



# ***“Developing a Competitive European Energy Market: the infrastructure challenge”***

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*“Five Years Energy Law in Groningen - Academics meet Practice”  
28 September 2011*

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# Agenda

- **New EU energy infrastructure priorities up to 2020 and beyond**
- **The obstacles to investment**
- **A new EU approach to support energy infrastructure investment**

# Future TEN-E – New energy infrastructure challenges

## Electricity transmission & storage:

- Increasing demand
- Growing share of RES
- Smart grid applications
- Large-scale storage
- Electricity Highways

## Gas transmission & storage, LNG/CNG:

- Stable share, growing import dependency
- Role as back-up fuel – need for more flexibility
- Single-source dependency in Eastern Europe – need for diversification

## CO2 transmission:

Co-ordinated planning for future optimised deployment

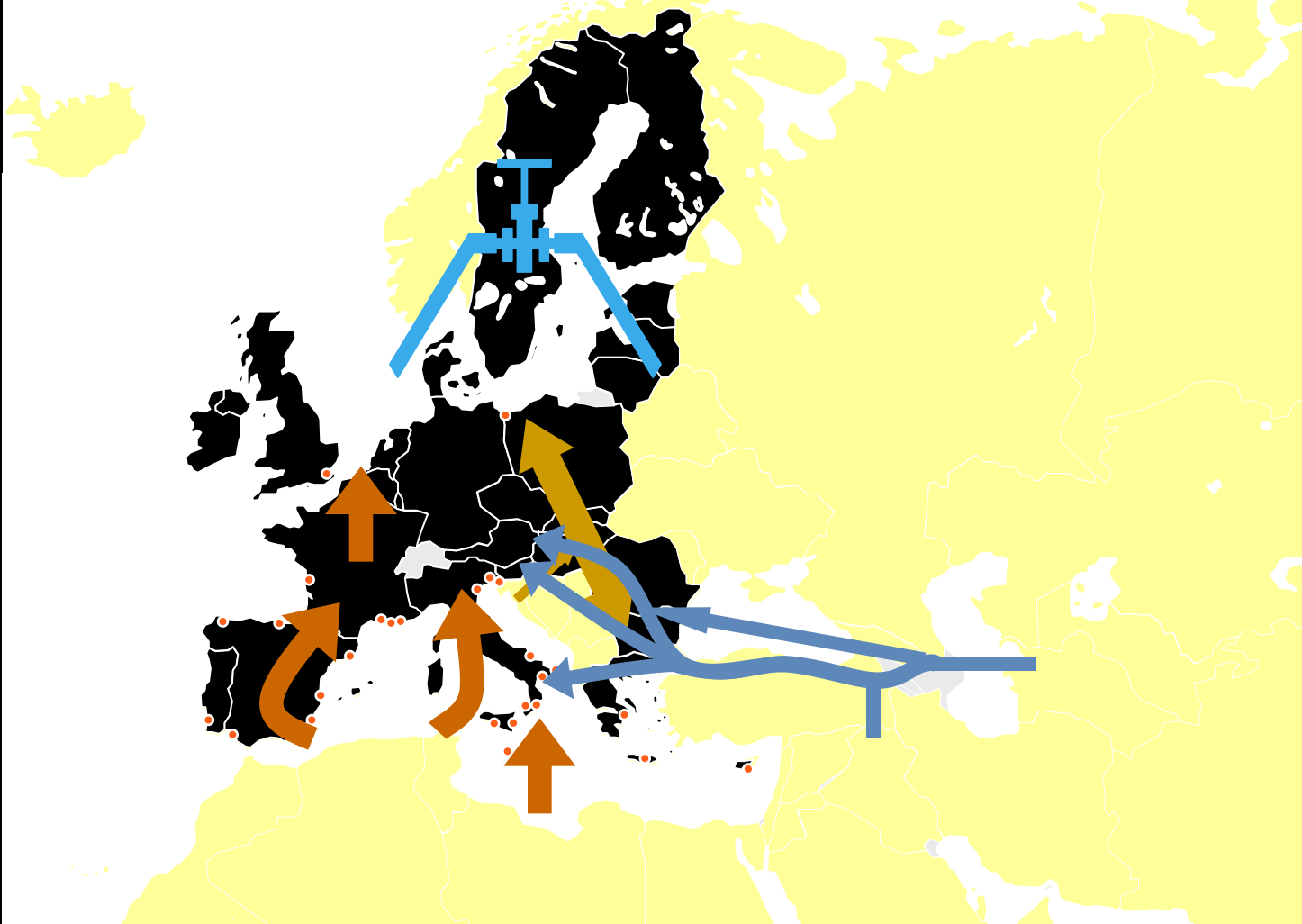
## Oil transportation:

Security of supply of land-locked countries in Central-Eastern Europe

*In addition, the modernisation of **district heating and cooling** networks can enhance energy efficiency.*

# European infrastructures priorities – gas and oil by 2020

- Southern gas corridor
- Baltic energy market inter-connection plan
- South-North gas interconnections in Western Europe
- North south gas & oil interconnections in Central & South East Europe



# European infrastructures priorities – electricity by 2020

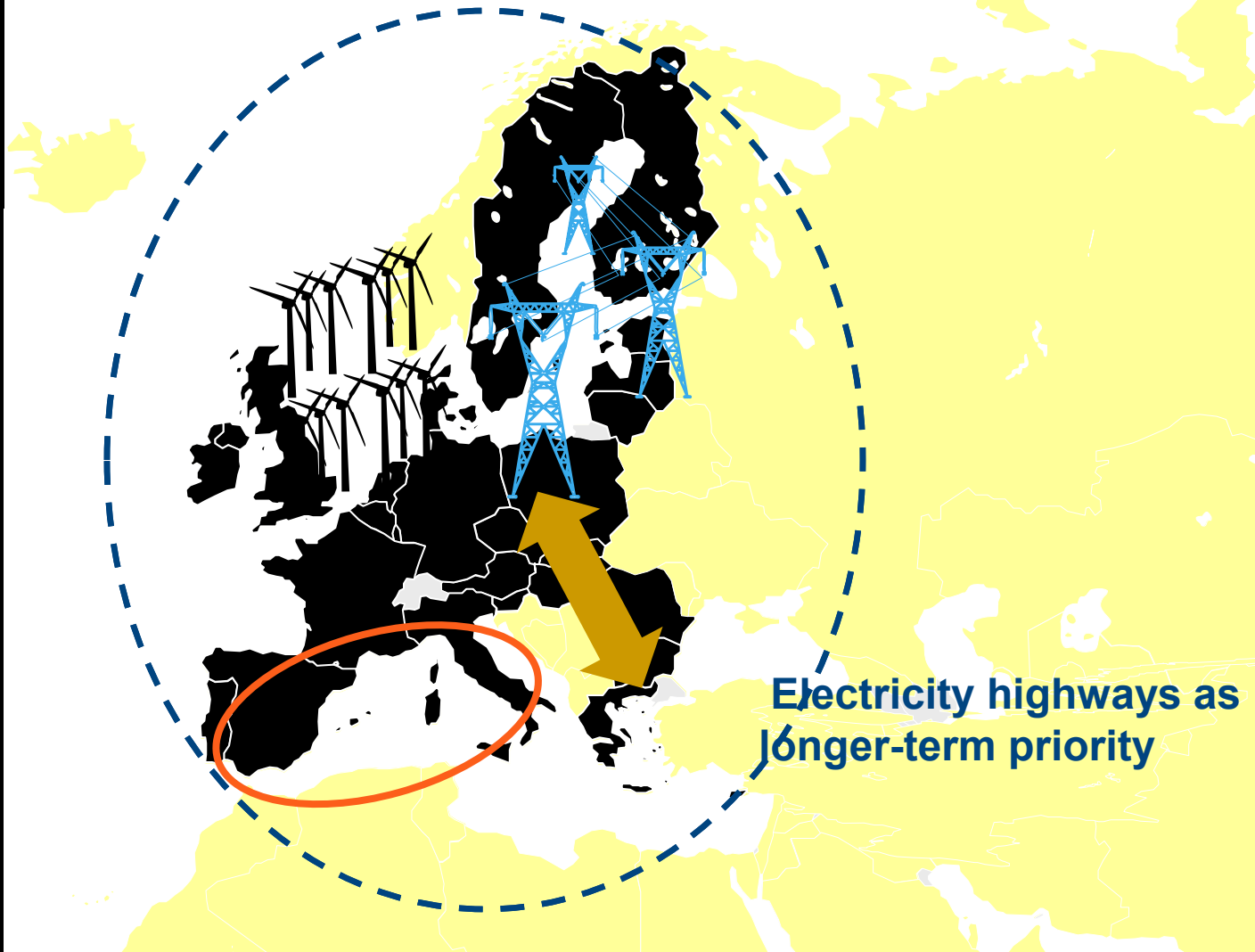
Baltic energy market inter-connection plan

Interconnections in South West Europe

Interconnections in Central-South East Europe

Offshore grid in the Northern Seas and connection to Northern and Central Europe

Smart grids in the EU



Electricity highways as longer-term priority

# ● Obstacles to investment in infrastructure

- **(1) Permit granting and public involvement**
- **(2) Regulatory framework for investment**
- **(3) Financing**

# ● (1) Permit granting procedures

## Challenges

- **Delays: more than ten years** from first planning until final commissioning
- **Opposition of affected population**

### Underlying causes

- Unclearity about the necessity and benefits of the project
- Negative perception about impacts on environment and landscape, health and safety (NIMBY or BANANA!)
- Late and lack of involvement of the public and stakeholders
- **Inefficient administrative procedures**
  - » Complex and fragmented process
  - » Lack of upfront planning and coordination
  - » Lack of time limits

# ● (1) Permit granting and public consultation Solutions

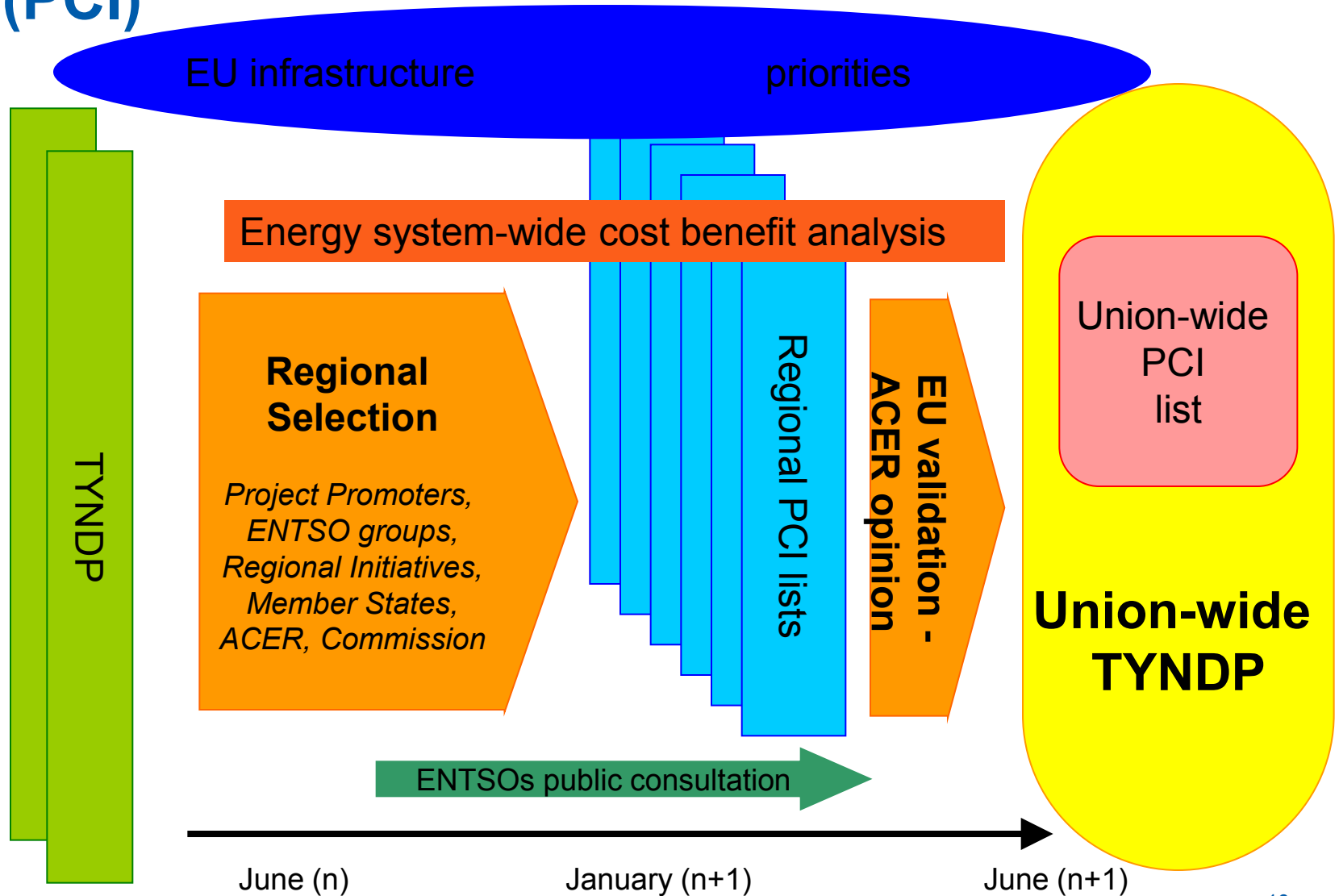
- Priority status for projects of common interest
- One-stop shop at national level for all projects of common interest
- Cross-border cooperation and coordination between authorities
- Permit granting schedule detailing each step in the process → joint schedule for cross-border projects
- Time limit for planning and permit granting procedure (excluding legal recourse) while ensuring highest standards of environment protection and consultation
- Early and effective involvement of stakeholders



## (2) Regulatory framework for investment Challenges

- **Asymmetry of costs and benefits**
  - » Increasing interdependencies of the grids bring asymmetric benefits
  - » Narrow cost-benefit analysis (CBA) does not sufficiently take into account externalities and wider regional/EU impacts
  - » Lack of common CBA tools at regional/EU level
- **Lack of coordination of cross-border investments approval process**
  - » Cross-border investment decisions are complex and require to match two (or more) regulatory systems on a case-by-case basis
  - » Delays and lengthy negotiations or failures in case NRAs do not agree
  - » Lack of cross-border cost allocation
- **Lack of incentives to meet EU climate & energy priorities**
  - » NRA have role to give incentives for both the short and the long term
  - » Assessment of best practices among NRAs

# Identification of projects of common interest (PCI)



## (2) Regulatory framework for investment

→ Ensuring complementarity between regulatory and public funding instruments

### Enabling investments with cross-border impact:

- EU energy system wide cost-benefit analysis
- Agreement between NRAs upon joint proposal by TSOs
- ACER as mediator

### Long-term incentives for investment:

- Risks related incentives through tariffs on the basis of the CBA
- Rules for anticipatory investments, additional return or early recognition of incurred costs before commissioning and others

### EU financial support by leveraging private investments:

- Reduction of risks through innovative financial instruments (loan guarantees, equity participations, project bonds) developed with IFIs
- Grants

## (3) Future EU financial support

- **Financing challenges**
  - Financial crisis: difficult access to capital and lower credit ratings, higher country risks
  - Lack of credit ratings
  - Corporate / project financing
- **Proposal for Connecting Europe Facility 2014-2020**
  - *Incentivising networks for the implementation of internal energy market and achieving Europe's energy and climate targets by 2020 and attract new investors*
  - **€ 50 bn for transport, energy (€9.12 bn) and ICT**
  - Financial Instruments (equity/debt incl. project bonds in cooperation with IFIs) and grants for studies and works
- **Reducing the risks through market-based approach** complementing regulation and permitting as appropriate

# ● The way forward

## ● This autumn coming up:

- » Legislative proposal for a Regulation on guidelines for the implementation of energy infrastructure priorities 2020
- » Legislative proposal for a Regulation establishing the Connecting Europe Facility



Thank you for your attention!