

Baltic ports in TEN-T policy. CEF instrument 2014 – 2020

– evaluation and recommendations
for **CEF II**

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About BPO

The Baltic Ports Organization is a regional ports organization inspiring and supporting its members while cooperating pro-actively with relevant partners. BPO was established on October 10, 1991, in Copenhagen, with an aim to facilitate cooperation among the ports and to monitor and improve the possibilities for shipping in the Baltic Sea region.

Development over the past years has proceeded very quickly and at present BPO has entered new, challenging and exciting phases. Currently 45 of the most significant ports in the nine countries surrounding the Baltic Sea are part of BPO, together with seven friendship members. BPO is well-recognized within the BSR, in EU bodies and other European regions.

The organization's mission is to contribute to sustainable development of maritime transport and the port industry in the Baltic Sea region, thereby strengthening its global competitiveness.

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BPO recommendations

As the new EU 2021-2027 financing period is approaching and political discussions have started, there is a need to analyse current achievements and to revise the instruments supporting transportation policy in the European Union, mainly the CEF instrument.

Baltic Ports Organization, representing 45 major ports of the Baltic Sea region, finds it necessary to make a statement towards the future shape of the Connecting Europe Facility – the most important EU financial instrument facilitating transport, infrastructure and port development in the EU.

The presented report makes an attempt to review the so far allocated funds and supported actions from Baltic ports perspective, as a result the following recommendations regarding CEF II are put forward by Baltic Ports Organization (Fig. 1).

BPO supports the statement from other EU transport-related industries included in the campaign “More EU budget for transport, the best investment plan for Europe”¹ presenting the key challenges and problems faced by EU transport industry, as well as the prospective benefits and chances awaiting for this sector in the future, provided that a greater EU financial assistance is awarded.

In its’ recent report ESPO informs that only 4% of the CEF funding allocated to transport was granted for projects where Port Managing Bodies are beneficiaries in addition the estimated investment needs in ports are equal to EUR 48 billion²

The details and justification for the recommendations shown in Fig.1 are presented in the final part of this report.

¹ The campaign-dedicated webpage: <https://www.moreebudget4transport.org/>

² The Infrastructure Investment Needs and Financing Challenges of European Ports. European Seaports Organization (ESPO). 2017 <https://www.espo.be/news/espo-pleads-for-a-strong-connecting-europe-facilit>



EU financial support is vital for the development of core ports and hinterland transport infrastructure in the **Baltic Sea Region**, as ports in the region have been growing steadily in the last years and this growth is expected to continue.

Such support will foster smooth trade growth and facilitate efficient movement of cargo and people and thus contribute to economic growth in the **Baltic Sea Region**.



A dedicated approach should be put in place to support the compliance of maritime transport on the **Baltic Sea** with the much more strict environmental conditions than those applicable in other EU regions.

Such an approach would support the important issue of ensuring equal market conditions in whole Europe.



A more balanced distribution of **CEF II** funds between different modes of transport should be applied in order to secure equal financial opportunities for maritime transport in the **Baltic Sea Region**.



Attention should be given to the involvement of comprehensive ports in the **CEF II** instrument in order to maintain the efficiency of **Short Sea Shipping** networks in the Baltic which are vital for the performance of the shipping patterns.



CEF II should acknowledge the cross-border character of ports as the consequences of activities undertaken there in terms of transport, logistics and society go beyond a national dimension.

Figure 1. BPO Recommendations for CEF II (2021-2027)

1. European Union Transport Policy – an overview

Intense development of the EU transport policy started with the establishment of the trans-European networks by the Maastricht Treaty in 1992. An infrastructure policy was set up to support the development of transport, energy and telecommunications networks as part of a wider goal to strengthen social, economic and territorial cohesion in the European Union.

The introduction of the trans-European network concept (TEN) was a step forward, it moved transport, energy and telecommunications policy from discussions to strategic planning.

This approach is underlined in Articles 170 -172 and 194 of the Treaty on the Functioning of the European Union which provide the legal basis for the functioning of the TEN.

The establishment of effective transport links not only between member states but throughout the continent is among the highest priorities of the EU. This approach is reflected in the many strategic documents and financial measures that are being introduced.

An important policy review regarding trans-European networks was launched in 2009 and led to a new legislative framework being introduced for the following financing period in 2014 in the area of transport: Union guidelines for the development of the trans-European transport network (so called TEN-T Regulation or TEN-T Guidelines)³. This legislative was accompanied by the 2011 Transport White Paper "Roadmap for a single European transport". According to the new legislative, the main objective of the trans-European transport network (TEN-T) is to remove bottlenecks⁴ and eliminate obstacles that restrain the development of an effective European transport system.

TEN-T Policy before 2014

In the financing period 2007-2013 Regulation (EC) No 680/2007 introduced the first multi-annual programme (MAP) in which specific requirements regarding future projects were being presented. Those requirements put emphasis on high-cost projects with complex cross-border influence and long implementation periods. Priority projects like Brenner Base Tunnel and Fehmarnbelt Fixed Link received most of the MAP funds.

³ Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU

⁴ According to Article 3(q) of the TEN-T Guidelines, a bottleneck is a physical, technical or functional barrier which leads to a system affecting the continuity of long distance or cross-border flows and which can be surmounted by creating new infrastructure, or substantially upgrading existing infrastructure, that could bring significant improvements which will solve the bottleneck constraint.

A mid-term review of the MAP projects was carried-out to evaluate 92 projects selected under the 2007 calls for proposal. Those projects accounted for almost two-thirds of the EUR 8.013 billion TEN-T budget and 78% of the total MAP for the 2007-2013 period.

EU Transport Policy since January 2014

EU Trans European Network policy is implemented throughout two main instruments: Union guidelines for the development of the trans-European transport network (TEN-T Regulation or Guidelines) and the Connecting Europe Facility (CEF). Union Guidelines outline objectives, priorities and measures for the implementation of projects of common interest as well as sets out priorities for the development of the trans-European transport network (Article 1 of the Regulation). The Connecting Europe Facility is an EU funding instrument introduced to support the implementation of the European transport infrastructure policy introduced by Regulation (EU) No 1316/2013⁵.

Since 1 January 2014 the financial and technical implementation of the TEN programme is managed by the Innovation and Networks Executive Agency of the European Commission (INEA). The programs dedicated to TEN-Transport development under INEA management are: Connecting Europe Facility (CEF), parts of Horizon 2020 (Smart, green and integrated transport; Secure, clean and efficient energy) as well as TEN-T and Marco Polo (legacy programmes from the 2017-2013 financing period).

The TEN-T policy incorporates all transport modes - railways, inland waterways, roads, ports, airports as well as innovative alternative fuels. It is a complex approach to Europe's development in terms of infrastructure for transport of goods and passengers as well as in terms of technical and administrative solutions.

The TEN-T network is composed of a two layer structure including the comprehensive network and the core network. The comprehensive network gives the basis for the identification of projects of common interest. It is a network of relatively high density that integrates different transport modes with the aim of ensuring accessibility and connectivity in all European regions - including the isolated and remote parts.

The total length of the comprehensive network amounts to:

- 138,072 km of railway lines,
- 136,706 km of roads,
- 23,506 km of inland waterways.

⁵ Regulation (EU) No 1316/2013 of the European Parliament and of The Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010).

In relation to maritime transport infrastructure, the comprehensive network includes: (a) maritime space; (b) sea canals; (c) maritime ports, including the infrastructure necessary for transport operations within the port area; (d) the connections of the ports to the other modes in the trans-European transport network; (e) dykes, locks and docks; (f) navigational aids; (g) port approaches and fairways; (h) breakwaters; (i) motorways of the sea; (j) associated equipment; (k) telematic applications, including e-Maritime services and VTMIS⁶

Specific eligibility criteria are stated in the Guidelines to indicate which ports should be incorporated in the comprehensive network.

The core network is formed of the most important parts of the comprehensive network. The development of the core network should contribute to the management of increasing mobility, with guaranteed high safety standards and the implementation of low-carbon emission in the transport system. The core network concentrates on those components of TEN-T with the highest European added value: missing cross-border links, key bottlenecks and multimodal nodes. It shall secure connections between Member States and between the EU and the neighbouring countries. The total length of the core network amounts to:

- 68,915 km of railway lines,
- 59,630 km of road,
- 23,506 km of inland waterways,
- 93 seaports,
- 93 airports,
- 79 inland ports.

The coordinated implementation of the core network is facilitated by the core network corridors instrument described in Article 43 of the Guidelines:

- 1. Core network corridors cover the most important long- distance flows in the core network and are intended, in particular, to improve cross-border links within the Union.*
- 2. Core network corridors shall be multimodal and open to the inclusion of all transport modes covered in this Regulation. They cross at least two borders and, if possible, involve at least three transport modes, including, where appropriate, motorways of the sea.*

⁶ Article 20 of the Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU

There are 9 core network corridors covering the area of the European Union and integrating different transport modes: Baltic - Adriatic, North Sea – Baltic, Mediterranean, Orient/East-Med, Scandinavian-Mediterranean, Rhine-Alpine, Atlantic, North Sea – Mediterranean, Rhine – Danube.

The introduction of a network system which concentrates on modal integration and coordinated infrastructure deployment on a cross-border level allows for a better accessibility of all the European regions. According to the TEN-T Regulation the core and comprehensive networks should be completed respectively by 2030 and 2050.

Maps representing the comprehensive and core network are included in Annex I of the Guidelines. The list of core network corridors is set out in Part I of Annex I to Regulation (EU) No 1316/2013.

Maritime transport in TEN-T policy

The TEN-T policy includes projects dealing with maritime transport and seaports especially. The maritime infrastructure developed within TEN-T projects should support the following improvements:

- accessibility of islands,
- the functioning of interconnection of sea transport with other modes,
- ferry services for passenger and goods transport,
- short and long-distance shipping services,
- coastal shipping,
- creating links between EU Member States and with third countries.

The maritime dimension of the trans-European transport network is represented by the Motorways of the Sea concept (Article 21 of the Guidelines). Motorways of the Sea (MoS) consists of several shipping line connections which are an extension of land routes. MoS should act as a substitute for land transport and resolve bottleneck problems on the roads. The main elements of the MoS concept are: shipping connections and sea ports as well as regulation and coordination issues. Within the MoS priority projects should be focused on the improvement of port facilities and infrastructure. Activities are also concentrated on security and safety, notably by providing year-round access and availability of shipping routes. MoS projects incorporate different infrastructure elements and simplify standing formalities in order to facilitate transport services (including hinterland connections) between at least two ports from two Member States. As a rule only a consortium of two core ports or one core port and one comprehensive port is admissible.

The following possible actions are supported by the MoS priority:

- Implementation projects (works projects)
- Studies taking the form of pilot actions
- Studies (not eligible under all of the calls)

Within works projects applicants may apply for up to 30% of co-financing and priority is given to Maritime link based projects and projects of wider benefit. Approx. 50% of the total project budget within those priorities should be dedicated to port investments.

Works projects should involve at least two EU ports from two different Member States, one maritime operator as well as hinterland transport operators. Infrastructure investments should be dedicated to the elimination of bottlenecks. This type of action invites also consortia of terminal operators, logistics companies or ship brokers. Costs borne by shipowners resulting from the upgrade of vessels are also eligible in condition that the ships are operating on a particular maritime link. The upgrade of the vessels has to be related to the adjustment to the MARPOL Convention's Annex VI and Sulphur Emission Control Area requirements. Costs dedicated to the improvement of the general environmental performance of a maritime service are supported as well (e.g. on-shore power supply or actions aiming at the reduction of CO2 emission). Exhaust gas cleaning systems are supported only when introduced on short sea shipping vessels operating outside the SECA area. Facilities and infrastructure receiving financial support have to be open to all users. The following examples of works are subject to support:

- infrastructure and facilities up to the terminal site (e.g. for temporary storage of loading units, facilities for drivers, facilities for shore side electricity, waste treatment facilities, terminal handling equipment)
- intermodal terminals in ports and hinterland
- land and sea access to port, including dredging for the purpose of MoS, rail, inland navigation and road connecting links to the TEN-T or national land transport networks, connections to intermodal centres
- safety and security measures
- waterways and canals to shorten sea routes
- ways of ensuring year-round navigability, such as facilities for dredging or icebreaking
- deployment of LNG bunkering infrastructure for ships at a wider regional scale.

Studies taking the form of pilot actions are co-funded at a rate of up to 50% of the eligible costs. This type of projects can be devoted to the implementation and testing of new and innovative concepts resolving among others the problems related to alternative fuels use, emissions reduction or new

ships prototypes. The principal condition that has to be fulfilled by the supported projects is their application within the MoS chain and services as well as a 5-year service within the supported action for ships.

Studies can receive up to 50% of co-financing for projects that aim at wider benefits in a regional or European scale. It is important to notice that within one application different co-funding rates can be combined resulting in projects of a mixed character. Compared to the previous financing period in 2014-2020 a greater emphasis is put on works and mixed projects.

Corridors of the Baltic Sea

Among the nine Core Network Corridors of the European Union, four are directly linked to the Baltic Sea: Baltic-Adriatic, North Sea-Baltic, Scandinavian-Mediterranean and Orient/East-Med. Those corridors connect important transport nodes situated around the Baltic Sea, the connections are based on land routes (road and rail) as well as on maritime links (e.g. Helsinki – Tallin).

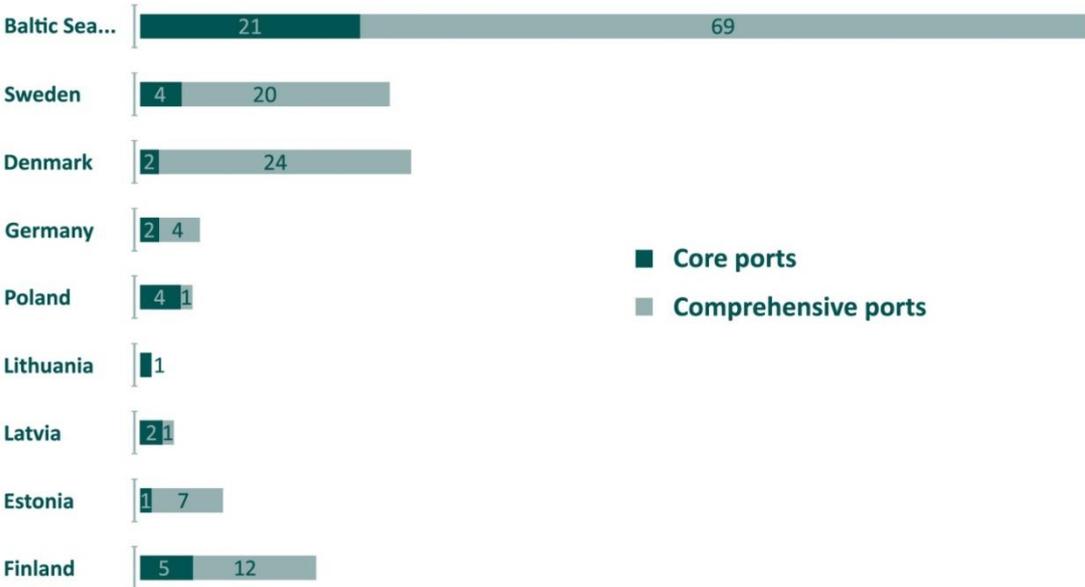
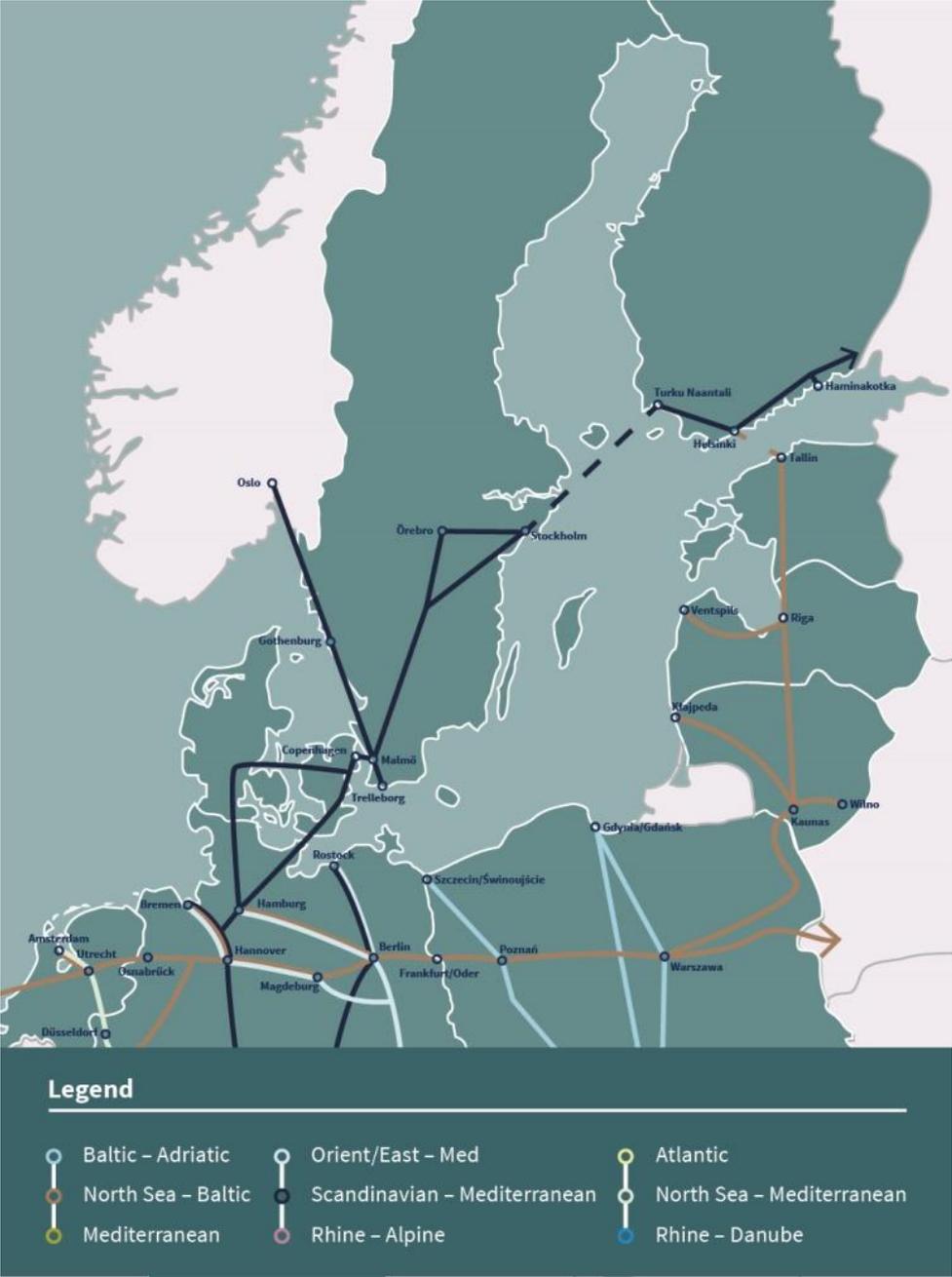


Figure 2. Core and comprehensive ports of the Baltic Sea by country. Source: own elaboration

Several of the comprehensive ports and almost all of the Baltic core ports (except Aarhus and Lulea) are located on one of the Core Network Corridors covering the Baltic Sea region. The Baltic-Adriatic Corridor joints the Baltic core ports of Gdańsk, Gdynia and Szczecin-Swinoujście all the way through Slovakia, the Czech Republic, Austria and Slovenia to Northern Italy. The North Sea-Baltic Corridor connects the Baltic Countries (including core ports of Tallin, Riga, Ventspils, Klaipeda) through Poland and Germany to countries located on the North Sea. The Scandinavian-Mediterranean

Corridor connects the countries of the north Baltic Sea shore (including Baltic core ports in Hamina/Kotka, Helsinki, Turku/Naantali, Stockholm, Gothenburg, Copenhagen/Malmö, Trelleborg, Rostock and Lübeck) through Germany and Austria to the south of Italy. The Orient-East/Med Corridor connects the western Baltic core port of Rostock through among others Germany, Hungary and Bulgaria to Greece.

Figure 3. Core Network Corridors in the Baltic Sea Region





Map 1. Core and comprehensive ports of the Baltic Sea :Sweden, Finland, Estonia, Latvia, Lithuania, Poland.



Map 2. Core and comprehensive ports of the Baltic Sea: Poland, Germany, Denmark, Sweden.

European Union funds supporting the implementation of TEN-T

According to the Commission estimates a total investment of EUR 500 billion is required to finish the TEN-T network by 2020. From that amount EUR 250 billion is needed to complete missing links and remove bottlenecks in the core network. EU financing dedicated to TEN-T comes from several sources (Fig. 4). The bulk of financing comes from Member States national budgets, followed by EU grants. Loans, guarantees and risk bearing mechanisms are a special source of financing that has the additional aim to attract investments from private sources, especially for projects that reveal a high level of returns on investments.

Due to the specific “unprofitable” character of many infrastructure projects EU grants still play a key role in the support for TEN-T projects. The funding is available through the following instruments:

1. The European Fund for Strategic Investment (EFSI)
2. Horizon 2020
3. The European Structural and Investment Funds (ESIFs), including the Cohesion Fund (CF) and the European Regional Development Fund (ERDF)
4. The Connecting Europe Facility (CEF)

The newly established European Fund for Strategic Investments (EFSI) is funded by the EU and the European Investment Bank (EIB) it has a budget of EUR 21 billion for the implementation of innovative financial instruments that can be combined with EU grants support from CEF, Horizon 2020 and ESIFs. Within Horizon 2020 societal challenge “Smart, green and integrated transport” EUR 2.9 billion is available for transport projects under priorities Mobility for Growth, Green Vehicles and Automated Road Transport. Another source of financing for transport project is guaranteed by the European Structural and Investment Funds (ESIFs) namely the Cohesion Fund and the European Regional Development Fund. The budget allocated through ESIF’s amounts in total to EUR 70 billion.

In the 2014-2020 funding period the Cohesion Fund is dedicated to the following countries: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. Within this envelop projects involving eligible countries can receive up to 85% of co-financing for the part of investment being performed in the cohesion country.

Budget breakdown for TEN-T implementation (€ billion)

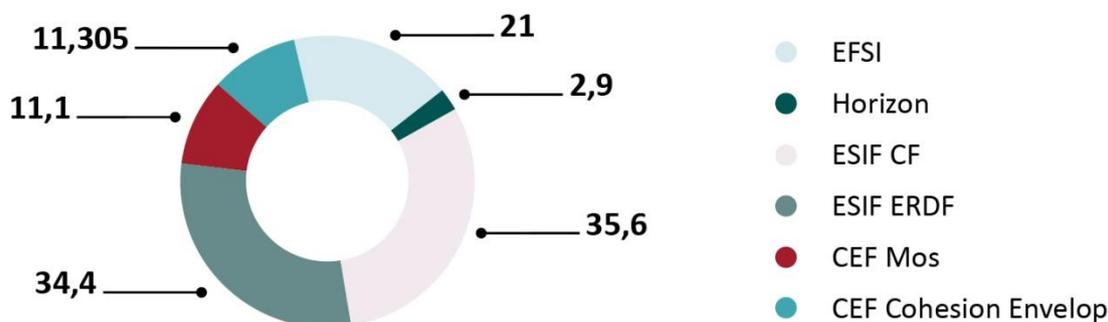


Figure 4. TEN-T implementation budget by instruments. Source: own elaboration based on INEA

Among the above mentioned instruments Connecting Europe Facility plays a key role in distributing EU financing for transport projects as it is centrally managed and provides funds mostly in the form of grants and additionally can be blended with other financial instruments.

2. Ports in the CEF Funding Priorities

Connecting Europe Facility was established by Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013. It is in line with the Europe 2020 Strategy and Article 170-174 of the Treaty on the Functioning of the European Union. CEF is a centrally-managed financial instrument that supports the development of the transport, energy and telecommunications infrastructure within the Trans European Network.

As stated in Article 3 of the above mentioned Regulation the general objective of the CEF is:

contributing to smart, sustainable and inclusive growth, in line with the Europe 2020 Strategy, by developing modern and high-performing trans-European networks which take into account expected future traffic flows, thus benefiting the entire Union in terms of improving competitiveness on the global market and economic, social and territorial cohesion in the internal market and creating an environment more conducive to private, public or public-private investment through a combination of financial instruments and Union direct support where projects could benefit from such a combination of instruments and by appropriately exploiting synergies across the sectors.

Multiannual and Annual Work Programmes adopted by the Commission are setting the implementation criteria of the CEF. They include: priority areas for funding, the form of assistance to be used and the budget breakdown. The coordination of work programmes prepared for each sector (transport, energy, telecommunications) should take into consideration the need for synergy between those sectors in the area of smart energy grids, electric mobility, transport systems or infrastructure coupling. Following this approach multi-sectoral calls for proposals (Synergy Calls) should also be adapted. The first call of such kind was announced in 2016.

Multi-Annual Work Programmes cover only the projects that are pre-identified in Annex I of the CEF Regulation and/or contribute to the implementation of Horizontal Priorities. The pre-identified projects include:

- Cross-border projects (rail, inland waterway, road)
- Projects that tackle bottlenecks (rail and inland waterway)
- Port and airport connections
- Multimodal logistics
- MoS projects situated along the nine Core Network Corridors
- Other Core Network projects (rail, inland waterway, cross-border road, ports)

Horizontal Priority projects that implement thematic applications for all modes such as:

- Intelligent Transport systems (ITS)
- European Rail Traffic Management System (ERTMS)
- River Information Systems (RIS)
- Vessel Traffic Monitoring and Information Systems (VTMIS)
- Single European Sky - Air Traffic Management Programme (SESAR)
- New technologies and innovation
- Multimodality, safety, security, e-infrastructures
- Motorways of the Sea (MoS)

In each area CEF reflects the respective sectoral guidelines which provide the basis for projects selection. Priority is given to the pre-identified projects - in line with the actions eligible for financial assistance stated in the Regulation.

In the transport sector specific objectives of the CEF include removing bottlenecks, improving cross-border connections and interoperability of transport modes as well as supporting the sustainable and

safe transport system within the EU. A bulk of support is dedicated to removing bottlenecks - 80% of the available budgetary resources.

Projects supported under the CEF can be related to physical sections of the network or develop efficient, safe and interoperable traffic management systems for different modes of transport. 86% of the funds currently allocated for transport (EUR 18,35 billion) is dedicated to cross-border transport infrastructure throughout the Core Network Corridors.⁷ It is important to notice that projects supported within CEF can approach the transport solutions from two perspectives – they can either concentrate on the improvement of a specific maritime link or on the wider benefit that the project can provide in terms of regional development. An example of the first approach is a project called Sweden-Poland Sustainable Sea-Hinterland Services “Sustainable Swinoujscie-Trelleborg MoS based on upgrading port infrastructure, developing intermodal transport and integrating hinterland corridors”. Several project linked to LNG infrastructure or environmental solutions can serve as examples of the second approach, e.g. Scrubbers: Closing the loop or Blue Baltics - LNG infrastructure facility deployment in the Baltic Sea Region. In total 12 projects of the “maritime link” type and the same amount of projects of the “wider benefit” type have received financing.

Table 1: Horizontal priorities in the Transport sector – Pre-identified projects. Source: CEF Regulation

Innovative management & services	Single European Sky – SESAR system
Innovative management & services	Telematic applications systems for road, rail, inland waterways and vessels (ITS, ERTMS, RIS and VTMS)
Innovative management & services	Core network ports, motorways of the sea (MoS) and airports, safe and secure infrastructure
New technologies and innovation	New technologies and innovation in accordance with points (a) to (d) of Article 33 of Regulation (EU) No 1315/2013

Annex I of the CEF Regulation provides a list of pre-identified projects eligible for financial assistance in the transport area for each Core Network Corridor. For the Corridors situated within the Baltic Sea area 7 projects in 3 corridors are recommended that concentrate on port or MoS issues. There are no projects involving Baltic ports in the Orient/East-Med Corridor.

⁷ Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Mid-Term Evaluation of the Connecting Europe Facility (CEF)

Table 2. Projects located in the Baltic Sea pre-identified in the CEF Regulation. Source: Annex I of the CEF Regulation

Corridor	Sections of the corridor	Mode of transport	Scope of projects
Baltic-Adriatic	Gdynia, Gdańsk	Ports	Port interconnections, (further) development of multimodal platforms
	Świnoujście, Szczecin	Port	Port interconnections
North Sea –Baltic	Helsinki - Tallinn	Ports, MoS	Port interconnections; (further) development of multimodal platforms and their interconnections; icebreaking capacity; MoS
Scandinavian–Mediterranean	Hamina/Kotka – Helsinki	Port, Rail	Port interconnections, rail upgrading, ice breaking capacities
	Turku/Naantali – Stockholm	Ports, MoS	Port interconnections, ice breaking capacity
	Trelleborg - Malmö – Göteborg – NO border	Rail, Port, MoS	Works, multimodal platforms and port hinterland connections
	Rostock	Ports, MoS	Interconnections ports with rail; low-emission ferries; ice-breaking capacity

It is important to notice that due to the intermodal character of the Trans-European Transport Network ports of the Baltic Sea are also included in projects dedicated to rail infrastructure deployment for example “Tallinn - Rīga - Kaunas - Warszawa (Detailed) studies for new UIC gauge fully interoperable line; works for new line to start before 2020; upgrading and new line on PL territory; rail – airports/ports interconnections, rail-road terminals, MoS”.

Annual Work Programmes are dedicated to projects that aim at the development of transport flows on a national level (the Comprehensive Network), projects that address the deployment of transport infrastructure as well as short-term transport policy priorities.

Until now 5 Multi Annual Work Programmes and 1 Annual Work Programme have been adopted with several amendments.

According to the logic behind the CEF instrument the nine multimodal Core Network Corridors which are the main traffic routes in the EU should be improved in terms of efficiency and visibility, for that reason funds allocated throughout the CEF instrument are focused on the above mentioned groups of projects.

An overview of the supported CEF projects in the area of maritime transport in the Baltic Sea.

From the total of 604 transport projects supported by the CEF instrument since 2014 (with a funding of EUR 21.4 billion) 236 are dedicated to rail transport, 128 to road transport, 76 to maritime transport, 62 have a multimodal character, 54 are related to air transport and 48 to inland waterways.

Within the CEF priority aimed at the development of Core Network Corridors 8 projects located on the Baltic Sea were accepted for funding in the 2014-2016 calls for proposals. The co-financed projects are based in the ports of Gdańsk, Gdynia, Szczecin-Świnoujście, Lübeck, Helsinki and Tallin.

Table 3. CEF Core Network Corridors projects located in the Baltic Sea. Source: INEA

Corridor (number of projects)	Projects supported involving a Baltic port	Port involved	Maximum EU Contribution (EUR)
Baltic-Adriatic (6)	Modernisation of the fairway, expansion of the quays and improvement of navigation in the Internal Port in Gdansk	Gdańsk	93,735,340
	Project ID 2015-PL-TM-0413-W		
	Extension and modernisation of road and railway network in the Gdansk outer port	Gdańsk	24,450,726
	Project ID 2015-PL-TM-0372-M		
	Design and environment documentation for the expansion and modernization of core network node in the Port of Gdańsk	Gdańsk	527,492,000
	Project ID 2015-PL-TM-0280-S		

	Improving rail access to the Szczecin and Świnoujście seaports	Szczecin -Świnoujście	122,118,435
	Project ID 2015-PL-TM-0125-W		
	Improving rail access to the port of Gdynia	Gdynia	162,235,595
	Project ID 2015-PL-TM-0034-W		
	Improving rail access to the port of Gdansk	Gdańsk	108,543,271
	Project ID 2015-PL-TM-0006-W		
North Sea-Baltic (2)	ReaLNG: Turning LNG as marine fuel into reality in the North Sea-Baltic region	Lübeck	13,082,775
	Project ID 2014-EU-TM-0095-W		
	Twin-Port 2	Helsinki and Tallin	29,300,000
	Project ID 2014-EU-TM-0087-M		

Within the closed calls (2014-2016) of CEF horizontal priority Motorways of the Seas 41 projects received financing. 17 of those projects are located entirely on the Baltic Sea, 5 are situated on the Baltic Sea and the North Sea, 1 project involves activities on all EU sea water areas (including the Baltic Sea).

Among the supported projects of a maritime link character the improvement of Helsinki – Tallin ferry connection which combines the North Sea-Baltic and Scandinavian-Mediterranean corridors could serve as an excellent example of CEF funds application. The aim of the project is to increase the transport capacity between Helsinki and Tallinn – a ferry connection that serves 1.6 million transport units per year. Actions within the project include an improvement of infrastructure efficiency of the route, the introduction of new technologies and automatization in the operations ongoing at the ports. The project consortium involves Port of Tallin, Port of Helsinki and Tallink Group AS. Other maritime links that are being improved through CEF funded projects are: Helsinki-Lubeck, Klaipeda-Karlshamn, Rostock-Rauma, Rostock-Gedser, Swinoujście-Trelleborg, Helsinki-Rotterdam-Teesport and Lulea- Raahe- Oxelosund.

Projects of a wider benefit concentrate greatly on environmental issues, including introduction of LNG as a marine fuel, LNG infrastructure deployment, scrubbers, OPS, waste water facilities, energy efficient ferry and ships compliance with Marpol Annex VI. Other supported activities of a wider benefit character affect data collection, winter navigation and Sea Traffic Management.

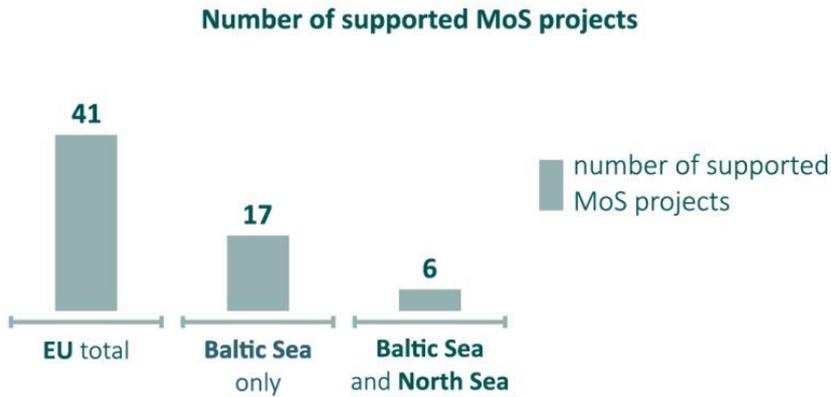


Figure 5. Baltic Sea in the 2014-2016 supported MoS projects. Source: own elaboration

From the total 22 projects located within the Baltic Sea 9 projects do not include a direct port involvement (no port is indicated as beneficiary), nonetheless 24 ports of the Baltic Sea have received support.

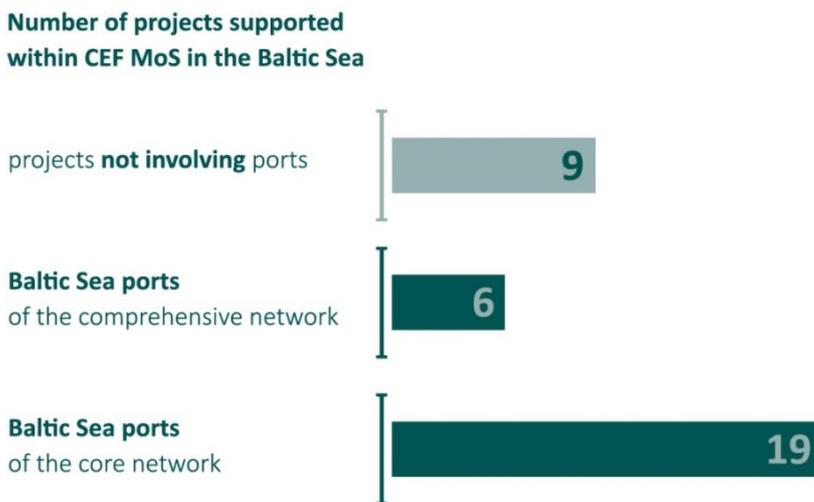


Figure 6. Number of MoS projects in the Baltic Sea by port type. Source: own elaboration

During the 2014 CEF Transport Call for Proposals 276 proposals were evaluated for funding. From EUR 13 billion of support allocated EUR 12 billion were dedicated to the Core Network. A great amount of the funding for projects implemented in the North Sea-Baltic and Baltic-Adriatic Corridors was coming from the Cohesion envelop. Under the Multiannual Programme 29 projects were supported in the MoS priority with a total grant funding of EUR 283.1 million. In 2015 the number of evaluated and supported proposals decreased to 195 for a total EU financing of EUR 6.7 billion. 12 projects were proposed under the MoS priority, including 6 projects with the participation of

Baltic Sea countries. Among those 6 projects 4 were of a mixed type, 1 was dedicated to studies and 1 was of works type.

Within the first Synergy Call in 2016 for the purpose to achieve the specific objective of:

*Ensuring sustainable and efficient transport systems, by supporting a transition to innovative low-carbon and energy-efficient transport technologies and systems, while optimising safety*⁸, 2 MoS projects covering the Baltic Sea have been awarded support (involving 3 Member States: Sweden, Poland and Belgium). Under the general MAP Transport Call in 2016, 5 projects have been indicated for funding of which 2 involved ports of the Baltic Sea (Trelleborg, Hanko and Rostock).

For 2017 under the CEF Blending MAP Call EUR 1.35 billion was available for projects in the transport sector. The goal of the Blending Call is to combine EU funding with public-private partnerships in a way to increase private involvement in CEF Transport projects. Within the 2017 CEF Transport Blending MAP Call first cut-off date (closed 14 July 2017) 39 proposals were recommended for funding for a total support of EUR 1.02 billion. Within those proposals only one was submitted under the MoS priority (an upgrade of the Barcelona -Civitavecchia MoS link). Under the Core Network Corridors Priority 16 proposals were recommended for funding. Within those proposals 4 are associated to the Baltic Sea Ports (Helsinki, Gdańsk, Gothenburg and Trelleborg) with a total financing of over EUR 73 million. The second cut-off-date within the Blending MAP Call call is planned for 12 April 2018.

In November 2017 the Commission increased the amount of funding available for the CEF Transport priorities to EUR 22 842 564 778 allocating EUR 40 million to the MoS Priority. For the projects on the Corridors of the Core Network and Projects on the Other Section of the Network the now available budget is EUR 450 and EUR 100 million respectively.

Within the Cohesion envelope, by 2016 the entire available budget of EUR 11.3 billion has already been distributed for the financing of 244 projects of which 29 were located in Poland, 5 in Lithuania, 4 in Estonia and 3 in Latvia.

⁸ <https://ec.europa.eu/inea/en/connecting-europe-facility/2016-cef-synergy-call>

3. Recommendations for CEF II - Baltic Ports perspective

Based on the available data regarding the 2014-2017 activities supported by the European Union in the area of maritime transport and especially ports development several conclusions can be drawn in order to support the right policy directions for the future CEF.

Baltic is on the rise

EU support is vital to maintain the intense growth of Baltic ports

The Baltic port market is developing very fast and the scale of this development exceeds other European ports. The turnover in the container traffic in the Baltic Sea corresponds to 12,7% of the total European turnover.

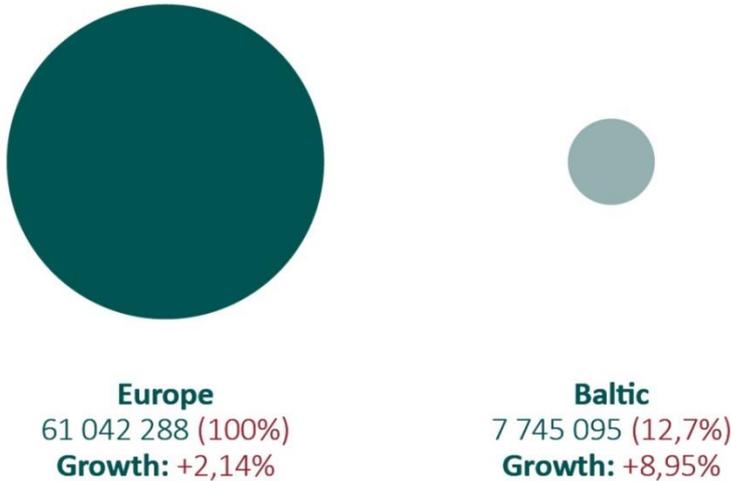


Figure 7. Container turnover 2017 (TEU). Source: Port Monitor

The Baltic Ports market is on the rise. In 2016 Baltic ports handled 881.3 million tonnes of freight noticing a year on year (2015/2016) increase from +0,2% in the case of Germany (Baltic ports only) to +8,1% in the case of Lithuania. Only Latvia and Estonia noticed a slight decrease of handled freight. Since 2011 Russian ports remain leaders of the market followed by Sweden, Finland, Denmark and Poland.

Tab. 1. BSR countries' seaports total freight turnover [thou. tn]¹

Nº	Country	2016	2015	Yoy
1	Russia ²	236,599	230,742	+2.5%
2	Sweden	171,324	169,711	+1.0%
3	Finland	105,016	99,949	+5.1%
4	Denmark ³	96,150	95,099	+1.1%
5	Poland	72,934	69,736	+4.6%
6	Latvia	63,116	69,569	-9.3%
7	Germany ²	53,048	52,938	+0.2%
8	Lithuania	49,440	45,749	+8.1%
9	Estonia	33,623	34,962	-3.8%
	Total	881,250	868,455	+1.5%

¹ Including domestic shipping;

² Only ports on the coast of the Baltic Sea

³ All of Denmark

Figure 8. Total freight turnover of Baltic Sea countries. Source: Baltic Yearbook 2016/17

Baltic Sea is covered by a high density of regular connections of ro-ro, ro-pax and container traffic. Container traffic is based on connections between North Range hub ports and Baltic Sea ports, it includes feeder traffic from deep sea services calling the North Range as well as short sea connections between western European countries and the Baltic Sea ports. Deep sea liner services are also part of the container traffic in the Baltic Sea with 18,000 TEU vessels.

	Port	I half 2016	I half 2017	Change 2017/2016
1	St. Petersburg	880 450	953 900	+7,7%
2	Gdańsk	645 849	689 093	+6,7%
3	HaminaKotka	325 181	344 564	+6,0%
4	Gdynia	316 208	340 599	+7,7%
5	Gothenburg	404 993	317 871	-22,0%
6	Aarhus	222 292	252 482	+13,6%
7	Helsinki	230 392	237 731	+3,2%
8	Klaipeda	214 558	217 600	+1,4%
9	Riga	182 538	208 107	+14,0%
10	Rauma	135 524	138 185	+2,0%
	Total	3 557 985	3 700 132	+4,0%

Figure 9. Container traffic in top 10 Baltic container ports in the first half of 2017 (TEU). Source: Port Monitor

Container traffic between Baltic Sea ports is very limited mostly due to high costs. Intra-Baltic trade is performed by ro-ro, ro-pax or feeder services connections. A high density of this type of links is between the Scandinavian States and between Scandinavia and the Eastern Baltic countries, in terms of cargo volume the most important links are between Germany/Poland and Denmark/Sweden.

Tab. 10. Top 10 ro-ro cargo ports in the Baltic in 2011-2016 [mln tn]

Nº	Country	Port	2016	2011	2016/2011 [%]
1	SE	Trelleborg	10.9	9.4	+16.0%
2	DE	Lübeck/Travemünde	10.0	10.8	-7.4%
3	SE	Gothenburg	8.8	10.3	-14.6%
4	DE	Rostock	8.3	7.3	+13.7%
5	FI	Helsinki	6.7	6.6	+1.5%
6	SE	Stockholm (Stockholm, Nynäshamn, Kapellskär)	6.3	6.2	+1.6%
7	PL	Szczecin-Swinoujście	5.7	4.3	+32.6%
8	EE	Tallinn	4.6	3.7	+24.3%
9	DK/SE	Copenhagen Malmö	4.2	3.6	+16.7%
10	SE	Ystad	3.3	2.5	+32.0%
		Total	68.8	64.7	+6.3%

Figure 10. Top 10 ro-ro cargo ports in the Baltic. Source: Baltic Yearbook 2016/17

Passenger traffic in the Baltic Sea is performed by ferry services operating on intra-Baltic connections. The most important ones are connections between Denmark and Sweden (the Helsingør-Helsingborg connection), several connections from Stockholm as well as the Helsinki-Tallinn connection.

Nº	COUNTRY	PORT	PAX 2016	PAX 2015	2016/2015 [%]	PAX CARS 2016	PAX CARS 2015	2016/2015 [%]
1	FI	Helsinki	11,565	11,212	+3.1%	1,473,622	1,387,446	+6.2%
2	SE	Stockholm (Stockholm, Nynäshamn, Kapellskär)	10,767	10,657	+1.0%	1,127,670	1,112,464	+1.4%
3	EE	Tallinn	9,660	9,295	+3.9%	n/a	1,350,000	-
4	DK	Helsingør	7,525	7,643	-1.5%	1,369,986	1,369,986	+/-0%
5	SE	Helsingborg	7,525	7,670	-1.9%	1,336,986	1,369,986	-2.4%

Figure 11. Top 5 ferry passenger and private cars serving ports in the Baltic. Source: Baltic Yearbook 2016/17

The deployment of LNG infrastructure and the development of the LNG market in the Baltic Sea region is on the rise. This situation is a consequence of the increased demand for LNG as a fuel for land and maritime transport. In the scope of 5 years (2011-2016) five LNG terminals (land-based and FSRU) started their operations and 16 more are now under construction or planned. As stated in the *Detailed Implementation Plan for MoS* the support for safety and protection of the environment is especially important in the Sulphur Emission Control Areas where MoS activities involve countries, ports and ship operators in the Baltic and North Seas addressing the implementation of remedial tools (including the use of LNG). It is important to notice, that the European Commission itself is calling for an increase of funds within CEF namely because of very high oversubscription rates showing that the sectors' needs are far from being fulfilled⁹. Under the current first cut-off date of the CEF Transport Blending Call €2.21 billion of funding was requested. The requested funding is 2.21 times more than the indicative budget available.

⁹ Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Mid-Term Evaluation of the Connecting Europe Facility (CEF)

Baltic Sea environment – a key priority

A dedicated approach should be put in place to guarantee the compliance of maritime transport on the Baltic Sea with environmental regulations



Figure 12. Tallink LNG-fuelled *Megastar* ferry operating on the Tallinn-Helsinki route.

The Baltic Sea is covered by environmental regulations regarding air emission (SO_x, NO_x, CO₂), sewage and ballast water. Maritime transport is growing fast. Especially in the Baltic Sea region where the majority of ports are noticing a continuing trend of year-on-year increase in handled cargo and passenger traffic. This is certainly a positive situation, but when combined with the demanding environmental restrictions (e.g. MARPOL and EU regulations regarding SO_x emissions as well as regulations coming into force in the near future) it will represent an important challenge for Baltic ports. Although 15 of the MoS projects undergoing implementation in the Baltic Sea have an environmental character (e.g. deployment of LNG infrastructure or compliance with the MARPOL Annex VI) it is still not enough to fulfil the high thresholds set in environmental regulations regarding the installation of alternative fuels bunkering infrastructure, OPS and reception facilities. As stated in the Detailed Implementation Plan for MoS the dominant strategy regarding ships compliance with environmental regulations *is still the use of compliant fuel (Marine Diesel Oil with lower sulphur content) in order to comply with ECA regulations. One reason for this strategy is certainly the rather low oil price that has taken some pressure off the ship operators in the recent past. In addition to the costly technology, the non-availability of LNG supply points in the ports hampers the widespread uptake of LNG-propelled ships.* A recent review of the Study on the Completion of an EU Framework on LNG-fuelled Ships and its Relevant Fuel Provision Infrastructure noted that *decreasing air*

*pollutant emissions is important in the context of, amongst others, the Marine Fuels Sulphur Directive (EC, 2012)³, which sets limits for SO_x emissions of vessels on the North Sea and the Baltic Sea (which are Sulphur Emission Control Areas), that can be met, amongst others, by using LNG. The Alternative Fuels Infrastructure Directive (EC, 2014a) requires that a core network of refuelling points for LNG is available in TEN-T ports by the end of 2025. (Refuelling points for LNG include, inter alia, LNG terminals, tanks, mobile containers, bunker vessels and barges). The importance of introducing sustainable solutions on the Baltic Sea is underlined as well in the EUSBSR Action Plan: *The Baltic Sea and its transition area to the North Sea are still one of the most polluted in the world. Its poor state threatens the quality of life for the 80 million inhabitants living around it. The problems facing the sea, including algae blooms, dead zones on the bottom, air pollution, marine litter and noise and the negative environmental consequences of overfishing and heavy ship traffic, involve all coastal countries, calling for more coordinated action.* A dedicated priority in CEF 2 that could respond to the environmental restrictions in force for the Baltic Sea could mobilize the maritime industry to set up more coordinated green investments and initiatives.*



Figure 13. Small-scale LNG terminal in Nynäshamn (Sweden)

Balanced development of transport modes

A more balanced distribution of funds between different modes of transport

EU documents describing transport policy underline the importance of further development of sustainable transport modes. This policy means on one side the increase of sustainable transport

modes in the overall transport volume as well as the development of environmentally friendly technologies and procedures. An overwhelming scale of CEF financing is dedicated to rail transport – it received 73% (EUR 15,7 billion) of the total funding for the period 2014-2016. While road infrastructure absorbed EUR 1.6 billion, maritime transport received EUR 0.9 billion of financing.

This concentration of EU expenditure on one mode of transport could suggest that rail transport is considered as the only way of achieving decarbonisation, leaving others “behind” in terms of financing and in terms of participation in the overall goal of a sustainable European transport.

All seaports of the TEN-T (both core and comprehensive networks) are connected to the TEN-T railway network. Funded projects concentrate on the improvement of the connections available to seaports (e.g. rail and inland water connections) but not enough funds are allocated to the improvement of the ports as such. A more balanced distribution of funds between the transport modes is necessary to guarantee the sustainability and complexity of the transport network in Europe.

If the implementation of the global Trans European Transport Network is planned to be successful it should involve all transport modes and all points of the network. Until now too much attention has been given to the core network corridors. Ports situated outside this network can still be described as “distant” or “remote” from the point of view of accessibility.

Strengthening comprehensive ports participation in CEF

Greater input on the involvement of comprehensive ports in CEF actions

Baltic Sea region is very well represented in the supported CEF MoS projects – 62,94% of the allocated funding was distributed among beneficiaries from this region. But the funding greatly concentrates on the core network and core ports. Taking into consideration that there are 20 core and 55 comprehensive ports in the Baltic Sea such inequality in the distribution of funds could harm the perspective of developing a complementary function between both networks.

Ports of the Baltic Sea play a very diverse role, they serve the local communities by providing mobility possibilities, and have an input as well for business development and support for local economy. In many cases comprehensive and small ports are nodes for local development and play a significant role for citizens. This is for example the case of Estonian ports, where 2,23 million passengers/year are traveling between the mainland and surrounding islands.

The application procedure for CEF financing is often exceeding the work-load capabilities of smaller ports. A simplified path for applications from comprehensive ports could improve their access to CEF funding. It is important to notice, that many national authorities tend to put greater emphasis on the development of core ports as well, meaning that the endorsement from national government for

projects including comprehensive ports is not a priority. Local authorities are more likely to support comprehensive ports, as they directly witness the benefits linked to a well -functioning regional port. Thus the possibility to endorse projects by local authorities could serve as an additional value in the evaluation of applications.



Figure 13. CEF contribution for MoS projects in the Baltic Sea (in EUR). Source: own elaboration

The market of comprehensive ports is diffused and smaller ports have difficulties in accessing EU funding for works on the same conditions as the core ports. Within MoS funding opportunities for ports participation is possible if at least two core ports or one core and one comprehensive port are involved. A consortium composed of solely comprehensive ports is not admissible.

Comprehensive ports are not properly included in the CEF priorities and while they have possibilities to be involved in projects financed by other instruments and programmes (e.g. Interreg) this involvement does not allow to perform investments of crucial importance.

Since 2014 within CEF only 5 Baltic ports of the comprehensive network received support. Recalling the fact that comprehensive ports are allowed financing only when submitting a project proposal with a core port, this situation could indicate that core ports are not open to cooperation with smaller entities.

An effective solution to involve comprehensive ports would be the possibility for submitting applications by a consortium composed of two comprehensive ports from two member states. Comprehensive ports often share similar problems and difficulties, a joint work to overcome them will not only make it easier but it will also improve cross-border cooperation.

To achieve the planned status where maritime transport becomes a real competitor of the land transport it is crucial to put emphasis on the development of comprehensive ports.

If comprehensive ports are left without adequate chances to acquire EU support, there will always be blank spots on the map with regions of Europe lacking full intermodal accessibility. Those regions will also face difficulties in becoming sustainable.

Additional remarks

A great amount of the available funds has been already allocated closing the financing possibilities for those initiatives who only now achieved a sufficient maturity (e.g. finalisation of feasibility studies). A more balanced distribution of grants along the whole financing period could result in a more effective use of funds and time needed to improve port performance and follow the market changes. More transparent and accessible evaluation procedures for CEF applications should be put in place as well as a more detailed feedback concerning the rejected projects. This final remark is a result of several comments being addressed to the Baltic Ports Organization concerning the unclear evaluation procedures and evaluation criteria of submitted CEF applications.

BPO is not the only organization concerned about the future of CEF in the new financing period. The Conference of Peripheral Maritime Regions¹⁰ as well as the European Sea Ports Organization¹¹ also address this issue in their ongoing activities and appeal for a revision of the current instrument.

It is especially important to mention the recent ESPO report called “The Infrastructure Investment Needs and Financing Challenges of European Ports”. According to this elaboration although European ports obtained indirect support through CEF projects submitted by other applicants, projects submitted by port managing bodies (for maritime transport projects, rail, road, inland waterways or multimodal projects) received only 4% of the funding available within CEF. Taking into consideration that according to the same report, EUR 48 billion is needed to cover 396 investment projects from 73 ports (core and comprehensive) the question arises whether the Trans European Transport Network will be completed in time.

¹⁰ <http://cpmr.org/accessibility/cpmr-joins-key-eu-debates-on-future-of-connecting-europe-facility-cef/14218/>

¹¹ <https://www.espo.be/news/espo-pleads-for-a-strong-connecting-europe-facilit>

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