

### Priorities for the TEN-T Guidelines and the Connecting Europe Facility

- 1. Give top priority to transport projects that will reduce emissions**
- 2. Offer more EU funding to cleaner projects based on climate impact assessment**
- 3. Set up an early warning system to avoid conflicts between protected nature sites and transport infrastructure**
- 4. Apply the polluter-pays principle to EU-funded projects.**

### Context

With very long lifetimes for transport infrastructure, today's decisions on EU transport spending will set the path for transport beyond 2050 and into the next century. Decisions taken now, in the context of EU spending plans to 2020, will either lock Europe into further emissions and carbon-intensive development, or set us on a more sustainable course.

Greenhouse gas emissions from the transport sector need to fall by 60% by 2050, compared to 1990.<sup>i</sup> This is a serious challenge – transport is the only sector where emissions are still increasing. Without decisive new action, transport GHG emissions are expected to grow by 74% over the same period.<sup>ii</sup>

The trans-European transport network (TEN-T) is the flagship infrastructure which should deliver on the goals of EU transport policy, including decarbonisation in order to minimise the impacts of climate change and increase energy security. The Connecting Europe Facility (CEF) is the new name for the EU fund for development of major infrastructure projects. The separate guidelines for each part of the CEF – Transport, Energy and Communications - determine how that money should be spent.<sup>iii</sup>

The regulations on the TEN-T Guidelines and the CEF should guarantee that EU spending on transport protects the environment and biodiversity whilst delivering measurable steps towards a low-carbon, climate-resilient and resource-efficient economy.<sup>iv</sup> The Commission has pledged that at least 20% of the proposed €1trillion EU budget for 2014-2020 will go towards climate mitigation and adaptation goals.<sup>v</sup>

This paper outlines how these commitments can be put into practice across the relevant EU funds for transport.<sup>1</sup>

<sup>1</sup> Whilst the focus of this paper is the TEN-T Guidelines and the CEF, the recommendations are also applicable to grants from the Cohesion Fund (CF) and European Regional Development Fund (ERDF), as well as European Investment Bank (EIB) lending for transport infrastructure projects.

## Q&A on EU transport spending

### What's the link between the TEN-T Guidelines and the CEF?

The TEN-T guidelines regulation sets the rules to define the TEN-T network and project priorities. The CEF regulation makes the connection to the overall EU Budget for 2014-2020, sets out the amount of money available and how it will be spent. The CEF will be managed by the European Commission, but it will be up to national governments to propose projects for EU grant funding. Both regulations offer opportunities to steer project promoters towards more sustainable projects, by setting clear conditions and standards which will form the basis to decide which transport projects qualify for EU funding support.

### How much money is at stake?

For 2014-2020, major transport infrastructure projects are proposed to take the lion's share (over 60%) of the €50bn CEF fund. Over €30bn is proposed for transport, including €10bn ring-fenced for major transport projects from the cohesion policy funds.

In addition, the Cohesion Fund and the European Regional Development Fund (ERDF) usually allocate substantially higher amounts for transport: In the current funding period, transport takes up 22% of these structural funds. If that share would be maintained, this would equate to around €74bn for the period 2014-2020.

But the real financial impact could be far bigger: as well as additional support in the form of EIB loans for transport infrastructure, the European Commission expects EU spending to leverage five times more funding from national budgets, and *twenty times* more in private investments in major transport projects.<sup>vi</sup>

### What's new in the proposals?

The proposals to update the TEN-T guidelines and to set up the CEF were published by the European Commission in October 2011. The Guidelines set binding criteria for spending on transport infrastructure projects and define a priority 'core' European transport network overlapping with a 'comprehensive' long list of projects promoted by national governments<sup>2, vii</sup>

On paper, there are some dramatic changes to the way the TEN-T policy will be managed and operated. But it remains to be seen whether this will amount to fundamental change in practice. The approach is still very much one of defining a long wish list of corridors and projects which qualify for EU funding support, rather than requiring projects to deliver on key priorities as a condition for funding.

#### *A pre-defined wish list?*

The Commission has identified 'eligible projects of common interest' on the core network for CEF funding, which are illustrated in maps annexed to the TEN-T Guidelines and list of priorities and corridors in the annex to the CEF regulation.

It is proposed that 80-85% of the €31.7billion foreseen for transport projects from the CEF fund will be allocated to these pre-identified projects. This explains why the focus of lobbying is largely to get pet projects 'on the list' and the quantity of money available – rather than over the Guidelines themselves or the quality of future spending.

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<sup>2</sup> The 'comprehensive network' that would overlay with the core network is intended to be completed by 2050. Funding for the 'comprehensive network' projects is largely expected to come from national sources, or the regional funds (ERDF, Cohesion Fund).

An independent consultancy study for the European Parliament's Transport committee concludes, *"It is not clear to us on the basis of which methodology these projects have been identified. It appears as if being on the core network corridors is enough to become a pre-identified project."* (CE-RBConsult, 2012 p.36)

The CEF proposal would establish a single European fund for infrastructure projects, mainly based on grants but also making the link to EIB loans and a much stronger focus on financial instruments intended to leverage private sector co-funding. The proposed allocation of €10billion from the Cohesion Fund for poorer regions, specifically to support transport infrastructure projects in those areas, is a controversial new element.

The proposed TEN-T Guidelines *Regulation* (rather than a *Decision*) means requirements will be binding for national governments, with an increased legal strength for this funding period. As a result, national governments are more cautious about the obligations that they're signing up to. We urge caution for environmental reasons as well, the list of projects should be considered indicative - an outline plan – rather than as a binding list which must be completed at any cost. It must be made very clear that the routings mapped by the Commission are indicative, and that actual routes will only be defined at a much later stage, after thorough assessments and consultation.

National governments are also concerned about the proposed binding deadlines for when the projects of the core and comprehensive networks must be completed. We agree. Binding deadlines may indeed be damaging if it encourages project promoters to cut corners during planning or construction. Experience shows that projects which are properly planned with due consultation of experts and actors with local expertise are more likely to be delivered on time and on budget, as legal confrontations and local protests will be avoided.

### How do the proposals take the environment into account?

The Commission proposal seeks to tackle five issues via the TEN-T guidelines:

1. **Completing missing links, especially cross-border links;**
2. **Improving infrastructure standards, especially in central and eastern Europe;**
3. **Connecting different transport modes, for both passengers and freight;**
4. **Reducing greenhouse gas emissions from the transport sector by 60% by 2050, compared to 1990;**
5. **Harmonising rules and requirements in all transport modes to facilitate transport.**

The guidelines include specific climate and environmental protection objectives which require:

- [the TEN-T network to] *"contribute to the objectives of low-carbon and clean transport, fuel security and environmental protection, are safe and secure and have high quality standards, both for passenger and freight transport."* (Article 4.1b),
- *"the development of all transport modes in a manner consistent with ensuring sustainable and economically efficient transport in the long term"* (Article 4.2c)
- *"promotion of a broad user of transport with the most carbon neutral effect"* (4.2f)

Coordination between national governments should be fostered via emphasis on a new corridor approach, which among other things ensures the environmental and climate impacts of individual projects along a route are considered coherently, which would also see coordinators nominated to oversee high level project management. This is supposed to simplify the rules and facilitate better planning.

These are very encouraging objectives but they need to be better reflected in practice. We are concerned that there is a credibility gap.



## What lessons can be learned from past EU transport spending?

### Define the priorities first, not the projects

Different interest groups have very different expectations from EU transport spending, but so far the TEN-T policy has largely failed to deliver on any of them. Whilst funding has focussed on a longlist of 30 priority projects (first established as a list of 14 projects at a Ministerial conference in 1994, then expanded to 30 projects in 2004 to take account of enlargement), only four of these projects have been finished to date. The others have often missed deadlines, gone over budget, or in many cases not got off the ground at all.

Past transport spending was also intended to reduce regional economic differences and the focus on rail projects was supposed to deliver improved sustainability. Neither has really happened. As a Financial Times columnist has recently noted, 'if building great roads and trains were the route to lasting prosperity, Greece and Spain would be booming'.<sup>viii</sup>

The modal bias in favour of rail in the TEN-T funds has been by far overshadowed by spending on roads and airports via cohesion policy. As a result, almost 50% of the current total EU investment in transport projects is allocated to road and aviation. The bottom line is that transport sector emissions rose by 27% from 1990 to 2010.

Transport infrastructure has played a role in the failure to meet the EU target to halt biodiversity loss by 2010. Until now EU policy has not required proper or timely pre-screening of biodiversity impacts. NGOs had to step in to compare the TEN-T plans against the Natura 2000 network of protected nature areas and habitats. Our study found that the 21 priority projects analysed were on a potential collision course with 379 areas protected by the EU Birds Directive and 935 sites protected under the Habitats Directive. The study illustrated the importance of coherent planning, taking into account protected sites at an early stage before routes or alignments are discussed and gave examples of good planning where potential conflicts have been solved or avoided entirely.<sup>ix</sup>

Despite this embarrassing track record, the Commission proposes to continue with the approach of outlining pre-identified lists and maps to illustrate the priority 'core' corridors, at the risk of creating another list of unfulfilled promises. An overly exhaustive list often results in no prioritisation and failure to deliver. Without any drive in a particular strategic or policy direction, there is also a lack of investment certainty for private companies, and so chances of project delivery may not be increased.

### Mind the (funding) gap

For the current EU funding period (2007-2013), the Commission proposed a TEN-T budget of over €25billion but after the budget negotiations came away with a total of €8bn for major transport projects. This time, the Commission says that the approx. €30bn proposed for transport projects in the CEF is the bare minimum needed until 2020. National governments and the private sector are expected to step in to make up a total of €250bn, which the Commission estimates is required to complete the core network.<sup>x</sup>

Given the current financial straits of almost all EU national governments, it seems highly unlikely that Ministers will accept this big ask this time around for the EU budget, and even less for the expected national contributions.

As for the private sector, potential investors - in particular pension funds and insurers who have traditionally been major sources of investment for large infrastructure projects with long payback periods and high risk – emphasise that the financial crisis and new controls on the financial sector decrease their ability to lend to major long-term projects. The proposed EU

Project Bonds Initiative, where the European Investment Bank (EIB) transfers some of the risk away from the private sector and on to European governments and taxpayers, has yet to secure investor confidence.<sup>xi</sup>

EU policy-makers should already make plans to deal with a funding gap. Tough choices lie ahead. Not all the projects on the wish list will find funding to get off the ground. To make the most of the limited funds available, policy-makers should set out a clear framework with workable criteria for how to identify and prioritise projects which offer the most 'EU added value'. The sooner that clarity is given to would-be project promoters, national and regional governments, the better the quality of transport project proposals.

### 'European added value' means low-carbon, resource-efficient transport

Targeting the funds to projects which will mitigate climate change impacts is a win-win for the European economy. There is a clear financial rationale for investing in more sustainable transport: The EU is currently spending over €1bn *every day* on importing oil - about two-thirds of this goes to transport, which remains almost totally (96%) dependent on fossil fuels.<sup>xii</sup> Investments in decarbonising the transport system can give a massive boost to the economy by weaning it off imported oil, but also creating new sustainable jobs, stimulating innovation, alleviating energy poverty and improving public health.

At the same time, decarbonisation of Europe's energy supply is a prerequisite for a low-emissions transport system. Transport projects should compete with energy and telecommunications projects for CEF funds, according to which offer best value for money and emissions reductions.

The proposal for the TEN-T Guidelines requires transport 'projects of common interest' to "*demonstrate clear European added value*" (Article 7.2d), which is vaguely defined as "*the value resulting from Union intervention which is additional to the value that would otherwise have been created by Member State action alone*" (Article 3e). European added value is the justification for EU spending, where there are gains in coordination, where objectives can be better achieved by EU rather than national or regional action.

In order to actively steer spending, the concept of EU added value should be more clearly defined. As outlined by the IEEP (2012), climate and environmental protection are trans-national issues, so national governments are likely to underspend and show limited ambition to address this issue alone.<sup>xiii</sup> Tackling market failure and negative externalities, such as (cross-border) pollution and climate change, are ideal examples of real added value.

The IEEP proposes a common approach to get more added value from EU funds, via three criteria as a 'priority filter': (i) Alignment with policy priorities on climate and low-carbon economy; (ii) complementarity between different funds, with private investments and across borders; (iii) good governance. This should guide the call for proposals and the project selection process, and give a clear signal on how to design 'high scoring' projects with better co-funding prospects. Alignment with climate and low-carbon priorities should be shown by an assessment of net emissions impacts and cost-effectiveness (GHG savings per €funding).

We note largely positive experience so far with EU technical assistance to help project preparation. This can be expanded to help further with the relevant assessments (SEA, EIA including climate impacts, cost-benefit analysis) at national and regional level. Technical assistance can improve cost-effectiveness and quality of planning, as well as capacity to use funds effectively and develop better governance. The online Transport Analysis Guidance (WebTAG) developed for the UK Department for Transport could provide a useful basis.<sup>xiv</sup>

## Move beyond 'predict and provide' to active transport management

Despite the current economic situation, the European Commission assumes that transport growth will remain on a steep path, with freight transport expected to grow by 80% by 2050, and passenger transport by more than 50% compared to 2005. This is highly questionable looking at current figures, but also shows flawed thinking that infrastructure development has to somehow cater to these projections.

The traditional 'predict and provide' approach does not deliver our objectives. We cannot build a way out of congestion, as new roads and new lanes stimulate more traffic. Transport growth should rather be actively managed, within the constraints of public budgets and sustainable development.

The proposal for the TEN-T Guidelines puts a welcome emphasis on maintaining and managing existing infrastructure capacity, and upgrades in preference to new builds. This should be formally required in project planning: Project promoters should be required to show that spatial, transport planning and management measures have already been employed as complements or alternatives to new infrastructure. Best practice methodologies are available:

'Seven stages of Verdaas' (Netherlands)	'Four-stage principle' (Sweden)
1. Optimise spatial planning – avoid transport	1. <i>Reduce transport demand and influence modal choice</i>
2. Optimise pricing – internalise external costs	2. <i>Improve use of existing network</i>
3. Employ mobility management options	3. <i>Improve existing infrastructure</i>
4. Optimise public transport	4. <i>New investment and rebuilding measures</i>
5. Optimise use of existing capacity	
6. Adapt existing infrastructure	
7. Underpin need for new capacity	

Project planners should undertake a realistic (and independently verified) assessment of real transport needs and traffic forecasts, including a scenario of full internalisation of external costs. If external costs are not internalised, demand is artificially high and should not be further inflated with extra capacity<sup>3</sup>. Project promoters should first look whether the same objectives can be met by digital infrastructure, capacity management, maintenance, upgrades – or even by entirely different policies. If the aim is regional development or job creation, perhaps funds are better used for education and training, for example.

<sup>3</sup> A research project for the Dutch Ministry of Finance (Returns on roads -Optimising road investments and use with the 'user pays principle, CE Delft 2002) showed that under a system of charging for external costs the optimal road investment programme would be about 40% the size of the programme under a business as usual scenario

## Four steps to sustainable transport spending

To make sure that EU money is spent wisely on transport between 2014-2020, and that the credibility gap, the delivery gap and the funding gap can all be tackled, NGOs make the following recommendations:

### Step 1. Set clearer criteria for priority projects to ensure value-for-money from limited funds

EU transport spending has to deliver sustainable projects, in both economic and environmental terms. EU-policy makers must have a 'Plan B' in mind: which projects should qualify for funding if the expected €250bn to complete the core network doesn't materialise? How do we make sure that we get the best value for the limited money available?

The regulations on the TEN- Guidelines and the CEF should include a clear and credible framework showing how proposals will be appraised and compared and how progress towards the objectives will be measured and delivered.

#### Recommendations for the appraisal framework

- Require project promoters to undertake dynamic transport needs assessment, using independently verified traffic forecasts to show investment in infrastructure is demand-driven (and not vice-versa);
- Require project promoters to demonstrate that spatial and transport planning, demand management including user charging, ITS, upgrading and maintenance have been deployed as a priority (see Article 5 on resource efficiency);
- Before mid-2013, the Commission should establish a common methodology to be applied for the social cost-benefit analysis, including external costs (impacts on climate, air quality, noise, water, soil, biodiversity, health, accidents, congestion), and require the results to be made publicly available;
- Before mid-2013, the Commission should establish a common methodology for climate impact assessment of projects. This could potentially be part of the SEA/EIA process and must use the same traffic forecasts as the needs assessment and CBA used to make the economic case for the project. Results must be made available to the public;
- Favour projects that are 'biodiversity neutral' or positive (so contributing to the EU's biodiversity strategy targets) over those that damage nature conservation interests;
- The regulations should introduce safeguards to ensure impartial project assessment, such as independent external audits and ex-post evaluations.

Currently, projects are assessed on socio-economic criteria in order to check the economic impacts and the need for public funds. The Commission makes a judgement on 'EU added value', but this should explicitly include the steps outlined above. Project planners would then design proposals to fit in with these priorities and criteria for appraisal and approval. This approach will be more robust in the likely event where there isn't enough money to finance all of the 'pre-identified' projects. It gives clear signals and justification for prioritising certain projects, a better demonstration of the contribution of public funds and ensures better value for money in tough economic times, whilst preparing a route to recovery.



## Step 2. Require climate impact assessment and incentives for cleaner projects

Building on Step 1, a particular focus is needed on GHG emissions in light of the EU transport policy goal to reduce emissions by 60% to 2050. And yet, there is no explicit requirement to systematically assess and report the climate impacts at the level of projects, corridors or the core or comprehensive networks. Whilst projected emissions should be reported as part of the SEA and EIA, the absence of a harmonized methodology or proper scrutiny means that this needs to be improved to be credible in practice.

### Climate Impact Assessment recommendations

- Require a quantitative assessment of climate impacts at project, corridor, and aggregate level: Net greenhouse gas impacts included in the EIA and SEA and made available to the public;
- Use the results of the climate-rating process as a basis to prioritise and incentivise cleaner projects: Those offering the highest climate mitigation (or least damage), whilst achieving other policy objectives such as connectivity and accessibility, should enjoy preferential co-financing rates.
- This should be further developed in both Regulations, in particular CEF Regulation Article 10(5) and the TEN-T Guidelines proposal (Articles 22 and 39) which seeks to promote low carbon innovations, but should offer specific incentives on the basis of measurable emissions reductions.

The proposal for the CEF (Article 10, paragraph 5) does foresee a possibility to increase co-financing by up to 10% for projects contributing to climate mitigation objectives or cutting emissions, but there is no indication of how this would be assessed. Further detail is needed to make sure this can be an effective incentive. In addition, the incentive of a higher rate should also apply to projects funded from the €10bn earmarked from the cohesion funds.

There must be a pro-climate and environment bias. In practice, this would mean no further funding support for airports, as flying is by far the most climate-intensive means of transport. But setting out a pre-defined list with a focus on rail and waterway projects is also too superficial. This approach fails to guarantee overall emissions reduction or protection of protected sites and habitats, ensure the integrity of ecosystem services or meet the EU 2020 Biodiversity Strategy targets. It does not ensure that the most sustainable projects will be given priority.

To illustrate this, consider a high-speed rail link to an airport. Under the current approach, this is wrongly considered a 'sustainable' rail project. A proper assessment of the climate impacts would show substantial emissions increases as a result, as the ultimate objective is to facilitate air travel. High-speed rail projects should be considered where they shift passengers and freight *out of* aircraft thus saving emissions, but not where the goal is to get more people into planes.

We agree with the following conclusion of a study carried out of the EU Parliament's Transport and Tourism committee:

*"It is not clear to what extent the proposed core and comprehensive networks would [...] contribute to the decarbonisation targets."*

(CE-RBConsult, 2012, p.68)

To ensure that transport infrastructure spending contributes to overall transport emissions reduction targets, a climate impact assessment or 'climate rating' methodology should be introduced. The Guidelines must establish robust criteria to maximise climate benefits, cost-effectiveness and good governance, as also advocated by IEEP (2012) and CE-RBConsult (2012).

To make sure that the policy makes a measurable contribution, the Guidelines should set a clear framework showing how project proposals will be assessed and prioritised in terms of emissions reduction. This will incentivise project promoters to bring forward greener proposals. This goes beyond modal choice, also within modes projects should be comparable by a climate rating. The rating can be improved by implementing efficiency-improving technologies, demand management and pricing schemes, ITS, connections to cleaner energy sources, public transport, cycling, walking and intermodal links, etc.

We fully support the conclusions of the study for the Transport committee:

*"The assessments of impacts on greenhouse gas emissions are currently not well integrated in transport infrastructure project appraisal. This is not only true at European level, but at most local & national levels.*

*Carbon proofing or climate rating is a way to take the effect on greenhouse gas emissions into account in infrastructure project decisions. It could be integrated in the wider infrastructure project appraisal process. Preferably, this should be done at an early stage in the process as the greenhouse gas impacts are highly dependent on the overall design of a project.*

*The greenhouse gas impact of a project compared to a business-as-usual scenario can be significantly influenced by the specific design of a project. [...] GHG impacts of construction, operation and management phases are to be considered, including induced traffic and modal shift." (CE-RBConsult, 2012, p.72)*

T&E commissioned CE to develop the basis for a methodology for a climate rating of all transport projects. A short briefing on how climate rating would work in practice and the full report are available here: <http://www.transportenvironment.org/publications/climate-rating-transport-infrastructure-projects><sup>xv</sup>

The core idea of climate rating is that the proposed projects would have to pass an additional and independent test to evaluate its climate performance (in terms of greenhouse gas emissions). The climate impact assessment would have to be undertaken as part of the SEA/EIA process and the rating would have to be included in the project proposal. The ratings should then be included in EU project appraisal and selection criteria. Such an assessment rating is feasible, without undue administrative burden. The data needed for this kind of climate impact assessment are already routinely used for the cost-benefit and environmental impact assessments.

The net climate impacts can then be assessed for each project, or for a group of projects, eg in one corridor, region or member state, or for the whole EU transport funding portfolio, to show how transport spending will contribute to emissions targets. The impacts can also be judged relative to economic indicators, including initial investment costs, added value and the cost-benefit analysis.

*Tried and tested: Climate impact assessment of transport infrastructure funding*  
The European Investment Bank and Asian Development Bank have developed tools to assess the carbon footprint of investments in major projects, including transport.<sup>xvi</sup> Whilst the

tools can surely be improved, in particular to better account for demand management in future traffic forecasts, they nevertheless set a useful precedent.

The ADB has applied the Transport Emissions Evaluation Model for Projects (TEEMP), which is a free-of-charge, open source model which uses default data where local data is lacking.<sup>xvii</sup> The ADB metrics include: Gross CO<sub>2</sub> emissions (tCO<sub>2</sub>); CO<sub>2</sub> intensity per unit of mobility: g/passenger-km and g/tonne-km; and CO<sub>2</sub> intensity per dollar of investment. The TEEMP can also give projections of air pollutant emissions and traffic safety impacts.

Using these tools has enabled both the EIB and ADB to begin to evaluate the climate impact of loan signatures and the Banks' contribution to mitigating climate change, and will be used to demonstrate improvement over time.

The EU should follow this lead and use it as the basis for higher co-funding rates to incentivise project promoters to build in 'added value' in terms of emissions reductions. Project promoters should be obliged to consider which is the most climate-friendly way to achieve the objective, including traffic management, a shift to other kinds of energy, improving connections to public transport, walking, cycling or freight hubs.

### Step 3. How to avoid clashes with nature sites

There is a danger that the long list of projects is understood as a list of needs or what should be achieved, and as such used to justify projects (and even specific routes) whilst overriding other policy objectives. The lessons learned from the Via Baltica case (as just one high-profile example<sup>4</sup>) must be reflected in the TEN-T Guidelines. For this reason, proper environmental checks and balances remain essential with regard in particular to protected areas and achieving EU biodiversity protection objectives.<sup>5</sup>

#### Nature conservation recommendations

- Unequivocally require all transport projects to be subject to environmental assessment laws and EU nature directives tests and be required to respect the recommendations/findings: strengthen Article 42 on environmental protection.
- Require mandatory pre-screening of corridors (using SEA and SAA<sup>6</sup>) to identify potential clashes with protected or sensitive sites at the earliest possible planning stage, and require avoidance and remediation measures to be included in proposals;
- Require ex-ante assessment of biodiversity impacts of corridors and projects and a "no net loss" approach to biodiversity protection to be included in funding proposals;
- Allocate clear accountability to corridor coordinators to ensure that proper SEA, EIA, SAA and public consultation are undertaken. Requiring this at corridor level will help to address the persistent problem of 'salami slicing', meaning splitting projects into small sections for environmental assessment, in order to downplay the full impacts.

The Commission proposal for the Guidelines does remind national governments and project promoters that projects must be carried out respecting EU and national laws on the

<sup>4</sup> <http://www.rspb.org.uk/ourwork/casework/details.aspx?id=tcm:9-228488>

<sup>5</sup> Note in particular the recent strategies for Danube and Baltic Sea macro-regions, promoting integrated planning and European Commission guidelines on undertaking strategic environmental assessment and environmental impact assessment into account with regard to waterways.

<sup>6</sup> Strategic Appropriate Assessment, under the Habitats Directive for projects that might have a significant effect on a Natura 2000 site.

environment, climate protection, safety, health and public procurement (Article 7.4) and that environmental assessment legislation must be respected (Article 42). The following UNECE conventions must also be respected: the Espoo Convention on trans-boundary EIA, the Kyiv Protocol on SEA and the Aarhus Convention on access to information, participation and justice in environmental matters. This should be strengthened as the current TEN-T guidelines have proved inadequate so far.

SEA/EIA results are sometimes overruled, so have little impact on financial decisions in practice. Better safeguards are needed to ensure that infrastructure projects must take into account protected sites of special nature value at the earliest possible stage and make every effort to identify potential clashes, for example between Natura 2000 (protected) sites and transport infrastructure projects.

The guidelines should be strengthened by making reference to the EU's 2020 Biodiversity Strategy and in particular the requirement of the strategy to maintain and restore ecosystems. A "no net-loss approach" needs to be adopted where any impacts on biodiversity (no matter its level of protection) are fully mitigated and enhancement provided where possible. Waterways and maritime areas merit particular attention. There are several good practice examples of successful eco-system restoration and enhancement, such as the section of the Seine-Scheldt waterway in Flanders where some 500 hectares of wetlands were restored as part of the project.<sup>xviii</sup>

The push for waterways to "comply with the minimum requirements for class IV waterways" is a thinly veiled obligation to dredge, widen and deepen some waterway sections to accommodate large container vessels, whilst ignoring that there are preferable solutions: the vessels should be adapted to the waterways, and not vice-versa. There are many cases of serious concern across Europe where stretches of rivers and waterways house important habitats, species and ecosystems, which could clash with such an ill-considered push. For example, the campaigns to protect certain sections of the Danube illustrate that the EU would be on a collision course with its own nature conservation policies.

In short, the TEN-T Guidelines and priorities do not take precedence over binding environmental protection laws, and binding requirements for proper SEA, EIA and Appropriate Assessments and thorough public consultation must be respected at all times.

#### **Step 4. Apply the polluter pays principle to all EU-funded projects**

Internalisation of the external costs of transport have been a key objective of EU transport policy for over twenty years, but progress has been slow. The EU should set the example, by requiring user charges which internalize the external costs on transport links which are co-financed by EU funds.

##### **Polluter pays recommendations**

- **Require user charges based on internalization of external costs;**
- **The needs assessment should take into account a scenario of full internalization of external costs.**

The Centre for European Reform (2012) also notes that "This preference for toll-free roads makes the EU's climate targets harder to achieve, so should be changed."<sup>xix</sup> The Guidelines proposal does not incentivize the use of user charges, although it does allow EU funds to support the deployment of charging equipment.

There are multiple benefits, including optimizing the use of existing capacities, improving transport efficiency, reducing emissions and raising revenues to cover the infrastructure costs

or for other purposes. Ideally, the polluter pays principle has the double dividend of reducing pollution, whilst revenues can be used to reduce the tax burden on positive inputs like employment and enterprise. The possibility of raising revenues can also help to raise private investor interest and address the funding gap from public funds.

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