UNIFE’s recommendations for the EU Multiannual Financial Framework (MFF) 2028-2034

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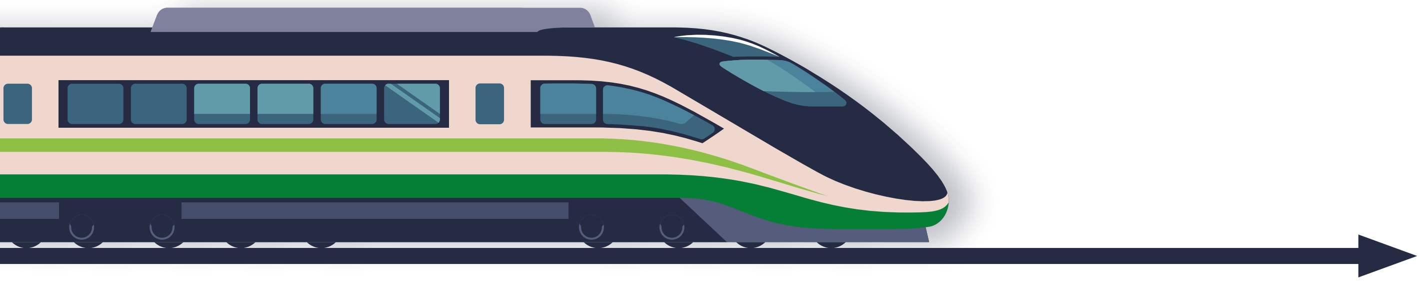


Executive summary

European citizens, Member States and their regions have benefited from investing in the deployment of modern rail systems across Europe, thanks to the support of EU funding and financing tools. To deliver on the EU Green Deal - for which the completion of the Trans-European Transport Network (TEN-T) is a fundamental element - there is a pressing need to further leverage public and private climate finance to further invest in rail, as the backbone of sustainable mobility in Europe.

Similarly, it is central to rethink the way MFF programmes are structured, to make their execution and usage more efficient, impactful and aligned with EU policy priorities.

Therefore, the EU should enact an ambitious EU budget and increased private financing for rail during the next MFF, to achieve the objectives defined, secure major priorities (ERTMS, DAC, FRMCS deployment), finance new rolling stock, and continue investing in the research of cutting edge rail technologies.

UNIFE believes that in the context of high-interest rates and scarce public resources, pursuing and increasing financial support to rail as part of strategic investments to meet climate challenges - with a true level-playing field on the EU procurement market - will be essential to make rail the backbone of sustainable mobility in Europe.

UNIFE highlights the following building blocks for the configuration of the next EU MFF 2028-2034:

- A continuation of the **CEF** programme, with a substantial budget increase is fundamental to accomplishing the TEN-T network.

- **Structural Funds** must continue to play its role in supporting EU Member States and regions in overcoming disparities by boosting rail connectivity, including at the urban level.

- An ambitious **EU Research and Innovation programme** to boost the rail industry competitive edge, and prepare the adoption of future critical technologies.

- Revamped blended finance programmes such as **InvestEU** and regulatory updates are necessary to leverage public and private financing for rail, and revitalise the European public-private partnership market for rail transport projects.

- Powerful EU External Aid instruments to succeed in the implementation of EU **Global Gateway post 2027.**

- **Emissions Trading System** (ETS) revenues and carbon credits should be further leveraged to support more rail projects and associated technologies.

- A centrally managed **EU IPCEI fund** should be established to support European rail projects as Important Projects of Common European Interest.

- Strengthen European **public procurement** provisions to ensure fair competition, sustainable rail projects and European-grown jobs, and to reward best practices in infrastructure project delivery.

- The **disbursement mechanisms** of EU funds should be fit for purpose and carefully assessed depending on the funding instrument, its objectives and timelines.

Introduction

In the context of the new institutional set-up that emerged after the European elections in June 2024 and the inter-institutional budgetary discussions for the post-2027 programming period, UNIFE – would like to explain in this paper why it is important for the EU to continue investing in rail projects, and hence, the **imperative need of securing a significant share of EU funds for rail** in the next EU Multiannual Financial Framework (MFF) 2028-2034. This is an extremely important endeavour, considering the benefits of rail transport for the European economy, the environment, the internal market (including European SMEs), the competitiveness of the EU industry and consequently, society as a whole.

With its capacity to move millions of people and tons of goods worldwide safely and cleanly, rail is the solution to meet the climate, social and resilience challenges our planet faces. It has a significant role in capturing most of the future growth in transport demand. The **Brussels Declaration on the mobility of tomorrow** (supported by EU Transport Ministers in April 2024 and setting out ambitious guidelines for the next European legislature), confirms the need to ***"make rail transport the backbone of European mobility"***, to make the modal shift towards rail *"a central objective of European mobility policy" and that "future EU policies all contribute to increasing supply and to the modal shift towards rail transport". Despite this increasing awareness, the International Transport Forum confirms that "the continued dominance of road infrastructure in national investment priorities is not in line with the need to decarbonise the transport sector".*

As it was announced by European Commission President Ursula von der Leyen, ***"this will be an investment Commission"***. This message is echoed by both the **Enrico Letta** and **Mario Draghi** reports, where there are strong calls for considerably scaling up investments at EU level, including in rail transport and its associated technologies.

Furthermore, interesting elements have been highlighted during the hearings of the new College of Commissioners, notably: a new European Competitiveness Fund and a Clean Industrial Deal, underpinned by a Sustainable Transport Investment Plan. In this sense, it will be of paramount importance that the rail sector falls under the remit of these new funding programmes in order to secure part of the necessary funding required to achieve the EU decarbonisation objectives. To deliver greater impact, the MFF will need to be reinforced to ensure a more efficient use of funds, establishing a clear link between investments and EU policy priorities, including decarbonisation and resilience with rail as the backbone of sustainable mobility.

No climate neutrality without a strong European Rail Supply Industry

Rail is the most environmentally friendly mode of mass transportation, and has a key role to play to achieve climate neutrality by 2050 as per the EU Climate Law. It is worth highlighting that rail accounts for less than 0.4% of GHG emissions from transport, although it carries 17.9% of inland freight and 8.4% of passengers in Europe.

On the one hand, **the European Smart and Sustainable Mobility Strategy** (SSMS) establishes that by 2030 high-speed rail traffic will double across Europe, and that by 2050 rail freight traffic will also double. Achieving these ambitious goals, will require **a considerable increase in the EU's production capacity of (very) high-speed and freight rolling stock** by 2050; (i.e.: €46 billion per year for the phase out of internal combustion engine rolling stock in favour of electric and hydrogen ones and to achieve the EU 2040 emissions reduction target.) On the other hand, the new **TEN-T Regulation** sets up the ambitious objectives of completing the TEN-T core, extended core and comprehensive rail networks by 2030, 2040 and 2050 respectively. In this sense, the Draghi report highlights that completing TEN-T, is projected to bring annual GDP increase of €467 billion in 2050. Furthermore, according to the TEN-T Coordinators' Report from April 2024, the investment needs associated to the realization of the TEN-T are the following:

- Core network by **2030** estimated at **€515 billion**.
- In addition, to implement the new TEN-T requirements for the core and the completion of the extended core until **2040**, investments needs are estimated at **€330 billion**.
- This would bring the total investment needs to complete the TEN-T core and the extended core to **€845 billion during the next 15 years**.
- Furthermore, **deploying ERTMS and not removing the class-B systems will sum-up to €22 billion of maintenance costs by 2040.**

This demonstrates the significant investment gap to reap the full decarbonisation potential of rail transport. The full political and financial support of regional, national and EU authorities are key to making that vision a reality.

Solutions are needed to reap the full benefits of the Recovery and Resilience Facility (RRF) and its support to rail

Looking at the current landscape, even though the **EU's RRF** is a EU funded instrument outside the EU MFF, there is still a lot of potential to turn it into a success story for the rail sector.

The European Rail Supply Industry and Member States have seen with the RRF a significant opportunity to boost much needed rail investments. In fact, most of the RRF resources under sustainable mobility within Member States' recovery plans are allocated to the rail sector, amounting to ca. €50 billion. With rail main line infrastructure being the largest supported sector with around €40 billion, rolling stock (ca. €5 billion), digitalisation, signalling (ca.€2 billion) and urban rail infrastructure, are also essential areas of support.

However, the RRF performance-based nature (with the fulfilment of milestones and targets by mid-2026 as requirement to request the pre-allocated funding) is posing significant challenges for Member States to carry out the projects included in their respective recovery plans. Due to **the specificities of the rail sector and our industry** and the fact that many of the projects are not in an advance stage of preparation, the delivery of rail products and rolling stock in particular will require longer times, particularly for projects whose tenders are currently being launched and are still to be launched in the coming months. Therefore, **an extension of the 2026 deadline will be necessary to avoid important projects to boost rail not being fulfilled.**

Building blocks for the configuration of the next EU MFF 2028-2034

A continuation of the CEF programme with a substantial budget increase is fundamental to accomplishing the TEN-T network

CEF is the key to continue developing the TEN-T network. With the ambitious targets set out for European transport infrastructure in the new TEN-T Regulation, it will be necessary to at least double the current CEF II transport (€25.8 billion), giving rail even a more prominent role within the transport envelope.

The success of CEF lies particularly in its implementation mechanism. As a centrally-managed EU co-financed programme, and with the support provided by the CINEA Agency, CEF funds can be allocated to mature projects which are essential for the completion of the TEN-T network. Notably, cross-border projects and missing links which are key to bridging gaps and addressing network bottlenecks, will increase the competitiveness of the European rail system.

Connecting EU citizens must be the upmost priority for the EU. However, the rail network is still very fragmented, in particular when it comes to high speed and multimodal connections. High-speed lines will be the most efficient way to create value for EU citizens who are increasingly inclined to travel by rail, but in reality very often confronted with the short-comings of the system. High-speed rail has the potential to replace short-haul flights and to better connect cities to airports.

Furthermore, the huge appetite from Member States to use CEF funds is shown by the over-subscriptions that CEF calls face on a permanent basis (with a rate of 3 to 4 times compared to the available CEF calls budgets). This highlights the need for a substantial budget increase since there are a large number of projects that cannot obtain the necessary funding. Additionally, the management of CEF funds allow Member States for a rapid execution and thus, increasing its absorption capacity, which is essential for a timely implementation of EU funds within the MFF timeline.

Particularly, the new CEF III should take into account the following:

- **CEF should earmark at least 85% of the CEF transport budget to rail** to continue favouring rail as the greenest transport mode. This follows ongoing practices and will strengthen the allocation of EU funding into climate finance to support rail.

- **CEF should incorporate a dedicated budget line for ERTMS to accelerate both trackside and onboard deployment.** In this sense, the new TEN-T Regulation establishes that ERTMS will be deployed across the entire TEN-T network as the single European signalling system, enhancing rail safety and efficiency. Moreover, national legacy 'class B' systems will be phased out, incentivising industry investment in ERTMS.

- **CEF needs to incorporate substantial funding to allow the progressive incorporation into the rail system of emerging game changer technologies such as DAC (Digital Automatic Coupling) and FRMCS (Future Railway Mobile Communication System).** It's important to note that under the current CEF Digital programme, support to 5G deployment and future synergies with FRMCS is -although limited - already available along transport corridors, including rail ones. Therefore, some continuity must be guaranteed between these ongoing projects and new ones to come.

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

- **CEF should continue to have a dedicated budget for military mobility which supports rail investments.** The new geopolitical reality has shown the need to count on EU resilient and future proof infrastructure, including transport networks. If it can be affirmed that there will be no climate neutrality without a strong European rail supply industry, it can also be concluded that there will be no coherent defence strategy without a strong rail infrastructure. Thus, ensuring that when infrastructure and rolling stock is adapted to improve military mobility within the EU, it is dual-use compatible, meeting both civilian and military needs. It is important to highlight that to boost cross-border rail transport – be it military or civilian – interoperability through ERTMS deployment will be key. Hence, ERTMS should also be eligible for funding under the military mobility envelope.

- **CEF also needs to continue its support for alternative fuels infrastructure, including those related to rail.** Although the TEN-T Regulation mandates for full rail network electrification, for those TEN-T rail sections where electrification does not prove to be viable for socio-economic point of view, the deployment of hydrogen refuelling and/or battery recharging stations can be an option. Nevertheless, these type of solutions should be supported along the traditional CEF co-financed modalities and not through blending facilities, where other EU instruments such as InvestEU could play a more efficient support.

- **CEF, being an infrastructure focused programme, could offer some possibilities – through its blended finance facilities – to support the acquisition of zero-emission and interoperable rolling stock to enhance cross-border connectivity across the TEN-T network. This support is important and needed** given the long life cycle of rail rolling stock, which in its current average age is approaching its life-end across Europe. This is of particular importance especially in Central and Eastern European Member States.

- **Simplification through disbursement of lump sums.** The sector appreciates the increased use of lump sums, and the consequent reduction of reporting obligations in the context of CEF. However, we encourage decision-makers to better adapt the payment structure in line with the project's milestones and increase the number of intermediate payments. This will increase financial stability for clients and manufacturers.

- **Simplification through front loading.** The practice to concentrate co-funding, especially at the initial phase of the funding period and decrease funding later on, has revealed successful for the sector, by providing the necessary investment security.

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

Structural Funds must continue to play its role in supporting EU Member States and regions in overcoming disparities by boosting rail connectivity including at the urban level

For many decades, EU Cohesion Policy, through its European Structural and Investments Fund (ESIF), has enormously contributed to strengthening economic, social and territorial cohesion in the European Union. Rail connectivity plays a key role in building an environmentally friendly transport network across Europe, connecting its regions and its cities. In this sense, structural funds must continue its role in supporting Member States' regions and cities to invest in rail projects in all the dimensions (mainline, urban, infrastructure, rolling stock, signalling, etc.).

Particularly, the new Structural Funds to implement the future EU Cohesion Policy should take into account the following:

- **Strong incentives for Member States to include more rolling stock investments** and particularly for the renewal of fleets and retrofitting of existing vehicles with interoperable technologies such as ERTMS. In the current ESIF, there are about €30 billion for rail projects allocated through the European Regional Development Fund (ERDF), the Cohesion Fund and the Just Transition Fund. As in most of the cases, rail projects focused predominantly on infrastructure.

- **ESIF funds should establish a higher funding earmarking of up to at least 50% for projects contributing to climate change mitigation and adaption.** Thus, increasing the 30% and 37% established in the 2021-2027 framework for the ERDF and Cohesion Fund respectively. In this sense, Member States will have more incentives to co-finance rail related projects within the different ESIF funds.

- **A right balance in terms of what types of projects the Cohesion Fund will support.** In the current MFF model, a portion of the Cohesion Fund is transferred directly to the CEF transport envelope (€11 billion). We believe that, while this is an effective approach to support Member States' mature projects in the context of the TEN-T and hence, absorb the funds quicker, a right balance needs to be found. For example, if the part of the Cohesion Fund that is transferred to CEF will mostly support infrastructure, then Member States should assure that in their respective national cohesion envelopes, they allocate more funds for rolling stock or other dimensions that are not supported under CEF.

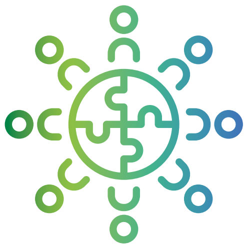
- **Consider the specificity of timelines for railway projects.** Railway projects, be it infrastructure or rolling stock, have a particularly long-time horizon. From the conception to the final delivery of rolling stock, the project can easily take six to eight years. Funding opportunities need to take the long timelines into account. Additionally, it would be useful to have a **dedicated fund for first movers.** Considering the long timelines, regions and communities are often very hesitant to implement innovative rail technologies. If we can incentivise early movers, we can reap successes for the entire European mobility system.

- **The rail sector needs a solid European Social Fund focusing on the skills needed to navigate the green and digital transition.** The European rail sector faces a range of skills challenges, as according to the European Commission's **8th Rail Market Monitoring Report (RMMS)**, for instance in 2023 only 22% of employees were women and over 40% of the workforce was aged 50 or over. If unaddressed, Europe's ability to build the high-speed, regional, metro and light-rail systems which connect the continent and provide a near carbon-neutral transport option, will be challenged. Further to this, it is vital the sector attracts the best digital-based talent to prevent cyber threats to critical rail infrastructure from potential state-based actors and criminal groups. Finally, it is essential to invest in and promote the role of AI and associated technologies in helping address capacity shortages in the rail sector, while protecting the human workforce and improving its working conditions. This includes the need to upskill young professionals in the use of AI technologies in the rail sector for increased productivity gains.

Research and Innovation to boost the rail supply industry competitive edge

Demonstrating its commitment to next generation technology, the European rail supply industry reinvests 3.6% of its annual revenue to research and innovation activities. UNIFE and its constituent companies were at the origin of the first European rail Joint Undertaking, Shift2Rail (2014-2021: €450 million EU funding through the EU Research Framework Programme – Horizon 2020 and €450 million provided by the rail sector), and of its successor, **Europe's Rail** (2021-207: €600 million EU funding through the EU Research Framework Programme – Horizon Europe and €600 million provided by the rail sector).

The rail industry highlights the need for a continuation of Europe's Rail in the next FP10, considering the topics and content as they are addressed in the Rail Research and Innovation Agenda (RRIA) of the European Railway Research Advisory Council (ERRAC). Such joint coordination of R&I activities at European level (through a Joint Undertaking), is key to improve the competitiveness of rail transport and reinforce the leadership of the European rail supply industry at worldwide level. Indeed, the Institutional PPP model (Joint Undertaking) has proved to be an effective R&I instrument since Shift2Rail. Europe's Rail has shown an unprecedented joint effort to lead stakeholders of the European rail sector to invest together in research and innovation.



In this sense, UNIFE calls on the European Institutions to establish, together with other rail stakeholders, the successor of Europe's Rail Joint Undertaking in the next European Research Framework Programme (FP10). The necessity to expand dual-use options in the European rail system, rising travellers' expectations and rapidly increasing climate demands highlight, the need to significant increase of the amount of EU funding allocated to this new programme and European rail research in general. The new approach of Europe's Rail with the implementation of an Innovation Pillar, a System Pillar and a Deployment Group aims also at facilitating the deployment of innovations on the European rail network. The need to better link the delivery of innovations with a coordinated European funded deployment is also of utmost importance for the next Framework Programme (FP10), in order to stress the leverage effect and impacts of European R&I rail coordinated programmes on Europe's wider society and economy.

Particularly, the successor of Europe's Rail Joint Undertaking should take into account the following:

- **Developing European Rail to be the heart of a multimodal transport system,** providing the resilient, punctual, and reliable service that is deemed essential by citizens. This human-centric approach demands to deepen the connection between rail industry, operators, communities, cities and further stakeholders. Europe's Rail Joint Undertaking has proved to be highly valuable when it comes to developing European innovative technologies. For rail to succeed and become the heart of multimodal transport system, a strong collaboration and cooperation between the sectors is required. The synergies established between Europe's Rail and other transport Joint Undertakings will have to be further developed in FP10.

- **A straightforward roll-out roadmap and substantial European financing to accelerate the deployment of key technologies when mature.** The Digital Automatic Coupling (DAC), the Automatic Train Operation (ATO), the evolution of the European Rail Traffic Management System (ERTMS), the next generation of telecommunications for railways, the Digital Twin for rail, software as a service, conflict resolution systems, simplification of homologation and further technologies leading to harmonised operational stability and performance, are a few examples of key technologies for the rail sector to be delivered by Europe's Rail Joint Undertaking. The partnership has proved to be highly valuable when it comes to developing innovative technologies that later on also require collaboration between all sector stakeholders, hence standardisation, with a view to their roll-out in the entire Union.

- **Provide for a good balance between flexible calls for innovative projects and long-term calls that provide huge R&I projects with the necessary predictability.** Whilst innovative projects need to mobilise financial resources at short notice, large-scale R&I projects need predictability over multiple years. Multiple small calls allow companies to react timely on new market needs to innovate, while few large-scale calls lock and block a considerable amount of the available financial resources. The latter provides the necessary predictability for important R&I projects.

- **Flexibility clauses in programming documents and grant agreements.** Programs and in particular grant agreements should consider that during project execution, companies need to be able to remain agile and to adapt quickly to new challenges. New R&I activities or areas and funding needs might be identified during a funding period requiring to amend in a smooth way R&I programs or projects. Today shifting engineering resources from one site to another site of the same company requires an amendment to the grant agreement, even though the deliverables of the project are not impacted. In this sense, flexibility clauses in programming documents and grant agreements should reflect that. We suggest a legal definition of substantial and unsubstantial amendments to grant agreements that could be object of a simplified procedure for amendment within FP10.

- **Improving the reporting process to render it more efficient.** UNIFE members fully comply with their reporting obligations and support high vigilance when it comes to the administration of taxpayers' money. Before setting up questionnaires on the EU's funding and tenders program, the EU Commission and the responsible entities should consult with stakeholders regarding data formats, deadlines, reporting processes and tools.

Revamped blended finance programmes such as InvestEU are necessary to leverage public and private financing for rail

The InvestEU Programme supports sustainable investment, innovation and job creation in Europe. With the EU budget guarantee of €26.2 billion provided to the EIB and other International and National promotional banks, the InvestEU programme aims to trigger more than €372 billion in private investments to high EU policy priority areas, such as sustainable infrastructure, research and innovation, skills and SMEs.

Risk-bearing capacity is often creating challenges for the rail sector to attract private investments. With the Invest-EU guarantee model, the EU budget guarantee backs the investments of financial partners increasing their risk capacity, and thus allows to mobilise additional investment. In this sense, the continuation of InvestEU will be crucial to pursue and increase private financial support to rail, as part of strategic investments to meet climate challenges in the context of high-interest rates and scarce public resources.

Particularly, the new InvestEU programme should take into account the following:

- ➔ **The new InvestEU should allow the European Commission and Member States to further leverage and facilitate private financing in the rail sector by making use of tools such as the EU Taxonomy and Green Bonds** to boost investments in order to accomplish the TEN-T targets, and to consider how PPP contractual arrangements could promote investments in a context of rising interest rates, high public debt and potential public investment cuts.
- ➔ **InvestEU should continue to have a dedicated fraction of its guarantee exclusively allocated to the European Investment Bank (EIB)** to continue and increase support to its Green Rail Investment Platform in the areas of infrastructure, rolling stock, signalling, digitalisation while also supporting urban rail solutions such as light rail, metros and tram systems.
- ➔ **Simplified and streamlined investment support.** The new InvestEU financing tools should be made more accessible to project beneficiaries, and further facilitating the crowding in of other investors.
- ➔ **Exploring concrete windows sector such as rail transport,** emphasising and accommodating as much as possible rolling stock projects.
- ➔ **Revitalise the market for public-private partnerships,** reviewing the current applicable regulatory framework, and enhancing the attractiveness of such project structuring for public and private partners alike.
- ➔ **InvestEU should incorporate a robust "digital maturity assessment" into its project preparation and financing activities.** Given the added value of digitalisation to reduce risk, monitor project progress, achieve project KPIs, and to measure social and environmental impact, this should have a tangible impact on financing, with advantageous loan terms (and/or other benefits) awarded to projects, making full use of advanced technologies and delivering data-driven outcomes.
- ➔ **The new InvestEU should further leverage the support of European Export Credits Agencies (ECAs) to support European exports in the rail sector.** This first approach was done by the establishment of the €300 million export credit guarantee facility under the InvestEU programme in June 2024 between the European Commission, the European

Investment Bank (EIB), and the European Investment Fund (EIF), to support the export credit sector, aimed at boosting exports to Ukraine by small and medium-sized companies in the EU. By enabling the InvestEU guarantee to be used by the EIF, the EIB Group's risk-capital subsidiary, financial risks are reduced, thus creating further incentives for European exporting industries. This will also contribute to the progressive implementation of the EU Export Credit Strategy with the establishment of a sui generis **EU Export Credit Facility.**

Powerful EU External Aid instruments to succeed in the implementation of EU Global Gateway

Under the current MFF, there are two main instruments to support EU third partner countries, notably the Instrument for Pre-Accession (IPA) and the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe). Under these two instruments, the EU can provide support to third partner countries for rail related investments.

In 2021, the European Commission launched the Global Gateway Strategy. This strategy stands for sustainable and trusted connections that work for people and the planet. It helps to tackle the most pressing global challenges, from fighting climate change, to improving health systems, and boosting competitiveness and security of global supply chains. Between 2021 and 2027, Team Europe as part of Global Gateway will mobilise up to €300 billion of investments for sustainable and high-quality projects, taking into account the needs of partner countries and ensuring lasting benefits for local communities.

Regarding the sources of financing, Global Gateway draws on EU programmes from the MFF such as NDICI-Global Europe and the IPA. Therefore, for a successful continuation and implementation of Global Gateway beyond 2027, the related transport budgets within future external aid instruments should be strengthened to give rail a more prominent role as an investment area.

Particularly, the new EU External Aid Instruments should be better designed to continue the implementation of Global Gateway beyond 2027, and in particular should take into account the following:

- **Create a one-stop-shop mechanism** and coordinated approach to public funding, and other project support allowing for more visibility and clarity on the concrete funding opportunities.

- **Increase total EU funding in the form of grants** for technically complex projects in countries with risky political and financial environments, and for adjacent infrastructure around flagship projects.

- **Develop a new approach based on collaboration between project stakeholders with a fair balance of risk** to ensure better delivery. This could notably include the utilisation of collaborative approaches and tools like connected data environments, as a means to better manage risks and improve multi-stakeholder decision making. EU institutions should also be involved in project design at a very early stage.

- **Invest and deliver geopolitical and impactful transport projects,** and solutions over the long term. This solidifies relationships and fosters sustainable development. These large projects of EU interest must be inserted into the political dialogue with partner country governments. Political support for relationship building and risk mitigating should be enabled. This includes aligning the priorities and increasing the support from the EU Delegations in partner countries.

- **Ensuring the full integration of the MEAT (Most Economically Advantageous Tender) principle** across the procurement of EU funded projects worldwide. Deploying rail solutions (e.g. ERTMS) and promoting European standards in third countries through qualitative public procurement, will be vital to balancing fierce competition with non-EU players.

- **The EU should build on the findings of the Feasibility Study on an EU Strategy on Export Credits to tackle the absence of a level playing field accessing finance** for operations in markets outside the EU. European companies do not have access to export finance instruments comparable to those supported by the governments of other global competitors, such as China, Japan, South Korea, and more recently the USA and the UK. These countries have adopted a Whole-of-Government approach to coordinate state agencies, bilateral aid, and the private sector. By contrast, policy and institutional silos in the EU pre-empt coordination across agencies and programmes.

- **Investments and projects for the EU to remain relevant on the global stage with clear EU value added should prioritise green urban mobility and the greening of global transport corridors.** Urban mobility is a natural focus point given large urban agglomerations in partner countries, and possess a high potential regarding both social and economic impact. Well-functioning urban nodes are essential to ensure smooth flows along transport corridors. EU rail suppliers have a comparative advantage in metro and tramway projects, which would also benefit from institutional accompaniment by the EU, given the complexities in their execution. The greening global corridors is at the centre of the Global Gateway priorities for the transport sector. The TEN-T extension and the strategic corridors in Sub-Saharan Africa and Central Asia should continue to realise the potential of rail as the backbone of sustainable mobility.

Emissions Trading Systems revenues and carbon credits should be further leveraged to support more rail projects and associated technologies

The Innovation Fund is aimed at deploying innovative net-zero technologies for climate neutrality in areas such as energy intensive industries, renewables, energy storage, hydrogen, net-zero mobility and buildings, and carbon capture (use and storage). The Innovation Fund is set to provide €40 billion between 2020 and 2030, based on a carbon price of 75 €/tCO_2.

The Modernisation Fund is aimed at accelerating the transition to climate neutrality by supporting 13 Member States to meet energy targets, by helping to modernise energy systems and improve energy efficiency. It targets investments in renewable energy, energy storage, energy networks and just transition in carbon-dependent regions. For the period 2021-2030, the total revenues of the Modernisation Fund amount to €57 billion, assuming a carbon price of €75/tCO_2.

Both the Innovation Fund and the Modernisation Fund are financed by EU Emissions Trading System revenues. However, given the contribution of rail to meet the EU Climate targets, **these Funds should be able to accommodate more rail related projects including rail associated technologies.** This is particularly the case since the newly adopted EU Net-Zero Industry Act (NZIA) includes a wide range of rail related technologies in its scope, such as sustainable alternative fuels technologies (battery and fuel cells) and electric propulsion technologies for transportation.

The newly established **European Social Climate Fund** 2026-2032 (SCF), will provide €65 billion of ETS revenues to address the social impacts arising from the new emission trading system for buildings and road transport (ETS2) on vulnerable groups in the EU. It will mobilise at least €86.7 billion with 25% Member States' national contributions to cover the costs of the measures and investments included in the Social Climate Plans. Among its scope, the SCF will finance zero and low emission mobility & transport, including public transport, and also including (urban) rail infrastructure and rolling stock purchase of zero- and low-emission vehicles.

Particularly, regarding ETS revenues and in the context of the next MFF, the following should be taken into account:

➔ **Further ETS revenues should be allocated to the rail sector in order to address its long term financing needs.** This should be done by incentivising further rail related projects within the existing Innovation and Modernisation Funds between now and 2030.

➔ **Furthermore, in the new MFF, ETS revenues could be partly earmarked to support classic EU MFF funding instruments for infrastructure investments on the TEN-T, including retrofitting of interoperable rolling stock and ERTMS signalling systems.** Moreover, UNIFE echoes existing proposals on developing a concept to establish **carbon credits** for rail suppliers, and railways in a system that allows the industry to benefit financially from their low GHG intensity.

A centrally managed EU IPCEI fund to support European rail projects as Important Projects of Common European Interest (IPCEI)

IPCEIs represent a significant contribution to economic growth, jobs, the green and digital transition and competitiveness for the European Union's industry and economy. IPCEIs make it possible to bring together knowledge, expertise, financial resources, and economic actors throughout the Union and create positive spill over effects at the level of the entire Union. IPCEIs have proven effective in boosting innovations and elevating the state of the art in technology. The program gives first-movers the necessary incentive to invest where the market alone fails to do so. As highlighted by the Draghi report, IPCEIs should be expanded to all forms of innovation that could effectively push Europe to the front forefront in strategic sectors and benefit from EU financing.

In this sense, and in the context of the next MFF, the following should be taken into account:

➔ Establishing a centrally managed EU IPCEI fund, and include rail related projects under its scope. Since IPCEIs are supported from national budgets, Member States are in the driving seat to form an IPCEI, identify the scope of the projects and select participating companies and projects. Since for the time being a **centrally managed EU IPCEI fund** does not exist, the European Commission should thoroughly assess the creation of such a fund in order to support **European large scale rail projects** that could bring massive benefits to European citizens. The EU could see significant benefits by supporting IPCEIs in the rail sector, such as the **deployment of DAC, automation and artificial intelligence in public transport, and connecting European capitals and major cities by high speed rail.**

EU funding and public procurement: creating EU jobs in a thriving EU rail market

Given the importance of public procurement in the rail sector, it can be used as a lever to foster European value and maintain industrial jobs within Europe, including for SMEs.

Ensuring fair competition and a level playing field is key to boost the competitiveness of the European industry as a whole - especially for European Rail Suppliers - given their strategic and leading economic position in Europe, and worldwide as an export driven industry.

Over the last years, different **new EU trade instruments on public procurement** (i.e. the International Procurement Instrument, the Foreign Subsidies Regulation) have entered into force, while at the same time, other legal frameworks on **public procurement** are being enforced across Europe (i.e. the EU Directives on Utilities). The strategic evolution of public procurement provisions embedded in the different trade instruments is of particular importance for the European Rail Supply Industry. In this sense, the following elements should be considered in the context of the new MFF:

➔ **Member States must make full use of current EU public procurement provisions promoting European-grown technologies,** including its EU added-value principle and the possibility to limit access from certain third countries across rail procurement (when appropriate), for instance on the basis of reciprocity criteria. This will strengthen the competitiveness of European suppliers, including SMEs, and consequently, the EU's internal market.

➔ **Improve the payment schedule.** Today, many rolling stock tenders follow a payment schedule specific for the constructions works whereby most of the payments are done at the very end of the project (e.g.: max. 15% advance payment, 85% after the delivery of the vehicles). As railway projects are carried out over several years, winning bidders are obliged to finance the production of the vehicles until they get paid, leading to a negative cash flow. Bidders will include these costs in their project costs, leading to inefficiency of usage of the public funds, since the financing costs of private contractors will always be higher than for public authorities. In addition, it implies that all risks remain with the supplier during the manufacturing phase which is an abnormal situation. The most relevant EU funding programs (ESIF, CEF) allow for intermediate grant payments during the execution of a project from the Managing Authority to the Beneficiary. It is therefore feasible to reflect this in the payment terms for the contracts awarded for the execution of the corresponding project.

➔ **Specify the qualitative criteria used to define best-value procurement (e.g. technical/technological criteria, life-cycle costing, environmental and social criteria) and strengthen its application.** We would strongly advise EU legislators to further specify those criteria, building for instance on the achievements of the sector initiative Railsponsible. The contract award criteria described in the current public procurement framework encourage contracting entities to base the award of contracts on the most economically-advantageous tender (MEAT) on the basis of the price or cost, using a cost-effectiveness approach with a total cost of ownership (TCO). They may include the best price-quality ratio, which shall be assessed on the basis of criteria, including qualitative, environmental and/or social aspects. Experience has shown that the transposition of these articles in national law, has led to differences in implementation and that contracting authorities assess the MEAT in different ways, while (low) price can remain the only criterion. For instance, MEAT could reflect how the use of digital technologies for the design, construction and operation of rail infrastructure brings added value to support the EU's decarbonisation objectives, whilst de-risking project delivery.

➔ **In line with EU law, the European Commission should ensure that access to EU-funded programmes (be it under direct, shared or indirect management) in the next MFF 2028-2034 safeguards European companies from unfair competition by entities based in third**

countries, for instance by ensuring that reciprocity criteria are upheld in this context. In this sense any future revision of Directive 2014/25/EU shall actively promote provisions to create EU jobs (EU added-value principle for strategic sectors as rail and possibility to exclude bidders from certain third countries), and ensure fair competition on the EU public procurement market.

The disbursement mechanisms of EU funds should be fit for purpose and carefully assessed depending on the funding instrument, its objectives and timelines

With the establishment of the RRF, the performance based model was introduced as a new disbursement mechanism. This model enables Member States to establish policy milestones that the disbursement of funds is directly attached to. It provides the sector with better foresight on upcoming calls for tenders. The scheme is interesting in particular for very large scale projects that require significant funding volumes over a long period of time.

In this sense, if the performance base mechanism is to be replicated in new EU funded programmes as a part of the next MFF, there are important elements to take into account.

For example, in **the case of cohesion policy,** programs and calls for tenders are drafted by Member States or regions. Publishing concrete policy objectives earlier (i.e. in the form of milestones and targets to match a performance-based disbursement mechanism), gives manufacturers the possibility to better prepare. It is likely that the Commission will pursue its narrative of a Recovery and Resilience Facility (RRF)-like instrument, or single instrument for reforms and investments, to replace Cohesion Policy funds. Hence a performance-based approach could be applied for the new Cohesion Policy Funds, especially for very large infrastructure projects, with a timeframe that is the normal MFF one with n+3 rule. Such a performance-based framework should incorporate a clear digital scope – including the provision of certain data deliverables – as a way to monitor the delivery of infrastructure projects, KPIs achievement and enhance transparency. However, greater emphasis should be placed on monitoring Member States' progress, while ensuring flexibility to adjust course if projects are not advancing quickly enough. This would help prevent pre-allocated funds from being reprogrammed into other sectors.

Along these lines, Member States have reaffirmed several key principles that should remain in the next period - shared management, multi-level governance, place-based approaches and a partnership principle. But they also highlighted the potential of Cohesion Policy in providing tailored solutions for major challenges such as the green, digital and demographic transitions, the need for EU competitiveness and strategic autonomy, and the instability at the EU's external borders.

About UNIFE

Operating in Brussels since 1992, UNIFE, the European Rail Supply Industry Association, represents European train builders and rail equipment suppliers. The association advocates for more than 120 of Europe's leading rail supply companies – from SMEs to major industrial champions – active in designing, manufacturing, maintaining and refurbishing rail transport systems (trains, metros, trams, freight wagons), subsystems and related equipment. UNIFE also brings together national rail industry associations from 11 European countries. For more information, visit **www.unife.org** or follow @UNIFE on **LinkedIn** or **X**.

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