



Position Paper

Brussels, 05 December 2024

The new CEF

CEF

1. Introduction

The railway sector faces significant financial challenges and ambitious targets to complete the TEN-T Network and develop its digital programme. To achieve the European Green Deal's ambitious climate targets with a 90% reduction in transport emissions by 2050 and to ensure modal shift to more sustainable transport modes, more needs to be done. The rail sector calls for a more ambitious Multi-annual Financial Framework (MFF), and concretely the new Connecting Europe Facility (CEF) to be proposed by mid-2025 has to have a co-funding of at least EUR 100 billion. With the current position paper, rail sector associations set the investment priorities to realise the Single European Railway Area including the TEN-T and to ensure that the transport system as a whole efficiently supports EU's economic growth.

2. Priorities of the rail sector for the next MFF

2.1 Completion of TEN-T Networks

The rail sector welcomed the revision of the new TEN-T Regulation which was published and enforced in July 2024. It provides an update of EU's plan a network of railways, roads, inland waterways and short sea shipping routes connected through ports and terminals across the European Union, with enhanced and ambitious infrastructure requirements. The Regulation is crucial to enable the transition to sustainable modes of transport such as rail in achieving the objectives of the European Green Deal and Smart and Sustainable Mobility Strategy by greening transport, facilitating a seamless efficient and interoperable mobility system, strengthening the resilience of infrastructure and by improving the efficiency of the governance tools of the TEN-T.

However, the ambitious infrastructure requirements with the deadlines of completion of the TEN-T Network and ERTMS deployment just around the corner calls for a substantial increase of the EU budget. The European Commission's Impact Assessment, of the previous TEN-T Regulation already estimated the total investment needs for the period 2021-2030 at around EUR 500 billion for the TEN-T Core Network (EUR 50 billion per year on average), and at around EUR 1.5 trillion for the TEN-T Comprehensive Network and other transport investments by 2050. These estimations do not take into account the additional infrastructure requirements from the new TEN-T Regulation, or the current high inflation rates meaning that estimations could be twice as high. In relation to rail, the EU Sustainable Mobility Strategy sets the targets to doubling the high-speed rail traffic by 2030 and tripling it by 2050. As regards for rail freight transport, it envisages an increase in 50% by 2030 and doubling by 2050. These ambitious targets require significant additional resources.

In most EU countries, the rail infrastructure is rapidly ageing and enhancements and upgrades are vital for the safety of trains, goods and passengers. On top of an ageing rail infrastructure, the increase of extreme weather conditions poses a risk to railway infrastructure. To ensure that infrastructure remains resilient, CEF3 should support the increased costs of enhancements and adaptation measures (combined with renewals where suitable). Moreover, Infrastructure Managers (IMs) will have to comply with infrastructure requirements on the TEN-T Networks on minimum speed, train length, axle load and P400 as well as compulsory and synchronised trackside and onboard deployment of the ERTMS and the migration to European standards nominal track gauge.

Position Paper

The new CEF

At the same time, completing TEN-T and filling in the missing links and cross border sections and to connect urban nodes, airports and terminals, while moving towards a European high speed master plan, requires investing in new rail infrastructure. This will not only help completing the TEN-T, but also increase capacity, increase safety levels, realise the modal shift and meet customer expectations. One of the main priorities of the TEN-T policy concentrates on projects with the highest European added-value, in particular the (environmentally sustainable) construction of cross-border sections and missing links, the removal of bottlenecks, and multimodal connecting points. In the upcoming financial period it will also be important to finalise major on-going TEN-T projects foreseen to be completed by 2030.

Progress towards TEN-T Core and Extended Core Network completion is a key priority for the upcoming decade. The missing links are the financing priority that need to be addressed, not only in terms of cross-border projects, but also in building follow-up infrastructure with major benefits for EU integration and building a European railway network. A major focus should be on proper funding for a timely implementation of the TEN-T network. Also, the implementation of existing and somewhat older criteria has not been reached in all member states and has to be addressed. Therefore, further efforts must be made to create additional EU funding budget lines such as for urban nodes (rail-airport connections) and new technologies such as Future Rail Mobile Communication (FRMCS) and Digital Automatic Coupling (DAC).

These are also needed by the sector to comply with the EU environmental priorities. The European Commission's Circular Economy Action Plan, which is key to reach climate neutrality by 2050, impacts also the railway system. The IMs are adopting circular policies to reuse track materials and integrating recycled content into rail development projects. However, the limited availability of low-carbon materials and their higher cost of production also results in increased costs that, if not properly financially supported, may undermine or delay the TEN-T development projects.

2.2 Investing in digital technologies

Within the list of rail projects with strong EU added value, digitalisation plays a key role in the transformation of railway operations, infrastructure and rolling stock.

The timely realisation of the ambitious goals of ERTMS deployment will strictly depend on the availability and efficient use of financial resources at national and EU level. The European Court of Auditors (ECA) estimated in 2017 that the capital investment for track side ERTMS deployment on the entire TEN-T core network amounts at EUR €80 billion, including digital interlockings, and the costs for onboard retrofitting of the entire fleet are quantified in additional EUR €11 billion.¹ Although these figures shall be updated to the real current costs, it is sure that EU funding can cover only a limited share of these overall costs. Between 2007 and 2020, EUR €3.9 billion were allocated from the EU budget to ERTMS roll-out projects² – this is less than 5% of the total deployment costs for the overall network, which explains why European ERTMS deployment is progressing so slowly. CEF Calls of 2021, 2022 and 2023 amounted to EUR €788 million for ERTMS both track side and on board. The ECA mentioned the need to target cross-border sections and core network corridors, and onboard units for international traffic. The new CEF should provide

¹ Furthermore, according to the TEN-T Coordinators reports of April 2024, deploying ERTMS and not removing the class-B system will cost €22 billion of maintenance costs by 2040.

² EUR 1.2 billion (EUR 645 million from the TEN-T programme and EUR 570 million from ESIF funding) and during the last financial perspective (2014-2020), to more than EUR 2.7 billion (EUR 842 million from the CEF programme and EUR 1.9 billion from the ESIF)

Position Paper

The new CEF

enough resources for ERTMS trackside and onboard deployment as well as for ERTMS studies. The cost of ERTMS for both trackside and on-board deployment is so high that it poses a serious economic risk for RUs, rolling stock keepers, and IMs. This, especially when considering that the benefits will only appear in the long term when more than single sections have been equipped. All this threatens the competitiveness of the rail sector vis-à-vis other transport modes, especially for rail freight. Funding, possibly associated with financing solutions, would allow RUs and rolling stock keepers to carry out the rolling stock upgrades required by infrastructure upgrades.

Additionally, the new CEF should also support a smooth migration from the current GSM-R telecommunications system, based on 2G technology, to its successor FRMCS. In this regard, the FRMCS funding priority should be managed under the "Transport" pillar in order to benefit from administrative synergies (i.e. one executive agency in charge).. It is important to note that under the current CEF Digital programme, support for FRMCS is - although limited- already available along European transport corridors including rail ones. Therefore, some continuity must be guaranteed between these ongoing projects and new ones to come.

With the Commission's proposal on the use of Railway Infrastructure Capacity, IMs will implement harmonized digitalized processes, IT tools and digital solutions to ensure optimized and coordinated infrastructure capacity utilization across Europe. In particular, the whole rail sector will benefit from Digital Capacity Management through digitalisation, automation and optimisation of the capacity allocation process. This means more trains on the same infrastructure. Therefore, it is essential for the rail sector that the deployment and implementation of Digital Capacity Management is sped up. For this, the EU, including through the next Connecting Europe Facility Call should provide sufficient financing for full "TTR for Smart Capacity Management" implementation, including DCM, as well as operation of relevant IT systems for all market actors. A total amount of EUR 1 billion is estimated for DCM. Increasing capacity by DCM requires only 5% of the costs compared to building new physical infrastructure.

One of newest railway projects, Digital Automatic Coupling (DAC) which automatically couples and decouples wagons in a freight train both physically and digitally, will be an enabler of more automation and digitalisation of processes in rail freight. Among other things, it will render operations more efficient, will make rail freight more reliable and create more capacity in infrastructure. The estimate for overall investment costs of the EU-wide DAC deployment is around EUR 13 billion (prices 2021), and funding is needed from both EU and Member States to cover these costs. Given the great European added value of the DAC and its strong support by most EU Member States, DAC deployment should be a priority under the next MFF and should be eligible in the new CEF. It should be noted that in order to implement DAC, the next MFF needs to allocate additional budget in the CEF on top of existing allocations so as to ensure avoiding the situation where an increased number of projects is competing for the same limited resources.

2.3 Military Mobility

Given the current geopolitical and geostrategic challenges in Europe and beyond, the EU has to enhance and invest in the military mobility of armed forces to which Member States will contribute, according to their international law status / based on their constitutional context. If it can be assured that there will not be climate neutrality without a strong European Rail Sector, it can be similarly argued that there will not be a coherent and comprehensive defence strategy without a strong European Rail Infrastructure. Military Mobility will require further support under the current Multiannual Financial Framework, while upscaling the role of rail transport, taking into account the specific traffic flows along the corridors, also for military purposes, will need to be increasingly mainstreamed into the objectives and measures in the Multiannual Financial Framework 2028/2034. A

Position Paper

The new CEF

clarification of the dual use requirements set out in REGULATION (EU) 2021/1328 is urgently needed as it defines the basis for EU-funding. Furthermore, to ensure the eligibility of funding under Military Mobility, ERTMS should be part of the Annex of this Regulation specifying the infrastructure requirements applicable to certain categories of dual-use infrastructure actions.

2.4 Urban rail transport

Urban rail transport must be considered as new budget line given the requirements established in the new TEN-T revision. Indeed, for airports with a total annual passenger traffic volume of more than 4 million, and less than 12 million passengers located in or in the vicinity of an urban node of the TEN-T network, the connection of such airport to that node by railway, metro, light rail tramways should be promoted. Furthermore, all 432 major cities along the TEN-T network will develop Sustainable Urban Mobility Plans to promote zero and low-emission mobility and EU funding will be necessary to implement these plans.

2.5 Alternative fuels

Although the TEN-T Regulation mandates for full rail network electrification, for those TEN-T rail sections where electrification does not prove to be viable from a socio-economic point of view, the deployment of hydrogen refuelling and/or battery recharging stations can be an option. In line with the Alternative Fuels Infrastructure Regulation, Member States need to consider alternative fuels for rail to complement further electrification of the railway network and allocate sufficient budget using the CEF co-financing but also other EU financial instruments to fund. Therefore, CEF needs to continue its support for alternative fuels infrastructure, including those related to rail. This financial help will be more effective if RUs and rolling stock keepers are supported to innovate and modernize towards net-zero emission locomotives.

3. New structure of MFF and the fate of CEF 3

3.1 Future MFF and CEF

Ongoing discussions within the European Commission suggest that the structure of the new MFF proposal might be different than the current one. There is a possibility of more simplified schemes and portfolios and more flexibility. According to European Commission President Von Der Leyen's political guidelines for the next European Commission 2024-2029, the new long-term budget to be proposed in 2025 will be more focused on policy-based initiatives rather than programme-based ones, i.e. more impactful and simpler in the way it works, with fewer programmes and a plan for each Member States linking key reforms with investment. She calls for a more impactful MFF which will enable a better use of EU budget to leverage further national, private and institutional financing. To deliver greater impact, MFF will need to be restructured to ensure a more efficient use of funds, establishing a clear link between investments and EU policy priorities, including decarbonisation and resilience. The rail sector takes stock of this approach, but still calls for a continuation of a transport targeted and EU-centralised programme for TEN-T and cross-border infrastructure sections (both construction as well as renewal) and because rail transport in particular rail freight is cross-border in nature. These projects cannot be left up to each Member State to decide and finance, as the case in the RRF. The success of CEF lies particularly in its implementation modality. As a centrally-managed EU co-

Position Paper

The new CEF

financed programme, and with the support provided by the CINEA Agency, CEF funds can be allocated to mature and high-quality transport projects which have a real EU added value and are essential for the completion of the TEN-T network, notably cross-border projects and missing links that are key to bridge the gaps and network bottlenecks, thus increasing the competitiveness of the European rail system. Similarly, a targeted EU-centralised programme with distinct funding budgets is necessary for the cross-border priorities listed above: the reinforcement of military mobility, the European roll-out of digital technologies such as ERTMS, FRMCS, DAC and DCM and to ensure a more climate-resilient infrastructure. While recognizing the concept of financial leverage by mobilizing private resources, the instrument of grants allocated by EU is clearly preferred as – for instance – the combination with loans or guarantees (in the context of blending calls) have proved to increase complexity. Centralised EU-wide spending is important in case of such projects with a European public good, which individual Member States may underfund. Especially in the case of infrastructure projects, direct funds and grants offer a more stable financing situation than loans, guarantees or warranties. Furthermore, the huge appetite from Member States to use CEF funds is shown by the over-subscriptions that CEF calls face on a permanent basis (with a rate of 3 to 4 times compared to the available CEF calls budgets). This highlights the need for a substantial budget increase since there are a large number of projects that cannot obtain the necessary funding. Additionally, the management of CEF funds allow Member States for a rapid execution and thus, increasing its absorption capacity, which is essential for a timely implementation of EU funds within the MFF timeline.

The administrative obstacles in the application process and, in particular, the provision of evidence must be reduced. On the one hand, it must be acknowledged that the criteria used to assess CEF applications are set out transparently. However, the required expert reports and evidence (i.e. cost benefit analysis and climate proofing) significantly increase the administrative hurdles and the costs of submitting an application. A less administrative approach would facilitate applications by SMEs to apply with a more efficient and simplified process. In addition, there is an urgent need to consider easing the requirements for payment. The cost and contract checks that still prevail in CEF I and II tie up considerable internal and external resources as evidence is audited and checked several times during the process. The complexity of the reporting obligations also urgently needs to be reviewed and reduced.

3.2 A new Europe's Rail Joint Undertaking

The rail sector calls for the establishment of a new Europe's Rail under the upcoming MFF proposal, as an evolution of the current successful Europe's Rail Joint Undertaking. Under the upcoming MFF proposal. ERJU Europe's Rail contributes to smart and sustainable growth by fostering research and innovation in the railway sector through effective collaboration between the key players of the railway system, as railway undertakings, infrastructure managers and rolling stock keepers, with the railway industry and research institutes. It is important to continue focusing on the Technology Readiness Level (TRL) and on migration and deployment plans to ensure efficient implementation of the developed technologies. Only by deploying on the ground the technologies developed in EU Europe's Rail, it will it be possible to realize the expected capacitive innovation benefits for the rail sector and, ultimately, for society. A significantly larger budget is therefore needed under Horizon Europe- the Framework Program for Research and Innovation.

Indeed, the Institutional PPP model (Joint Undertaking) has proved to be an effective R&I instrument and an unprecedented joint effort of all the stakeholders of the European rail sector to invest together in research and innovation.

Europe's Rail Joint Undertaking has proved to be valuable in establishing for the first time a EU-wide rail system approach of interoperable new digital technical solutions, rail

Position Paper

The new CEF

operations and processes. The deliverables of Europe's Rail should therefore be further developed by its successor and a coordinated deployment of key technologies should be accelerated throughout the EU. Financial support to a new Europe's Rail Joint Undertaking will therefore be needed to keep on accelerating innovation and make the rail of the future more competitive and efficient vis-à-vis the other modes of transport.

3.3 Public Procurement

It is worth highlighting that investment and public procurement are two sides of the same coin. On one side, EU funding and financing mechanisms play a fundamental role in boosting rail investments. On the other, public procurement is - by far - the largest business sector for the European Rail Supply Industry. Rail public procurement is therefore a key element in fostering the European economy while pursuing strategic targets. Therefore, the new CEF should incorporate clear provisions on best value procurement.

The European Commission should make it possible that access to EU-funded programmes (be it under direct, shared or indirect management) in the next MFF 2028-2034 is only possible to European companies. In this sense any future revision of Directive 2014/25/EU shall actively promote provisions to create EU jobs (EU added-value principle and possibility to exclude bidders from certain third countries) and ensure fair competition on the EU public procurement market.

3.4 Additional Points

It is worth highlighting both the simplification through disbursement of lump sums and through front loading. Regarding lump sums, the sector appreciates its increased use and the consequent reduction of reporting obligations in context of CEF. However, we encourage decision-makers to better adapt the payment design to the project milestones and increase the number of intermediate payments. This will increase financial stability for clients and manufacturers.

Data-driven solutions can play an important role to de-risk European funding channelled into transport infrastructure, addressing some of the key challenges currently affecting the delivery of CEF-funded projects, including reducing time and cost overruns, enhancing transparency in project monitoring, and facilitating ex-post evaluation. As such, best practices in digitalisation during the design, construction, and operation phases should be appropriately rewarded. This could include, for example, the adoption of lifecycle/embodyed carbon assessment tools, connected data environments, and/or certain data deliverables, leading to more resilient, sustainable, and cost-effective transport infrastructure.