

## **SPEAKING POINTS**

### **VP KATAINEN**

#### **European Construction Industry Federation (FIEC) General Assembly**

**(20min)**

- Europe is currently at an important stage of the economic recovery after the financial crisis. The conditions for an uptake in investment have improved and confidence in Europe's economy and growth are returning. Growth is resuming but the momentum needs to be strengthened.
- A rebound of investment is crucial for the recovery to become self-sustained. It is equally crucial for growth prospects in the longer run, as a prolonged lack of investment negatively affects the capital stock.
- A major preventive measure against future crises is indeed to encourage investment in worthwhile assets that bring high economic and social returns by increasing the future productive capacity. Investment is therefore at the very heart of the agenda of the European Commission

#### **Importance of the construction industry**

- I am well aware of the importance of the construction industry to the European economy and to our society. Construction is a prime driver of economic growth and employment in every country and for the whole European economy. Construction also matters because it impacts directly on the daily life of EU citizens, the functioning of the economy and the use of natural resources and the environment.

- The construction sector can play a key role in addressing long-term societal challenges that Europe faces: jobs and growth, demographic changes, climate change, creating smart cities and resource sustainability.
- The Commission will engage a high-level policy dialogue on how to best exploit the potential of the construction sector to meet these societal challenges. The Slovak Presidency will host a Ministerial conference on the 16th September to discuss this vision.
- It is important that this vision reflects on further long-term investment needs, especially for the renovation of existing buildings and the maintenance and upgrade of the infrastructure. The Investment Plan is already supporting national investment initiatives but further private and public investments are needed in these areas.
- It is also the right moment to support investments in the transition towards a more circular economy in construction. In particular, investments in recycling facilities for construction and demolition waste represent a win-win opportunity for resource efficiency, local jobs creation and technologies mainly produced in the EU.
- A coherent and effective legal framework is also important for a modern and sustainable construction sector. Under the Regulatory Fitness and Performance Programme, the Commission has launched a 'Fitness Check' to assess the impacts of EU legislation and the coherence of the legislative framework with respect to the construction sector. The industry involvement into this exercise is important and I would like to thank FIEC for its contributions.

## The Investment Plan for Europe

- Let me give you update about at the progress we have made under the Investment Plan for Europe, also as a follow-up to a workshop you had in January and were some colleagues of the Commission already could give you insights on the Plan.
- The Investment Plan for Europe – one of this Commission's main initiatives – is aiming at boosting investments in key areas of the European economy.
- The Investment Plan aims to support investments in key areas such as strategic infrastructure [digital and energy investments as well as transport infrastructure], environment and resource efficiency, education, research and innovation, health, the social economy, as well as finance for SMEs and Mid-Caps businesses. **You see already that the construction business is involved in many of these areas.** Also sustainable development and circular economy plays an important cross-cutting role and I have seen that is also an important topic for your organisation
- The Investment Plan consists of three mutually reinforcing strands/pillars (it is like a triangle!):
- Firstly, mobilising at least 315 billion euros in additional investment over the next three years, maximising the impact of public resources and crowding in private investment. The main instrument to achieve this objective is our new financing tool: the European Fund for Strategic Investments (EFSI), which has an Infrastructure and Innovation Window, and a SME Window.

- Secondly, making sure that this extra investment reaches the real economy. The main instruments to make this happen are **the European Investment Advisory Hub (EIAH) and the European Investment Project Portal (EIPP)**.
- And thirdly, improving the investment environment, both at the European level and at the level of individual Member States. Work is underway to address barriers with an **EU and Single Market** dimension, as well as regulatory and non-regulatory investment challenges at national level, also stressed in the context of the European Semester.
- The European Fund for Strategic Investments (EFSI), the corner stone of the Investment Plan, has been for almost one year in place. On the 1st of June, I presented a Commission Communication on the Investment Plan's achievements so far.
- More than 60 projects have been approved so far in the infrastructure and innovation window of EFSI. More of the half of them are coming from sectors where the construction industry is involved, e.g. transport, energy, social infrastructure and digital infrastructure.
- **Let me give some examples of EFSI loans and equity investments with a construction element, often in combination with technical innovation:**
  - Regarding digital infrastructure, EFSI supports three projects dealing with the extension of high-speed broadband in several Italian regions, as well as in the Alsace and Pas-de-Calais regions in France, activating finance of almost 3 billion euros altogether.

- EFSI supports the construction of bio-refineries and renewable energy sources in Europe a bio-product mill in Finland [Äanekoski bio-product mill].
- The support of the first European facility for recycling aviation-grade titanium in France.
- In the transport sector, an EFSI project in Spain improves accesses via rail and road to the main national ports.
- In the energy sector, the new construction of a high-efficient gas-fired heat and power plant in Northern Germany is supported – here the EIB will invest 135 million euros covered under EFSI.
- Also energy efficiency plays an important role. EFSI support includes a programme for energy efficiency for French private housing for the benefit of already existing residential buildings, triggering investment of 800 million euros. Another example would be the transformation of a commercial area in Helsinki into a near-zero energy building.
- EFSI also supports a considerable number of investment funds dealing with renewable energy, for instance a Denmark based equity fund targeting renewable energy projects and electricity transmission projects. The target fund size is 1.6 billion euros.
- Let me also mention the important and growing sector of social infrastructure: EFSI for example supports the construction and maintenance of 14 Primary Care Centres in Ireland and the construction of the new teaching Midland Metropolitan Hospital in the UK.

- These are only some examples on infrastructure financing, with a construction component, we expect many more to come over the next few years.
- Please let me here also mention the model of Public Private Partnerships (PPPs): A considerable number of EFSI projects use PPP financing and the European Commission expects an increasing number of projects across-Europe using this model in the future.
- Moreover, small and medium sized enterprises have an important role in creating jobs and growth and are also a crucial factor in the construction area and constitute also the largest share of the FIEC member companies.
- Under the SME Window of EFSI, already more than 140 000 SMEs and Mid-Caps are expected to benefit from enhanced access to European Investment Fund (EIF) finance.
- Finally, let me highlight that the mobilisation of private capital is a key feature of the EFSI and currently represents about 80% of the expected investment value.

#### **The second pillar of the investment plan**

- It is important, also to mention the other elements of the Investment Plan, apart from EFSI:
  - On 1st of June this year, the Commission launched **the European Investment Project Portal (EIPP)**, providing EU based project promoters the opportunity to boost the visibility of their projects to potential international investors worldwide.

- We have already received more than one hundred investment projects for publication, again many of them from areas relevant for the constructions business as transport or energy.
- I would like to invite the audience to have a closer look on the Portal and to use its opportunities to submit a project for publication.
- Further, **the European Investment Advisory Hub (EIAH)** went live in September 2015 and offers project promoters a single point of entry for technical assistance, guidance and advice. This is also the place where both public authorities and private project promoters can find the tools and knowledge necessary to structure and plan a project fit for EFSI but also for any other financing.
- We are working on making the Hub even more helpful and more accessible at the local level with the support of the National Promotional Banks and the European Bank for Reconstruction and Development (EBRD).

### **The third pillar**

- The Third pillar of the Investment Plan aims at removing bottlenecks to investment and to address emerging regulatory challenges:
- At EU level, the Commission has started to address a number of barriers to investment notably through initiatives to further deepen the Single Market. In parallel, the Better Regulation agenda of the Commission seeks

to simplify the legal framework and to reduce regulatory burden across the single market.

- At national level, the Third Pillar focuses in the need to carry out relevant structural reforms, notably in the context of the European Semester. The dialogue between the EU Institutions and the Member States is crucial.
- In a nutshell, The Investment Plan is helping to break down barriers to investment and to improve the general business environment in Europe. We are promoting the wider Single Market Agenda through many initiatives such as: Energy and Digital Union, CMU and Circular Economy. We are providing clarity on how to account for public-private partnerships; we are making it easier for service providers to expand to other Member States.

### **Conclusion**

- Feedback from investors and companies who are benefiting from the Plan has been very positive. In light of its success, the Commission will propose later in the year to extend the life of EFSI beyond the three-year period initially foreseen. With a reinforced EFSI 2.0 we will make sure to create even more jobs, growth and competitiveness and will put an extra focus on riskier/additional investments critical to the sustainability of Europe's growth.



- The mechanisms of the Investment Plan work will be reinforced to continue the mobilisation of private investments in sectors critical to Europe's future and where market failures remain. This includes investments in the areas of energy, environment and climate action, social and human capital and related infrastructure, healthcare, research and innovation, cross-border and sustainable transport, as well as the digital transformation. **Many of these are highly relevant for the construction industry.**
- The EU has clear and unique assets which are crucial for investment: the Single Market, the most skilled population in the world, a high level of social and environmental protection, as well as stable, predictable, efficient and transparent legal systems. While there is no silver bullet that can ensure that the full potential for EU investments is exploited within only a few months' time, the encouraging results delivered in a short period of time provide a sound basis for future policy initiatives on both the use of the EU budget and the regulatory environment.