.10.2011.

⁶² Art. 10 (5) of Proposal for a Regulation establishing the Connecting Europe Facility, COM (2011) 665, 19.10.2011.

3.1.3 Disclosure

The GHG **reduction potential of sustainable transport and energy projects** will have to be disclosed to the Commission. However, the methodology for measuring the emission reductions is not yet in place.⁶³

Project beneficiaries are not required to estimate measure or disclose the overall GHG emissions of the project as the Regulation on CEF is currently drafted.

3.1.4 Options Assessment

Regarding transport projects, the Parliament voted on the draft proposal for a regulation establishing the Connecting Europe Facility, which requests the Commission to

- develop a methodology for a socio-economic cost-benefit analysis
- and a climate impact assessment for TEN-T projects.⁶⁴

The proposal has not yet undergone Council approval.⁶⁵

The procedure for the options evaluation of TEN energy projects is discussed in section **Error! Reference source not found.**

3.1.5 Design

The inclusion of climate change aspects into design and procurement manuals is not in place for TEN-T and TEN-E projects and currently not planned under CEF.⁶⁶ EU Procurement procedures as outlined in Directive 17/2004 are applicable.⁶⁷

3.1.6 Monitoring and Evaluation

The reporting requirements for TEN-T and TEN-E projects under CEF will be strengthened to be able to measure project success regarding reaching the EU 20-20-20 targets. The following indicators will be established to measure CEF impact for this objective:

- Reduction of greenhouse gas emissions
- Increase in energy efficiency
- Share of renewable energy

In the field of transport, the methodology for all three criteria remains to be developed. In the field of energy, the methodology for measuring the GHG emission reductions still has to be developed.⁶⁸ No information was found in the proposed regulation whether the information once reported will be made publicly available.

Beneficiaries have to provide reports on a regular basis on the action implemented under CEF. The Commission can also request specific evaluations of actions and linked projects under the CEF regulation.⁶⁹

The CEF programme will be monitored via an interim evaluation of the Regulation, which includes a performance review. Mid-term reviews of multi-annual work programmes will be conducted. The CEF proposals also allows for an evaluation of the methods of carrying out projects and the impact of their implementation with the aim to assess if the objectives (including the ones relating to environmental protection) have been reached.

⁶³ Proposal for a Regulation establishing the Connecting Europe Facility, COM (2011) 665, 19.10.2011, p. 59 and 61.

⁶⁴ Interview Nina Renshaw, Transport & Environment; Interview Nils Danklefsen, European Parliament.

⁶⁵ Interview Nina Renshaw, Transport & Environment; Interview Nils Danklefsen, European Parliament.

⁶⁶ Interview Judit Bertrand, DG MOVE; Interview Nicole-Nabi Siefken, DG ENER.

⁶⁷ Art. 12, Regulation No 680/2007; http://ec.europa.eu/energy/infrastructure/grants/doc/2012/2012_ten_e_call_faq.pdf

⁶⁸ Proposal for a Regulation establishing the Connecting Europe Facility, COM (2011) 665, 19.10.2011, p. 59.

⁶⁹ Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility, COM (2011) 665, p. 70.

Annex 4: Application of investment framework to TEN-E Projects under CEF

The investment framework developed in Task 4 (section 6) was applied to the TEN-E programme under the CEF. The decision making framework under the TEN-E is given in Figure A4-2.

4.1 Policy

See section **Error! Reference source not found.** in the main study report.

4.1.1 Project Origination

4.1.1.1 Knock-out criteria

See section **Error! Reference source not found.** in the main study report.

4.1.1.2 Eligibility criteria

Projects in the field of energy *infrastructure* are financed under CEF. This includes electricity transmission lines, gas, CO₂ and oil pipelines, Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG) reception facilities and electricity and gas storage.⁷⁰ See section **Error! Reference source not found.** (in the main study report) for general eligibility criteria.

4.1.1.3 Project Identification

Ten-Year Network Development Plan (TYNDP)	Projects should be part of the latest available ten-year network development plan (TYNDP) that is prepared by the European network of transmission system operators for gas (ENTSOG) and the European network of transmission system operators for electricity (ENTSOE) in close collaboration with DG ENER, regional groups, the concerned member states and the Agency for the Cooperation of Energy Regulators (ACER). ⁷¹ The regional groups are comprised of MS representatives, national regulatory authorities, transmission system operators, the Commission, the agency, and the ENTSO. The ten-year network development plans are the basis for the Union-wide projects of common interest (PCI) list. The development plan is updated every two years and projects are appraised in detail at that stage already. ⁷²
Call for Proposals	It is planned that the TEN-E Executive Agency (yet to be established) will issue call for proposals based on DG ENER's annual work programme, which in turn builds on the TYNDP.
Beneficiary	Beneficiaries in the Member States – usually transmission system operators – select projects for submission under the call for proposals.

⁷⁰ European Commission 2012, Connecting Europe Facility, p. 11.

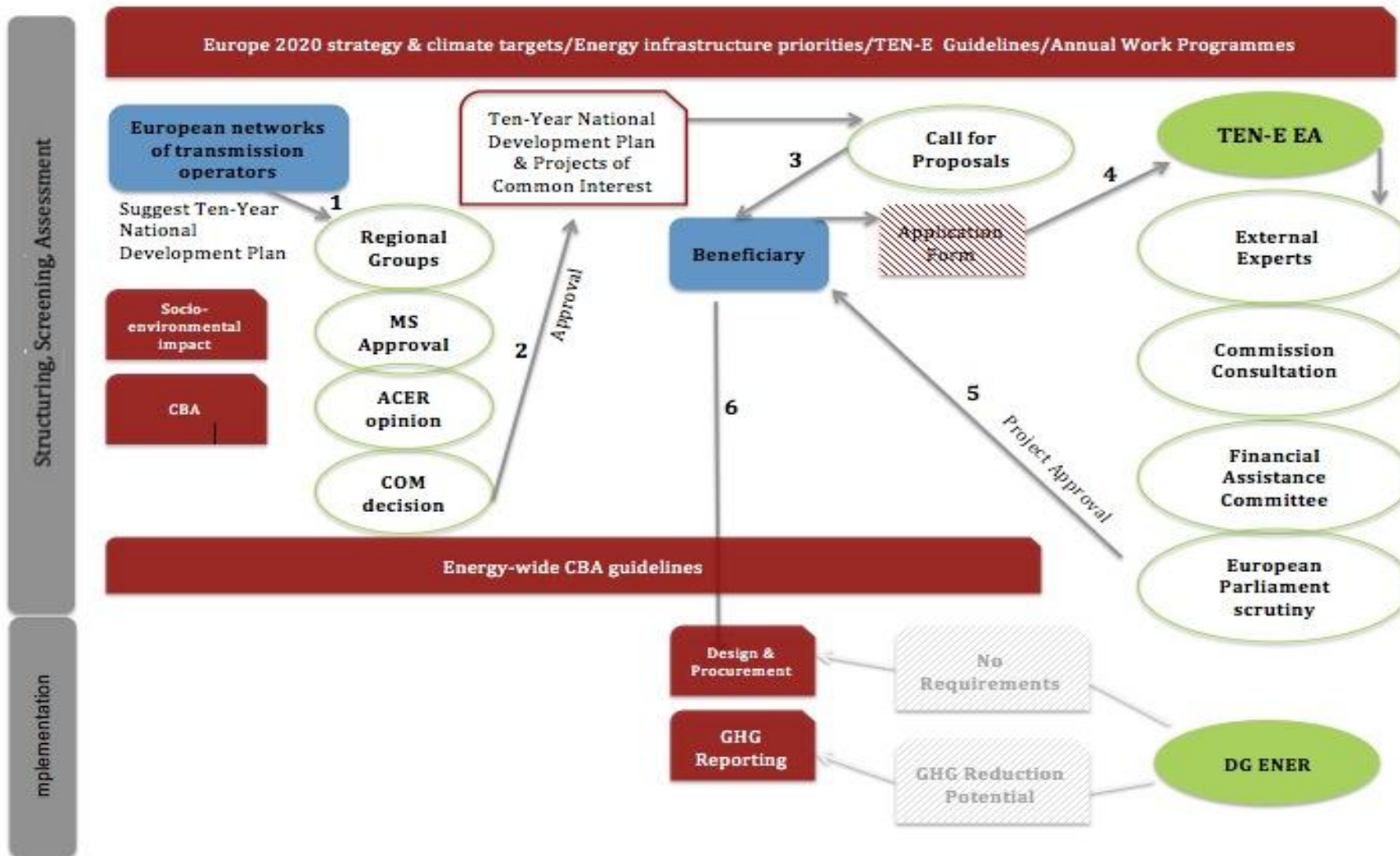
⁷¹ Para 16 of the Proposal for a Regulation on guidelines for trans-European energy infrastructure, 2011/0300 COD; The regional groups are already in place and are being institutionalised by the new TEN-E Guidelines.

⁷² The TYNDP 2012 for electricity infrastructure is available at <https://www.entsoe.eu/system-development/tyndp/tyndp-2012/>

Figure A4-1 Project Identification TEN-E

Source: European Commission (2012): Connecting Europe Facility, p. 11.

Figure A4-2 Overall decision process under TEN-E



4.1.2 Risk Analysis

No information could be obtained if a climate vulnerability assessment is to be conducted, although the guidelines do mention the need to take into consideration the climate resilience of the EU-funded projects.

The risk analysis is part of the project identification for the TYNDP conducted by the ENTSOs and may also depend on external experts as is the case with TEN-T projects. Projects need to comply with EU environmental law.

4.1.3 Disclosure

See section **Error! Reference source not found.** in the main study report.

4.1.4 Options Assessment

The main decision tool is the cost-benefit analysis (see details regarding CBA application in the table below).

Ten-Year Network Development Plan (TYNDP)	
CBA	A cost-benefit analysis is already conducted for the identification of the projects that will be suggested for the TYNDP by the transmission operators. Only issues of climate change <i>adaptation</i> (and not mitigation) are considered in the CBA, however there is currently no common methodology in place for the inclusion of adaptation considerations within the CBA, and currently this is done on a case-by-case basis. ⁷³ The CBA is the main decision tool at this level of project selection. Environmentally harmful projects can and are excluded on the basis of the CBA results. ⁷⁴
MCA	In addition, a multi-criteria analysis against the following criteria is conducted for energy projects ⁷⁵ : <ul style="list-style-type: none"> • Grid transfer capacity increase • Socio-economic welfare • RES (Renewable energy sources) integration • Improved security of supply • Losses variation • CO₂ emissions mitigation • Technical resilience • Flexibility • Social and environmental impact • Project costs <p>A detailed overview of the appraisal process of the European network of transmission operators is provided in the ten-year network development plan 2012⁷⁶</p>
Commission evaluation	
External experts	Similar to the current TEN-T process, external experts will evaluate the proposals to the CEF according to a clear set of criteria to the objectives of the call. ⁷⁷ No information was found regarding the exact criteria. No further information could be obtained on the exact appraisal process by

⁷³ Interview Nicole-Nabi Siefken, DG ENER.

⁷⁴ Interview Nicole-Nabi Siefken, DG ENER.

⁷⁵ ENTSO-E 2012, p.36.

⁷⁶ Available online at <https://www.entsoe.eu/system-development/tyndp/tyndp-2012/>

⁷⁷ European Commission 2012, Connecting Europe Facility, p. 10.

	<p>the external experts.</p> <p>Two key principles form the basis of the call: equal treatment and transparency.</p>
Commission consultation	Other relevant DGs will be consulted on the projects. No information could be obtained which DGs exactly will participate. ⁷⁸
Energy system-wide CBA	<p>The revised TEN-E Guidelines require the development of a harmonised methodology for system-wide energy cost-benefit analysis.</p> <p>For <u>electricity transmission and storage</u>, the CBA should take into account, amongst others,</p> <ul style="list-style-type: none"> • greenhouse gas emissions over the technical lifecycle of the project and • system resilience, including climate resilience.⁷⁹ <p>For <u>gas</u>, the CBA should take into account, climate resilience considerations amongst others.⁸⁰</p> <p>The methodology for the CBA is yet to be developed by the ENTSOs for gas and electricity. Prior to submitting their methodologies, the ENTSOs should conduct an extensive stakeholder consultation procedure.⁸¹</p> <p>An overview of the methodology used for the development of the ten-year national development plan for energy infrastructure in the field of electricity is available online. https://www.entsoe.eu/major-projects/ten-year-network-development-plan/tyndp-2012/</p>

4.1.5 Design

The inclusion of climate change aspects into design and procurement manuals is not in place for TEN-T and TEN-E projects and currently not planned under CEF.⁸²

4.1.6 Monitoring and Evaluation

See Monitoring and Evaluation guidelines in section **Error! Reference source not found.** (under CEF) for further information..

4.1.7 Areas for future studies

The ENTSOs play an important role in the project identification of TEN-E projects. Further research would be required in order to assess their guidelines and methodologies in detail.

⁷⁸ European Commission 2012, Connecting Europe Facility, p. 10.

⁷⁹ Annex V (6) of the Proposal for a Regulation on guidelines for trans-European energy infrastructure, 2011/0300 COD.

⁸⁰ Annex V (7) of the Proposal for a Regulation on guidelines for trans-European energy infrastructure, 2011/0300 COD

⁸¹ Art. 12 of the Proposal for a Regulation on guidelines for trans-European energy infrastructure, 2011/0300 COD. For the current state in the gas sector see:

http://www.entsoe.eu/events/TYNDP6/download/INV%20_121018_CBA%20methodology_progress%20and%20next%20steps.pdf

⁸² Interview Judit Bertrand, DG MOVE, Interview Nicole-Nabi Siefken, DG ENER.

Annex 5: Application of investment framework to Cohesion Fund (CF) and European Regional Development Fund (ERDF)

5.1 Policy

The goal of the Cohesion Fund and the European Regional Development Fund is to strengthen economic and social cohesion and contribute to the harmonious, balanced and sustainable development of the European Union.

<p>Policy</p>	<p>The Cohesion and European Regional Development Fund have the following three objectives:</p> <ul style="list-style-type: none"> • Convergence • Regional Competitiveness • Employment and Territorial Cooperation <p>and thereby incorporating the Community's priorities for sustainable development.⁸³</p> <p>The Funds provide assistance that complements national action, including at a regional and local level, consistent with EU policies and priorities. Climate change is mentioned as a topic that is supported by the CF and ERDF in the proposal for a Regulation covering the CF and ERDF:</p> <ul style="list-style-type: none"> • supporting the shift towards a low-carbon economy in all sectors; • promoting climate change adaptation, risk prevention and management; • protecting the environment and promoting resource efficiency; promoting sustainable transport and removing bottlenecks in key network infrastructures;⁸⁴
<p>Community Strategic Guidelines⁸⁵</p>	<p>The priorities and objectives of the cohesion policy are defined in the "Community strategic guidelines for cohesion" for the period 2007- 2013. The current strategic priorities (for MFF 2007-2013) are:</p> <ul style="list-style-type: none"> • improving the attractiveness of regions and cities in the Member States; • encouraging innovation, entrepreneurship and growth in the knowledge economy; and • creating more and better jobs. <p>The goal of sustainable development and environmental protection needs to be taken into account in preparing programmes and projects.⁸⁶</p> <p>In the field of <u>transport</u>, environmentally sustainable transport networks should be promoted.</p> <p>In the field of <u>energy</u>, energy efficiency projects, the development and use of renewable energies should be supported. However, the guidelines also point to the need of "Concentrating investment in traditional energy sources to develop the network where there is evidence for market failure" in the Convergence regions.⁸⁷</p>

⁸³ Council Regulation (EC) No [1083/2006](#) of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

⁸⁴ Proposal for a Regulation repealing Council Regulation (EC) No 1083/2006, COM (2011) 615 fina.

⁸⁵ Council Decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC).

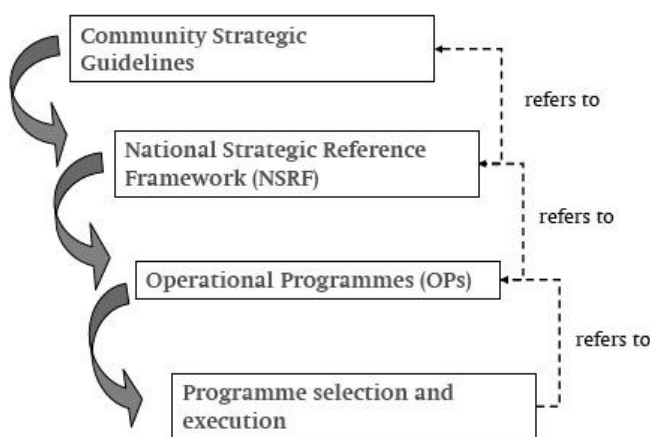
⁸⁶ Annex of the Council Decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC), para 1.

⁸⁷ Council Decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC), para 1.1.

	<p>Different policy priorities are weighed at the level of the Operational Programmes (see line on Operational Programmes below).</p> <p>Figure A5-1 gives an overview of how the Community Strategic Guidelines relate to the National Strategic Reference Framework and the Operational Programme and, hence, inform project selection.</p>
National Strategic Reference Framework	<p>The eligible Member States adopt a national strategic reference framework on the basis of the strategic guidelines, which serves as the base for proposing projects financed by the Cohesion Fund and the ERDF.</p>
Operational Programmes (Ops)	<p>On the basis of the strategy documents, eligible Member States draw up operational programmes which give the framework under which they can apply for funding. Each programme covers only one of the three objectives and can only receive funding from one Fund. The Operational Programme sets up budgets for each general objectives.</p> <p>The National Strategic Reference Framework and the Operational Programmes have to be adopted by the Commission before implementation.</p> <p>For each operational programme the MS designates:</p> <ul style="list-style-type: none"> • a managing authority (a national, regional or local public authority or a public or private body which manages the operational programme); • a certifying authority (a national, regional or local public authority or body which certifies statements of expenditure and applications for payment before they are sent to the Commission); • an audit authority (a national, regional or local public authority or body designated for each operational programme and responsible for verifying the effective functioning of the management and control system).
Programme selection and execution	<p>The selection of projects is done at a Member State level as outlined in section Error! Reference source not found..</p>

Figure A5-1 Planning instruments of the European Cohesion Policy

Vertical Hierarchization – Cascaded Planning Instruments



Source: Becker 2009, p. 16.

5.1.1 Project Origination

5.1.1.1 Knock-out criteria

Projects under the CF/ERDF need to be part of the list of eligible projects, which serves as a kind of knock-out list as only renewable energy production projects are financed.

5.1.1.2 Eligibility criteria

Eligible beneficiaries	A Beneficiary can be a public or private body or firm within a Member State or European region.
Eligible projects	<p>The following activities can be financed under the <u>Cohesion Fund</u>:</p> <ul style="list-style-type: none"> • Environmental projects • Trans-European transport networks (with a focus on the priority projects) <p>The <u>ERDF</u> finances:</p> <ul style="list-style-type: none"> • direct aid to investments in companies (in particular SMEs) to create sustainable jobs; • infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport; • financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions; • technical assistance measures. <p>Eligible project categories: The regulation on the ERDF and the Cohesion Fund provides a list of project categories that are eligible for funding:</p> <p><u>Transport:</u></p> <ul style="list-style-type: none"> • Railways (incl. TEN-T) • Motorways (incl. TEN-T) • Multimodal transport (incl. TEN-T) • Intelligent transport systems • Airports • Ports • Inland waterways (TEN-T) <p><u>Energy:</u></p> <ul style="list-style-type: none"> • Electricity (TEN-E) • Natural gas (TEN-E) • Petroleum products (TEN-E) • Renewable energy (wind, solar, biomass, hydroelectric, geothermal and other) • Energy efficiency (co-generation), energy management⁸⁸
Per capita GDP	<p>For the ERDF only the following regions are eligible for funding:</p> <ul style="list-style-type: none"> • Per capita GDP is below 75 % of the European average • Regions where per capita GDP has risen above 75 % can benefit from transitional, specific and degressive financing <p>For the Cohesion Fund:</p> <ul style="list-style-type: none"> • Per capita GDP is below 90 % of the European average, and the MS is running economic convergence programmes • Regions where per capita GDP has risen above 90 % can benefit from transitional, specific and degressive financing
Co-finance rates	<p>The following maximum co-finance rates apply:</p> <ul style="list-style-type: none"> • 75 % of public expenditure co-financed by the ERDF. The ceiling can be raised to 80 % where the eligible regions are located in a Member State covered by the Cohesion Fund, and even to 85 % in the case of the outermost regions; • 85 % of public expenditure co-financed by the Cohesion Fund; • 50 % of public expenditure co-financed in the outermost regions (a new

⁸⁸ Annex IV of Council Regulation (EC) No 1083/2006 laying down general provisions of the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

	additional allocation from the ERDF to compensate for excess costs).
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5.1.2 Project Identification

Project Selection	<p>Project identification is driven by the priorities as outlined in the Operational Programmes.⁸⁹ The overall responsibility for choosing projects remains at the national level. The principle of shared management is applied: Projects are selected and designed at the Member State level. The Commission sets the overall strategy and negotiates with the MS what objectives and targets should be reached.</p> <p>New Member States are supported by JASPERS who help them in the design and conception phase.</p>
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5.1.3 Risk Analysis

The risk analysis is conducted by the project promoter (usually with the support of external consultants). For major projects over € 50 million DG REGIO assesses whether they are feasible and worth co-financing.⁹⁰

No climate-change related requirements from DG REGIO – apart from compliance with EU (environmental) law – were found. If climate change is considered a major risk to the project, then it has to be evaluated and managed accordingly.

Required information for the application	<p>For major projects (> € 25 million for environmental projects and > € 50 million in other fields), the MS or the managing authority needs to provide:</p> <ul style="list-style-type: none"> • Information on the implementing body • Description of the project • Results of the feasibility studies • Timetable of the project • CBA • Analysis of the environmental impact • Justification for the public contribution • Financial plan, including funding from other sources • Indicators (physical, socio-economic) • Compliance (EIA/Natura 2000/Procurement/State aids)⁹¹ <p>The <u>application form</u> requires in part F that information be provided on the environmental impact: <i>“How does the project</i> <i>(a) contribute to the objective of environmental sustainability (European climate change policy, halting loss of biodiversity, other...);</i> <i>(b) respect the principles of preventive action and that environmental damage should as a priority be rectified at source;</i> <i>(c) respect the “polluter pays” principle”.</i>⁹²</p> <p>The cost of measures taken for correcting negative environmental impacts needs to be provided in part F6.</p> <p>No other reference to climate change mitigation or adaptation is made.</p> <p>Smaller projects that are within the scope of the operational programme are not further checked by the Commission.</p>
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5.1.4 Disclosure

⁸⁹ E-Mail Communication with Mateusz Kujawa, 14 January 2013.

⁹⁰ Interview Mateusz Kujawa and Wolfgang Munch, DG REGIO, 10 October 2012.

⁹¹ Art. 40 of Regulation (EC) No 1083/2006 laying down general provisions on the ERDF, the ESF and the Cohesion Fund; Application form.

⁹² Application form, p. 19, available at http://ec.europa.eu/regional_policy/projects/major_projects/index_en.cfm

Project beneficiaries are not required to estimate measure or disclose the GHG emissions of the project.

5.1.5 Options Assessment

DG REGIO is appraising all project applications regarding the eligibility criteria and the criteria as outlined in the section “Quality Appraisal”. Only projects over € 50 million (major projects) are reviewed in-depth by DG REGIO, whereas projects with lower investment volumes are not assessed further by the Commission.

For each major project an options evaluation is conducted. The main decision tool is the cost benefit analysis, which needs to comply with the DG REGIO 2008 CBA Guidelines. After DG REGIO approved the project, the project documents are forwarded to other DGs for comments. DG REGIO adopts the final decision.

The overall appraisal procedure and the rules regarding the CBA are the same for Cohesion Fund and ERDF.

<p>Quality Appraisal</p>	<p>The application is appraised by DG REGIO according to the following criteria:</p> <ul style="list-style-type: none"> • Value for money • Contribution to policies in environment and transport • Compatibility and consistency with EU policy and other funding instruments • 50 % of projects should be located to environmental projects, 50 % to TEN-T projects (this will be more mixed in the future and will include other sectors).⁹³
<p>CBA</p>	<p>DG REGIO and JASPERS support are ensuring that projects are desirable and sustainable and help to avoid major misspending in EU Member States.</p> <p>DG REGIO provides CBA Guidelines for the ex-ante evaluation of projects to the MS managing authorities.⁹⁴ However, there is no audit required to ensure compliance with the guidelines. The influence of the Commission is greater in new Member States, where sometimes 100 % of public investment is provided by the Cohesion and Structural Funds and JASPERS is supporting project design.</p> <p>The CBA is either conducted with JASPERS support, by the managing authority of the Member State or it is outsourced. The use of CBA and the methodology used differs widely from MS to MS. Some countries are more advanced than others in the application of CBA and have good national and sector guidance available. The goal is to improve the appraisal process in MS with currently weak methodologies and tools.</p> <p>Climate change is taken into account in cost benefit analysis for major projects, primarily for evaluating environmental impacts and climate change costs, for more details see: 2008 CBA guide, pages 230-231. However, there is no systematic methodology in place to include climate change considerations in the CBA. Climate change could also be addressed as part of the Environmental Impact Assessment for projects with obvious negative climate-related impacts. The climate change related assessment as part of the EIA is very weak and usually not carried out in practice as discussed in section Error! Reference source not found...</p> <p>JASPERS will play an important role for the future revision of CBA guidelines, as they have good experience working with different MS and a good overview of national methodologies.</p>

⁹³ E-Mail Communication with Mateusz Kujawa, 09 January 2013. Presentation by DG REGIO, available at http://www.google.de/url?sa=t&rct=j&q=&esrc=s&source=web&cd=6&ved=0CGkQFJAF&url=http%3A%2F%2Fec.europa.eu%2Fregional_policy%2Fsources%2Fslides%2F2007%2Fcoh_fund.ppt&ei=4ujOUP_zLsnc4QT89oHYCQ&usq=AFQjCNGyAf-HcUf3THhPeWH4RnbDmnOMfw&bvm=bv.1355325884.d.bGE

⁹⁴ http://ec.europa.eu/regional_policy/sources/docgener/guides/cost/guide2008_en.pdf

EC Consultations	An internal consultation with DG Environment and DG Competition is conducted. Depending on the sector, also other DGs can be involved, e.g. DG Mobility and Transport, DG Energy, DG Research etc. They receive all the documents accompanying the application such as the feasibility Study and CBA, documents concerning EIA and Natura 2000, etc.. There are usually two inter-service consultations i.e. on the quality of the application and on the draft decision concerning the major project. ⁹⁵
JASPERS	EIB through JASPERS initiative is involved in project support (only for 12 "new" members states) and always issue an opinion for projects they support in preparation. ⁹⁶
External consultants	In addition, external consultants can be called in to evaluate major projects coming from all member states if needs be (complicated set-up, technically complicated etc.). ⁹⁷
No involvement of the European Parliament	The European Parliament is not involved in the appraisal system but they have a right to ask questions concerning projects and they also receive periodic monitoring of projects. ⁹⁸

5.1.6 Design

No climate change related design and procurement manuals are in place. Beneficiaries need to comply with EU Procurement rules, which do not include requirements regarding climate change either.

5.1.7 Monitoring and Evaluation

The monitoring of projects is within the national responsibility of the Member State. Member States need to send annual and final reports to DG REGIO for each operational programme and in each of these reports there is also a section on major projects.

Only projects with a budget over €50 million are monitored by the Commission (mainly in annual reports, final reports, at monitoring committees), whereas projects with smaller budgets remain under the sole responsibility of the Member States.⁹⁹

⁹⁵ E-Mail Communication Mateusz Kujawa, 14 January 2013.

⁹⁶ E-Mail Communication Mateusz Kujawa, 14 January 2013.

⁹⁷ E-Mail Communication Mateusz Kujawa, 14 January 2013.

⁹⁸ E-Mail Communication Mateusz Kujawa, 14 January 2013.

⁹⁹ Interview Mateusz Kujawa and Wolfgang Munch, DG REGIO, 10 October 2012, E-Mail Communication with Mateusz Kujawa, 09 January 2013.

Annex 6: Application of Investment Framework to NIF

6.1 Policy

Projects financed under the NIF need to support:

- the European Neighbourhood Policy (ENP)
- and the respective ENP Action Plans
- NIF Strategic Orientations

European Neighbourhood Policy (ENP)	The ENP, developed in 2004 and renewed in 2011, forms the basis of the NIF. The NIF is one of the tools under the ENP to strengthen EU support to the economic development of its neighbours.
ENP Action Plans	For each country, Action Plans are in place that jointly defines an agenda of political and economic reforms and actions under the framework of the European Neighbourhood Facility. ¹⁰⁰ They are the key ENP operational tools.
NIF Strategic Orientations	<p>The NIF focuses on the following strategic objectives:</p> <ul style="list-style-type: none"> • Energy and transport infrastructure • Environment, including climate change • Support for SMEs and the private sector <p>For each objective, criteria for priority projects are established. (See Annex 2). Projects focusing on climate change mitigation and adaptation, as well as projects enhancing climate resilience of infrastructure are highlighted as a priority in the NIF Strategic Orientations 2011 – 2013 under objective 2 (Environment),¹⁰¹ The other priorities in the field of environment are environmental projects with cross-border effects, other regional or sub-regional operations, projects in the fields of flood control, drought management, waste treatment plants/facilities, soil erosion, soil contamination, and ecosystem restoration.</p>
Climate Change Window	<p>Projects under the CCW need to support investments in the field of mitigation (GHG reduction, energy efficiency, renewable energy etc.) or adaptation (vulnerability reduction, adaptation technologies, etc.). Projects that fall under Rio Marker 1 and 2 are considered a CCW project (see below).¹⁰²</p> <p>Only projects with Rio Marker 2 are eligible to be financed under the additional allocation (in 2011, € 17.3 million) for Climate Change mitigation and/or adaptation.</p> <p>Projects with no climate change objective (Rio Marker 0) can be financed with NIF resources.</p> <p>If a project is marked as Rio Marker 1 and it is financed with NIF resources, 40% of the NIF contribution is counted as an action for the mitigation/adaptation to climate change effects. If the project is marked as Rio Marker 2 and it is financed with NIF resources, the 100% of the NIF</p>

¹⁰⁰ http://ec.europa.eu/world/enp/howitworks_en.htm; Please refer to http://ec.europa.eu/world/enp/documents_en.htm for the National Action Plans

¹⁰¹ NIF 2010, p. 9 – 10

¹⁰² NIF 2012, p. 29.

	<p>contribution is counted as support to climate change mitigation or adaptation</p> <p>The main objectives for the establishment of the NIF CCW are:</p> <ul style="list-style-type: none"> • Establish a tracking system for climate change related operations • Ensure the transparency of EU financing of climate change projects • Guarantee and enhance EU visibility in the framework of climate change • Mainstream the fight against climate change in projects co-financed by the EU • Attract additional resources for climate change related projects¹⁰³ <p>NIF rules and implementation modalities also apply for the CCW.</p> <p>Definition of Rio Markers</p> <table border="1"> <tr> <td>Rio Marker 0</td> <td>Climate change mitigation or adaptation is not targeted</td> </tr> <tr> <td>Rio Marker 1</td> <td>Climate change mitigation or adaptation is a significant objective of the project.</td> </tr> <tr> <td>Rio Marker 2</td> <td>Climate change mitigation or adaptation is a principal objective of the project.</td> </tr> </table> <p>If the activity would have been undertaken without the climate change implication, it is considered a significant (Rio Marker 1) objective of the project. If the project would not have been undertaken with the implications for mitigation or adaptation, climate change is considered a principal objective of the activity (Rio Marker 2).¹⁰⁴</p>	Rio Marker 0	Climate change mitigation or adaptation is not targeted	Rio Marker 1	Climate change mitigation or adaptation is a significant objective of the project.	Rio Marker 2	Climate change mitigation or adaptation is a principal objective of the project.
Rio Marker 0	Climate change mitigation or adaptation is not targeted						
Rio Marker 1	Climate change mitigation or adaptation is a significant objective of the project.						
Rio Marker 2	Climate change mitigation or adaptation is a principal objective of the project.						

6.1.1 Project Origination

6.1.1.1 Knock-out criteria

There are no climate change related knock-out criteria in place apart from criteria as established by the individual EFIs. Hence, projects that are not in line with the priorities *could* be ruled out on a case-by-case basis.¹⁰⁵

Under the Climate Change Window, only projects with a principal or significance objective to contribute to climate change mitigation or adaptation can be funded (Rio Marker 1 and 2). However, for NIF no additional funds were made available under the CCW, which makes it a mere external communication tool.

6.1.1.2 Eligibility criteria

Eligibility criteria are laid down in the following documents:

- NIF General Framework
- Financial Institutions’ Corporate Operational Plans, that outlines the priorities and objectives of each IFI for a certain period, e.g. two years.

NIF General Framework	<p><u>Selection criteria:</u></p> <ul style="list-style-type: none"> • Value-added¹⁰⁶ • ODA eligible • Stimulating (private) investments • Direct link to priorities of the ENP Action Plans and of beneficiary countries • Cost-effective
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¹⁰³ NIF 2012, p. 28.

¹⁰⁴ <http://www.oecd.org/dac/aidstatistics/48785310.pdf>

¹⁰⁵ Interview Hannes Bahrenburg, DG DEVCO.

¹⁰⁶ Duplication with other financing resources needs to be avoided.

	<p>NIF resources are allocated according to the quality of the proposals, the sector of intervention and the expected impact and leverage effect of the operations.¹⁰⁷</p> <p>The expected results of the NIF are increased investment in the sectors of</p> <ul style="list-style-type: none"> • transport and energy infrastructure, • increased protection of the environment and better focus and control of climate change impacts, • improved social services and infrastructure • creation and growth of SMEs and improvement of the employment situations <p>The following projects can be financed under NIF in the field of transport, energy and the environment:</p> <p><u>(1) transport infrastructure</u></p> <ul style="list-style-type: none"> • Better (faster, cheaper and safer) transport infrastructure within beneficiary countries and between them. • Better interconnection between the EU and the Neighbours through the extension of the Trans-European Network to the East and South. • Faster and cheaper movement of people and goods between the EU and its neighbours, and between neighbours and the Member States particularly on the sub-regional level. <p><u>(2) Better energy infrastructure, notably:</u></p> <ul style="list-style-type: none"> • Improved transit connections between EU and Neighbour countries as well as between partner countries. Thus increasing security of energy supply for the EU and for the Neighbours. • Improved safety and security of energy infrastructure. • Improved energy efficiency and energy savings. • Increased production and use of renewable energy (wind, solar energy...). <p><u>(3) Increased protection of the environment and better focus and control of climate changes impacts, notably:</u></p> <ul style="list-style-type: none"> • Promotion of integrated waste management (household, municipal and industrial) including necessary related infrastructures. • Introduction of integrated water management, including necessary related infrastructure. • Reduction of air, soil and water pollution including monitoring infrastructure when needed. • Promotion of climate change related investments, i.e. renewable energy, energy saving and cleaner production and other environment friendly techniques. <p><u>Please refer to Annex 1 for an overview of general priorities of NIF.</u></p>
<p>Eligible operations</p>	<p>The following types of funding / support are available under the NIF:</p> <ul style="list-style-type: none"> • Investment co-financing • Loan guarantee cost financing • Interest rate subsidy • Technical assistance • Risk capital operations¹⁰⁸ <p>See section Error! Reference source not found. (in the main study report) for the percentage of funds allocated to each type of funding.</p>
<p>EFI's Corporate Operational Plan</p>	<p>NIF projects need to comply with the objectives of the respective Corporate Operational Plans of the financing institutions. Financial Institutions that propose NIF projects need to pursue their corporate agenda and the objectives and priorities as outlined in the Corporate Operational Plan. NIF</p>

¹⁰⁷ NIF General Framework 2008.

¹⁰⁸ European Commission 2009, p. 3.

	provides them the possibility to obtain additional grants for a project, which might otherwise not be financially viable.
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6.1.2 Project Identification

Project identification and preparation is driven by the EFIs and their respective country offices in close collaboration with the partner country (central, regional, local administration or semi-public institutions¹⁰⁹). The latter might have already completed preparatory work (e.g. a feasibility study) that could serve as the basis for the project. At this stage the EFIs also work together to identify the scope for joint project financing. Amongst the EFIs, a Lead Finance Institution is selected to review and present the project to the Finance Institutions Group.¹¹⁰

We may suggest here that link between domestic climate change policies and strategies LEDS/NAMA and project financed doesn't appear very strong.

6.1.3 Risk Analysis

The risk analysis is conducted by the Lead Finance Institution.

Management modes	The Commission strongly relies on the procedures and internal safeguards of the Lead Financial Institution. However, the Commission ensures a certain standard by requesting that FI standards be equal or higher than general Commission standards, e.g. regarding procurement, internal control systems and transparency. This is laid down in the Financial Regulation (Council Regulation 1605/2002) and its implementation rules (Commission Regulation 2342/2002).
Environmental issues	DG DEVCO requires that all relevant EU environmental legislation is fulfilled (e.g. the EIA / SEA is conducted) by the EFIs, but does not audit or review the requested assessments. ¹¹¹
NIF requirements regarding climate change risks	The applying EFI is currently required to " <i>Indicate if potential climate change risks have been considered and whether specific measures have been taken to make the project climate change resilient</i> " in section Error! Reference source not found. , Risk Assessment of the project fiche. ¹¹² It is therefore not a requirement that climate change risks be considered.

6.1.4 Disclosure

The Lead Finance Institution is required to classify the project's contribution to climate change mitigation/adaptation according to the Rio Markers in the Project Fiche. After the FIG meeting, the project fiche also needs to be updated if and which amount of the project funding contributes to climate change mitigation and adaptation ("*Contribution to climate change mitigation and/or adaptation*", section I. Technical advice of the FIG).

There are no requirements regarding the disclosure of the GHG footprint or data on the GHG emission reduction potential of projects to be used as a basis for the project decision. However, if a project includes a specific objective to reduce GHG emissions, the reductions are to be estimated and the achieved GHG emission reductions are part of the project evaluation.

6.1.5 Options Assessment

Options evaluations are conducted at three stages in the project cycle: Firstly, within the EFIs, secondly, by the Finance Institutions Group chaired by the Commission and thirdly, by the NIF Operational Board after EC consultation. The Lead Finance Institution carries out the initial technical assessment, which then serves as the base for the further evaluation by the FIG and the Operational Board.

¹⁰⁹ European Commission 2009, p. 3.

¹¹⁰ Interview Paolo Scalia, Development Researcher's Network; NIF 2012, p. 34.

¹¹¹ Interview Eleftherios Tsiavos, DG DEVCO.

¹¹² Project Fiche, p. 8, Fn 15.

Procedure	
Lead Finance Institution	The Lead Finance Institution is using its standard processes in order to appraise NIF projects. Hence, this institution carries out the economic, financial and socio-economic analysis, including the cost-benefit analysis in line with its internal requirements (see first interim report for DG CLIMA)
Project Fiche	The Lead Finance Institution prepares the Project Fiche for discussion in the FIG and EC consultation.
Finance Institutions Group (FIG)	<p>On the basis of the analysis provided by the different Lead Financial Institutions and the project fiche, the proposed projects are technically discussed within the Finance Institutions Group. The FIG assesses the conformity of the projects with the objectives of the Neighbourhood policy and with strategic orientations and eligibility criteria of the NIF. The FIG gives technical advice to the Board on the suitability of the operations for NIF financing and prepares the <i>consolidated pipeline</i> based on the operations submitted by the Finance Institutions.</p> <p>It specifically needs to take into account the following:</p> <ul style="list-style-type: none"> • Support to project by national authorities and stakeholders • Compliance with relevant EU policies • Compliance with the objectives and priorities of the Facility • Contribution to climate change mitigation and/or adaptation • Value added from the projects perspective (Economic, Financial, Institutional/Non-financial) • Urgency and maturity of the requested grant contribution¹¹³ <p>The FIG discusses projects qualitatively (based on data of project assessment). Projects that meet NIF's criteria are discussed, and recommended to the Operational Board where appropriate, within the limits of available funding.¹¹⁴</p> <p>The FIG decides on two project pipelines (budgetary line South and East) it will suggest the NIF Operational Board for approval.</p> <p>DG CLIMA is represented in the FIG and can provide input to the decision process.</p>
EC Consultation	<p>After the FIG meeting, the project fiches are updated with the technical advice of the FIG and are circulated for consultation within the Commission (no further project documents are shared if not required by units). The consulted units consist of:</p> <ul style="list-style-type: none"> • European External Action Service (EEAS) • Geographical coordination units within DG DEVCO (F1, F2, F3, F4) • EU Delegations • ECFIN • Line DGs • DG CLIMA <p>Unit C3 (DG DEVCO – Financial Instruments) consolidates the comments made from the different units. The units have two weeks to make comments on the proposed projects.¹¹⁵</p>
NIF Operational Board	The NIF Operational board considers each eligible project presented by the corresponding lead Finance Institutions for provisional or final approval and agrees on the type, composition and amount of the NIF contribution.
Methodology	
Qualitative consideration of climate change issues	<p>The current project fiche has two sections where the applicant can state the activities and contribution to climate change mitigation and adaptation.</p> <p>The applicant can insert “when relevant” the Project’s activities contributing to</p>

¹¹³ Project Fiche, p. 2, I Technical Advice of the FIG.

¹¹⁴ Interview Eleftherios Tsiavos, DG DEVCO.

¹¹⁵ Interview Paolo Scalia, NIF Evaluation.

in the project fiche	<p>climate change mitigation and/or adaptation in section II.3 (Information on the project):</p> <p>“- Describe project components and activities contributing to climate change mitigation and / or adaptation¹¹⁶</p> <ul style="list-style-type: none"> - Indicate potential economic and financial aspects - If available and relevant, indicate definitions/benchmarks used to classify the project as climate action. Indicate if a renewable or a less carbon intense alternative options have been duly considered” (see Annex 3 – yellow highlights show sections relevant to climate change and green highlights are additional suggestions by DG Clima) <p>The climate change related opportunities of a project are additionally covered in the project fiche under the value-added section of part III (Grant Request Justification). Applicants need to answer the question: “... how will the grant help attain the project objectives related to climate change mitigation and / or adaptation”.¹¹⁷</p> <p>The project fiche serves as the basis for the decision process as outlined above.</p>
CBA	<p>A CBA is completed by the finance institutions in the context of their feasibility studies and evaluation of projects. The results of the CBA are included in the project fiche presented to the Commission and MS in the context of project approval process.¹¹⁸ DG DEVCO could request the EFIs to provide more documents on the CBA assumptions if deemed necessary.</p>

6.1.6 Design

No information could be obtained concerning specific climate-change related design measures.

Within the blending facilities the finance institutions are allowed to use their procurement procedures once they have been certified by an independent auditor contracted by the Commission that these are equivalent to Commission procurement procedures and follow internationally accepted standards. These procedures do not have any climate change related aspects.

6.1.7 Monitoring and Evaluation

Projects are monitored by the EFIs. The financing institutions need to provide annual reports as well as a final report at the end of the project phase to DG DEVCO.¹¹⁹

There are no GHG reporting requirements for the monitoring phase in place. GHG emissions are measured and reported by each EFI depending on the respective internal policies. However, if a project entails a specific objective to reduce GHG emissions, the reductions are measured and the achieved GHG emission reductions are part of the project evaluation.¹²⁰

The facility as a whole is reviewed by mid-term evaluations. Moreover, the results-oriented monitoring (ROM) system is used by DG DEVCO to assess whether the intended results were delivered. ROM is used as an alternative and/or complement to full blown evaluations. Every second or third project is subject to a ROM evaluation.¹²¹ It is based on short, focused on-site assessment by independent experts. The projects are appraised against the following criteria:

- relevance
- efficiency
- effectiveness
- potential impact
- likely (project) sustainability¹²²

** Required only in the submission for final approval

¹¹⁷ Project Fiche, p. 8.

¹¹⁸ E-Mail Communication with Torsten Ewerbeck, DG DEVCO.

¹¹⁹ Interview Eleftherios Tsiavos, DG DEVCO.

¹²⁰ Interview Eleftherios Tsiavos, DG DEVCO.

¹²¹ Interview Eleftherios Tsiavos, DG DEVCO.

¹²² http://ec.europa.eu/europeaid/how/ensure-aid-effectiveness/monitoring-results_en.htm

There is currently no full evaluation of the *results / effectiveness* of the NIF facility in place. This is one of the key recommendations of the NIF Evaluation conducted by the Development Researcher's Network.

6.2 Next Steps for the NIF

A new cooperation platform for blending facilities in EU external cooperation has been established, the "Platform for Blending in External Cooperation". The overall aim of the Platform is to further improve the quality and efficiency of EU development and external cooperation blending mechanisms, taking due account of the policy frameworks that govern the EU relations with the different partner countries, notably EU Development, Neighbourhood and Enlargement policies. This includes promoting cooperation and coordination between the EU, EIB and other relevant financial institutions (FIs) and other stakeholders, thereby increasing the impact and visibility of EU external cooperation. The first two technical groups that have been established with high priority, concern the 'Review of existing blending mechanisms' and the 'Enhancement of blending activities'¹²³. Climate change is included in the work of the Platform and will be addressed in both groups (tracking, indicators and review of best practices and opportunities in terms of climate change financing. Inputs from this study would be welcomed by DG ECFIN to be taken under consideration in the framework of the work of the Platform.

¹²³ E-Mail Communication with Aneil Singh, DG ECFIN.

Annex 7: Neighbourhood Investment Facility – General Framework (14/02/2008) acknowledged by the Coreper on 19/03/2008¹²⁴

7.1 Selection Criteria

First of all, NIF interventions must bring additionally. Any duplication with other financing resources already or potentially available will be avoided, in particular in relation with operations which could normally be financed without it by the market. For operations concerning the South, in order to ensure full complementarity, a written statement will be joined to the project proposal indicating that there is neither duplication with FEMIP operations, nor possibilities to finance it under FEMIP. The operations supported by the NIF will be ODA eligible, will stimulate investments in line with the strategic objectives of the Facility and will be directly linked to the priorities of the ENP Action Plans and of the beneficiary countries. The NIF contributions should be cost effective and will be allocated according to the quality of the proposals, the sector of intervention and the expected impact and leverage effect of the operations. Recognising that the needs to upgrade infrastructure over the coming years are likely to exceed the public sector's capacity to either finance or manage, the operations supported by the NIF should seek, where applicable, the creation of the institutional and policy conditions for sustainability and for catalysing private financing. Moreover, operations fulfilling the following criteria will be given preference:

- supporting **higher risk activities for which access to finance is limited, such as: energy savings, energy efficiency, increasing renewable forms of energy production**, and broadening access to energy services;
- improving social services and social infrastructures;
- helping to reduce regional disparities in income per capita, to improve local development capacities and to increase access to services;
- promoting substantial social returns or global public goods returns and investments for countries with limited borrowing capacities. The use of subsidies simply to increase the volume of lending to the Neighbourhood will be avoided;
- improving access to finance for micro, small and medium enterprises; supporting the development of local capital markets;
- supporting the development of a local labour market and improved opportunities for employment ;
- supporting environmental projects with cross-border effects;
- leveraging, as much as possible, important sectoral reforms in beneficiary countries in accordance with the ENP Action Plans;
- seeking to ensure donor harmonisation and complementarity of investments at national and regional level in the beneficiary countries;
- promoting sustainable socio-economic development, with a particular focus on pro-poor growth.

¹²⁴ European Commission 20

Annex 8: Priority criteria for the environmental objective of NIF 125

Under objective 2 (out of the three general objectives of NIF), the following projects are prioritised:

- Environmental projects with cross-border (land, river and sea basin) effects, and in particular those identified by Euromed Horizon 2020 Initiative, the DABLAS Task Force and those to be identified under the Black Sea Synergy Environment Partnership;
- Other regional or sub-regional operations;
- Projects focussing on mitigation of, and adaptation to climate change, including renewable energy, energy efficiency and promoting the use of clean energy technologies, and sustainable transport, research, forestry and land use, industrial plant modernisation;
- Projects focusing on flood control, draught management, waste treatment plants and facilities, soil erosion, soil contamination, restoring ecosystems, enhancing climate resilience of infrastructure.

¹²⁵ NIF 2010, p. 9 – 10.

Annex 9: Questionnaire for interviews with financial institutions

9.1 FIs current policy position and corporate objectives to tackle climate change

9.1.1 Policies and strategies

1. What are your policies and business strategies linked to climate change mitigation and adaptation?
2. How is this communicated (e.g. on website, annual reports etc)?
3. How is climate change embedded in the investment process? How is climate change incorporated in your due diligence process?
4. How are your policies, business strategies and corporate objectives aligned with international and/or EU frameworks, methodologies, approaches?

9.1.2 Targets

1. Do you have a corporate target volume of climate change related investment? What percentage of loans signed falls into this definition of climate change related investments..
2. Do you have specific targets regarding financing or lending for renewable energy projects?
3. Do you have any climate change relevant criteria/benchmarks for investments in projects with significant climate change impacts (i.e. fossil fuels and coal related projects)?
4. How are these targets defined and communicated? e.g. Operational Strategy, various documents on Corporate Responsibility, Action Plans and Environmental and Social Statement.
5. What is the track record in terms of progress toward achieving these targets?

9.1.3 Governance to managing these policies

1. What are the governance structures and procedures to manage climate policies and targets? For example what are the accountability structures to ensure targets are met?
2. What are the processes for involving relevant stakeholders in decision making processes, and how are decisions regarding climate policies and targets communicated with relevant stakeholders?
3. Are there EC or EU Member State representatives on the Board?
4. What are the processes for aligning climate policies and targets with those of other financial institutions? What are the costs / benefits of alignment?
5. What is the total number of staff in your institution working to implement policies and targets? Please provide an indication of staff dedicated to climate change activities?

9.2 Defining AND tracking climate change related investment

Please describe your methods and systems for defining and tracking climate change related investment.

9.2.1 Defining climate change related finance

1. Broadly speaking, how do you define "climate finance"? (What flows, activities and sectors are eligible or ineligible to be counted)? What are your definitions in terms of mitigation and adaptation activities?
2. Referring to the targets in Q.4, how do you define activities which meet the established target?
3. Are there certain sectors or activities which are prioritised to achieve these targets?
4. Please describe the definitions and methods used by your institution to track both mitigation and adaptation finance.
5. What are your procedures for climate finance tracking and reporting (mitigation and adaptation)?
6. Is your reported climate finance audited by a third party?
 Yes No
 If yes, please elaborate on the auditing process:
7. How do you distinguish climate finance (mitigation and adaptation) from other financial support?
8. Where a project receiving finance has multiple objectives (i.e. not just climate change), do you take this into account in determining the amount designated as "climate finance"?
 Yes No
 If yes, please elaborate your response:
9. How is the scope (boundary) of the project and impacts defined (adaptation can have significant co-benefits/indirect impacts)? What is the typology of adaptation activities?
10. How do you account for projects where only a sub-component would be considered climate finance?
11. What is most challenging about **measuring** climate related investment?

9.2.2 Use of OECD Rio markers

1. Do you use OECD Rio markers to track your climate related investment?
2. Are the Rio markers are a robust tool for classifying climate finance?

Strongly agree	Agree	No opinion	Disagree	Strongly disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 Please elaborate on your response:
3. Do you believe that the Rio marker scoring system is implemented consistently across FIs?

Strongly agree	Agree	No opinion	Disagree	Strongly disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 If you disagree, please elaborate on your response:
4. On a scale of 1 to 5 (1 being poor and 5 excellent), how helpful are the OECD-DAC guidelines for using the Rio Markers?

Excellent 5	4	3	2	Poor 1
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 Please elaborate on your response:

5. How could the OECD-DAC guidelines can be improved so as to help with your reporting of climate finance?
6. Are there any other approaches (e.g. AFD's Carbon footprint based approach) that exist within IFIs or other institutions that you think are useful in tracking and reporting climate finance?
7. If you do not currently use the Rio Markers, would it be possible for these to be incorporated into your tracking of climate relevant investment? What do you see as the costs and benefits of using the Rio Markers?

9.2.3 Joint MDB approach for mitigation finance reporting

1. A recent joint MDB report¹²⁶ on mitigation finance presents an approach to jointly report on resources mobilized for a set of commonly-agreed mitigation activities. How do your definitions of mitigation activities compare to the joint MDB definition?
2. The reporting based on individual FI methodology is higher for most FIs compared to the joint approach. Does the difference come from the sectors covered, and how each of the sectors are defined (e.g. different thresholds for energy efficient activities)?
3. Which aspects of the 'Typology of Mitigation Activities' in the joint MDB report are most complex to define and measure?
4. Can the joint MDB approach become a common reporting tool in the near future? What are the main benefits of this joint approach, and what would be the challenges for achieving this?

9.2.4 Other questions

1. Please list the dedicated climate funds of your financial institution.
2. How do you track your carbon emission reduction portfolio (generation of CERs, VERs, ERUs, EUAs etc.)?
3. Do you seek to attract private sector climate investment alongside climate related investments in your portfolio?

Yes No

If yes, how much private finance has been mobilised alongside your investments?

If you have a definition of leverage or additionality in terms of mobilized private funds for climate change, please provide it here:

9.3 Volume of financing/lending

We would like to know more about your overall lending and climate change related lending volumes by sector and over time.

1. Please provide climate related spending volumes based on your adopted definitions? Please categorise this spending by sector, geographic coverage, type of instrument and any other classification used by your institution
2. Please provide lending volume for fossil fuel related sectors (e.g. gas, coal), transport industrial sectors, and other sectors considered by your institution to have a significant climate impact.
3. Please provide the most recent data for above and, if possible, for the last five years.

9.4 Measuring impact / effectiveness of climate relevant investment

1. How do you include climate benefits/costs into the assessment of investments, including metrics such as carbon footprint / € (shadow costs of carbon), GHG/€ project cost and indicators of climate risk and resilience?
2. How are these indicators / risk premiums incorporated into more traditional tools for determining return on investment (NPV, IRR etc.)?

¹²⁶ http://climatechange.worldbank.org/sites/default/files/MMF_2011_version_21.pdf :

3. How do you assess the potential climate vulnerability / resilience of infrastructure investments? What metrics and risk mitigation tools are used?
4. What are the rules for decision making under uncertainty?
5. Do you incorporate a carbon price in your investment review? If, so, how is your carbon price calculated?
6. Do you have other non-financial indicators or metrics for measuring the effectiveness and impact of climate related investment (for mitigation and adaptation)?

Yes No

If yes, what are these? Are they included in your reporting of climate related investment?
Please provide your response below:

7. What is most challenging about **measuring and verifying** the impacts and effectiveness of climate related investment?

9.5 Options and suggestions

In this section, we would like your views on whether existing systems can be developed further (both within your own institution and across IFIs / internationally).

1. Overall, where do you see strengths and weaknesses in the current systems for incorporating climate considerations into investment portfolios, both in your own systems and other institutions? How could they be improved?
2. Do you see a role for the EU in improving the climate finance tracking process, for example via guidelines, capacity building or any other way? What do you see as the links between tracking climate finance / climate relevant investment and the assessment of the impact of lending on climate compatible development.
3. Please suggest options or ideas to ensure climate change is better accounted for in investment decisions and processes (both in terms of accurately assessing risk, and identifying opportunities).

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