To

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CC: INEA, DG Budget, DG Ener, Cabinet Šefčovič, Cabinet Cañete

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Subject: Connecting Europe Facility (CEF) mid-term evaluation

Dear Mr. Ruijters,

The energy, telecommunications and transport sectors represent significant parts of the EU economy. All three sectors need modernisation to build a solid basis for a competitive and more energy secure European economy that is equipped to meet future challenges, including sustainability and viability in a climate change context.

Re-focussing the Connecting Europe Facility's support is vital in setting these sectors on the path to deliver a truly modern, sustainable and climate-friendly infrastructure. This is why we recommend you to:

1) **Stop public support to fossil fuel based infrastructure.** The EU has repeatedly committed to phasing out fossil fuel subsidies, and this is vital to avoid locking Europe's infrastructure into a network that is incompatible with the EU's climate change targets.
2) **Align the investment criteria with the changing character of a modern, sustainable infrastructure**. Modern infrastructure is increasingly decentralised, and often cuts across different infrastructure types (e.g. transport electrification, offshore energy networks, smart grids). The CEF needs to ensure it actively supports multi-sector infrastructures that may face higher regulatory barriers, and high-value decentralised infrastructures that have significant cross-border impact without physically crossing borders.
3) **Put energy efficiency & renewable energies first when making assumptions for long-term planning**. Planning scenarios that fully reflect the EU's commitments on greenhouse gas reductions, renewable energy and energy efficiency will avoid investing taxpayers' money in stranded assets.
4) **Include demand-side measures into the portfolio of infrastructure investments.** As they are often more cost-effective than additional supply this will ensure the most effective use of EU budget resources.

The world is changing – and so are European infrastructure needs

The context within which the CEF objectives are being pursued is changing:

- **Technology**: The energy system of the future increasingly relies on decentralised and digitally-enabled systems (smart grids, electrified transport) instead of centralised infrastructure alone, with increasing interdependency between infrastructure types.

- **Science and climate**: The impacts of a warming climate become more and more apparent as the average global temperature has increased by 1°C – as a direct result of greenhouse gas emissions from fossil fuel combustion.

- **Policy**: The international community has made additional climate and sustainable development commitments, including on limiting global temperature increase to well below 2 degrees Celsius and pursuing efforts to limit warming to 1.5 degrees Celsius (2015 Paris agreement), committing to ending fossil fuel subsidies by 2025 (G7) and laying a clear development pathway with the Agenda 2030 for Sustainable Development.

CEF's performance needs to be aligned with its own ambitions and the changing context

The European Commission recently recognised the impact of this changing context on its investment policies, acknowledging that "*in view of scarce resources in the Member States, public resources should be used smartly. [...] Support should only be given if in line with the long-term energy policy of the European Union, avoiding stranded assets and carbon lock-in.*"[1] **But at the moment, there is a clear mismatch between the CEF's initial ambitions, the changing policy context and its practice:**

- **Ambition:** The CEF's ambition is to be in line with the Europe 2020 strategy. Its preamble clearly references the decision to spend 20% of the EU 2014-2020 budget on climate action. **Reality:** The CEF is still investing in fossil fuel based infrastructure and technologies both in the energy and the transport sector, contributing to the EU's inadequate progress towards meeting its 20% climate action spend target.[2]
- **Ambition:** The CEF Regulation determined that "assistance to electricity Projects of Common Interest will account for the major part of the energy finance envelope under the CEF"[3] **Reality:** The current CEF portfolio is spending more than €1 billion on gas investments in the energy sector, nearly double the investments in the electricity sector and lagging behind on issues such as electricity interconnection which have been identified by the European Commission as a major bottleneck in Europe[4].

We are looking forward to your response and would be happy to discuss our thoughts in person.

Yours sincerely,

[1] European Commission (2017), Second State of the Energy Union report
[2] European Court of Auditors (2016), Special Report on Climate Action
[3] Regulation (EU) No 1316/2013 establishing the Connecting Europe Facility, §57 p.8
[4] European Commission (2017), Second State of the Energy Union report