

Projects of Common Interest – Financial Instruments

One of the advantages that PCIs can benefit from is EU financial assistance. This is made possible by e.g. the European Union's **Connecting Europe Facility (CEF)**, an initiative that, implemented in December 2013, provides funding for projects of common interest in the trans-European energy, transport, and telecom sectors. CEF's main goals are to provide a longer-term financial framework for infrastructure PCIs as well as interconnect networks across European borders and eradicate energy isolation of Member States.

Funding for Energy Policy:

The funds for energy policy under the **CEF** are directed at PCIs that facilitate the modernisation and expansion of Europe's energy infrastructure as well as enhancement of security of supply for which €5.35 billion was made available for the period between 2014-20¹. These funds are available in the form of grants and financial instruments. While all² PCIs are eligible for grants for studies and financial instruments, specific criteria apply for obtaining grants for works.

Application Process:

The application process is initiated through a call where the European Commission asks project promoters to submit proposals to fund studies and/or works based on defined eligibility and award criteria. Under CEF, in 2015, €650 million was allocated to co-finance studies and construction works to help implement the PCIs. Financial instruments however are not part of the call for proposals. Here, projects should approach the respective financial institution at any time until 2020. To be considered, a project is to represent European added value, contribute to Europe 2020 objectives and present a leverage effect with regard to Union support.

Grants:

Grants support both the studies (e.g. feasibility) that need to be conducted as well as works³ and aim at improving the project's bankability. Any project promoter may apply for a study grant but for a work grant, an award decision is based on criteria which among others is derived from a project-specific cost-benefit analysis that needs to show positive externalities, such as security of supply, solidarity and innovation. Additionally the project must be commercially non-viable to be considered for a work grant and has to obtain a cross-border cost allocation decision from concerned NRAs. By way of such financial assistance, essential complementarity with the **European Structural and Investment Funds** can be ensured, which in turn will help finance smart energy distribution networks of local and regional importance.

PCI projects are also eligible to receive funding under the European Fund for Strategic Investment (EFSI) scheme. PCIs can benefit from the €315 billion that is being made available over a three year period to improve the investment climate in Europe. As of April 2016 a total

¹ http://europa.eu/rapid/press-release_IP-15-6107_en.htm

² With the exception of oil projects

³ Hydro pump storage is not eligible for financing due to their participation in electricity markets

of €11.2 Billion in spending has been approved, with 27% of that being spent on energy related activities.

Financial Instruments: Funding can also take the form of a financial instrument (debt and equity instruments) for which the financial institution (e.g. the European Investment Bank - EIB) that manages and offers the instrument sets the conditions of eligibility. These instruments provide project promoters with attractive funding opportunities and are supposed to leverage private sector investments, ultimately closing an investment gap.

Private Sector Investment: Increasing infrastructure investment is key as it further assists infrastructure project promoters. For this, the **CEF and EFSI** are also supposed to attract private-sector investors and financial institutions (pension funds, insurance companies, bank) by sharing the financial risk of PCIs through instruments such as special lending, guarantees and equity investments. The design of these instruments draws on the experience gained from past financial instruments directed at private sector investing, such as the **Project Bond Initiative (PBI)**⁴ i.e. the institutional investor buys bonds that are issued by the project company.

More information: [Official Website](#): Of the EU's Connecting Europe Facility
[Regulation](#): On CEF's establishment provided by the European Parliament and Council
[Brochure](#): "CEF: Investing in Europe's Growth" provided by DG Energy
[Q&A](#) on CEF provided by DG Energy

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⁴ More information on the PBI found here: <http://www.eib.europa.eu/products/project-bonds/index.htm>