Community financial aid in the field of the trans-European transport and energy networks, 2007-2013

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The Commission presents a report on the Trans-European Energy Networks in the period 2007-2009, pursuant to Regulation (EC) 680/2007 and Decision 1364/2006/EC. The report summarises the progress which TEN-E has achieved in 2007-2009 in helping Europe's energy industry devise and implement strategic network projects. It also sets out to assess where TEN-E has had a positive impact as well as analysing its weaknesses. Detailed information on the projects of European interest and the priority projects can be found in the Annex, which includes a summary description of the projects, describes progress of their implementation and presents the sources of financing during the period 2007-2009.

This report highlights the importance of energy infrastructure to the overall energy policy aims of the EU and the delivery of its 20-20-20 objectives. It provides input into the preparation of a proposal for a new EU Energy Security and Infrastructure Instrument, as requested by the European Council in March 2009 and anticipated in the Communication on the Second Strategic Energy Review (2008) and on the Green Paper on energy networks.

The report states that the TEN-E has made a **positive contribution to selected projects by giving them political visibility and helping leverage funds from the financial market**. The "TEN-E label" given to projects with the highest European interest and the creation of European Coordinators have been conducive in delivering these results. However, the European energy policy framework has undergone a dramatic change in the recent years, calling for a **thorough review of both the concept and rationale of the TEN-E framework**. Already in 2008, the Green Paper on energy networks examined the suitability of TEN-E for the delivery of the 20-20-20 targets and security of goals. The Green Paper suggested that a new instrument was required to tackle the growing challenges of energy security and network investment in the EU. The European Council endorsed these conclusions in March 2009. The report further substantiates these arguments and stresses the need to develop a new Energy Security and Infrastructure Instrument.

- The agreement on an EU Energy Policyin 2007 set binding targets on both greenhouse gas emissions and energy from renewable sources. An appropriate energy infrastructure development is needed particularly regarding the integration of renewable energy sources into the grid, the mitigation of the higher technological risks of low-carbon technologies, the integration of the European energy markets and to ensure security of supply.
- The regulatory framework related to gas and electricity infrastructure has considerably evolved: the **3rd internal energy market package** provides new instruments for better cooperation between Transmission System Operators and Regulators. The Agency for the Cooperation of Energy Regulators (ACER) will start operations in 2011, with the objective of ensuring coordination of rules on network access and investment across borders. The European Network of Transmission System operators for gas (ENTSO-G) and electricity (ENTSO-E) are tasked with putting market integration into practice by providing a European view on network access and network investments. One of their key tasks is the elaboration of Ten-Year Network Development Plans. A first draft for gas was published in December 2009 and for electricity in March 2010.
- In July 2009, following calls from Council and Parliament amplified by the January 2009 gas crisis, the Commission proposed a new regulation **concerning the measures to safeguard security of gas supply**. Whilst the regulation places the main emphasis on the internal market as best guarantee for

security of supply, it provides for common standards for security of supply - the infrastructure standard (n-1) and supply standards for protected customers. It also requires reverse flows to be established on all interconnection within 2 years from its entry into force.

- To stimulate economic recovery, the European Energy Recovery Programmeallocated almost EUR 4 billion to leverage private funding in gas and electricity infrastructure, off-shore wind and carbon capture and storage projects. It provides useful lessons on the benefits of greater Member State collaboration and strategic involvement at a high level.

Against this background, the weaknesses of TEN-E have come to the fore in 2007- 2009. The programme has responded too slowly to the major challenges which have emerged in recent years, and is poorly equipped to deal with the growing challenges which will arise from the 2020 and 2050 ambitions.

The new policy environment creates a challenge for TEN-E, which has neither the resources nor the flexibility to make a full contribution to the delivery of the ambitious energy and climate goals. In the course of 2010, the Commission will examine the need for a new instrument which fully reflects the importance of infrastructure to the delivery of policy targets.

Based on the findings of this report, the following **priorities** emerge which will be further elaborated and analysed in the forthcoming revision of the TEN-E and its accompanying impact assessment:

(1) EU energy infrastructure strategic priorities need to be better defined: the energy networks must be modernised to allow Europe to meet its energy policy goals, including the 20/20/20 targets. Networks need to become more Europe-wide, to enable the development and proper functioning of the internal energy market, to strengthen security of supply but also to allow new technologies to be applied. The networks must also become flexible, to allow a variety of renewable sources, more decentralised power generation, incorporating smart energy demand technologies, including the concept of an EU-wide "super grid" for electricity and gas as well as the networks for carbon capture and storage (CCS). The external dimension of infrastructure and the diversification of supply routes and sources will also need to be looked at, especially in the gas sector but possibly also for oil;

(2) a new approach is needed to project definition: the current categorisation is confusing and fails to give a clear overview of the objectives. The approach adopted in the Commission's second Strategic Energy Review, whereby multiple projects are brought together into a regional initiative, such as the Southern Corridor for gas imports from the Caspian, or the Baltic Interconnection Plan, may be pursued. A thorough political debate is needed to decide what the future priorities of European infrastructure should be;

(3) the potential for cooperation between Member States involved in individual projects must be better exploited. This applies at the level of planning and at the level of political coordination. Situations where projects of European interest are not given national priority status, or where these projects are not equally supported by all Member State involved are untenable. The possibility should be explored of setting up of one (central) authorising body within a Member State, at least for the cross-border projects to speed up implementation;

(4) a stronger EU infrastructure strategy needs to attract investment at a level commensurate with the challenges. The funding of network investments from tariffs paid by network users is the established approach in Europe. This will remain the main feature also in the future. There may, however, be few instances where public funding can be motivated due to widespread European benefits and clearly demonstrated market failures, which prevent the investment to be undertaken. Existing funding available under other EU instruments must be better used and coordinated with energy policy actions.