Energy infrastructure priorities for 2020 and beyond

2011/2034(INI) - 26/05/2011

The Committee on Industry, Research and Energy adopted the own-initiative report drafted by Francisco SOSA WAGNER (NI, ES) in response to the Commission communication entitled 'Energy infrastructure priorities for 2020 and beyond – a blueprint for an integrated European energy network'.

I. Strategic planning of energy infrastructure: Members believe that an **EU approach** – developed in cooperation with all stakeholders – is needed in order fully to exploit the benefits of new infrastructure, and stresses the need to develop a complementary harmonised method, in line with the rules of the internal market, for the selection of infrastructure projects. They consider that this method should take into consideration the European and regional perspectives in order to remove disparities and to optimise the socio-economic and environmental effects.

In this context, the report stresses that the planning of energy infrastructure projects should comply fully with the precautionary principle. Action plans should be subject to thorough environmental impact assessments on a case-by-case basis, taking into account local and regional environmental conditions. It stresses the need to ensure an adequate degree of security of energy supply for the EU, and to develop favourable relations with non-EU energy supplying and transit countries by means of cooperation in connection with regional and global energy supply transport systems.

According to Members, the **reference scenario used for assessing the energy infrastructure for 2020 needs to be transparent and consistent**: (i) with the overall energy policy objectives enshrined in the Treaty on European Union and the EU's 2050 roadmap; (ii) with other EU policies (such as transport, buildings and the Emission Trading Scheme (ETS)), with the energy efficiency policies required to deliver the 20% energy savings target (in particular the energy efficiency plan), with the potential impact of technological advances, notably for renewable energy and the increasing role of electric vehicles, and with the deployment of smart grids and the 'smart cities and regions' initiatives.

II. A comprehensive infrastructure development scenario: Members consider that the **Ten-Year Network Development Plan (TYNDP)** identifies relevant electricity and gas infrastructure projects and should contribute to setting the priorities for the selection of projects of European interest to be developed in order to achieve EU energy and climate goals, without interfering with the functioning of the internal market. The report points out that the geographical obstacles inherent in their location make islands and mountain areas very difficult to integrate into the EU energy network and therefore calls on the Commission to take into account the **diverse circumstances in the regions** and to focus expressly on regions with specific geographical and demographic characteristics, such as islands, mountain regions and regions with low population density, in order to achieve greater diversification of energy sources and the promotion of renewables so as to reduce dependence on imported energy.

Members call on the Commission, with a view to ensuring better governance of future EU electricity and gas infrastructure planning, to present a concrete proposal to improve transparency and public participation in determining EU priorities, within a broader stakeholder participation process (including, for example, the energy sector, independent experts, consumer organisations and NGOs).

According to Members, fostering the building of transmission and distribution infrastructure for efficient and intelligent integration of renewable energy and **new electricity uses** (such as electric or plug-in hybrid vehicles) is critical for the successful achievement of overall energy objectives. In this context, they

welcome the priority given to the future European super-grid. The Commission is asked to consult all relevant stakeholders with a view to speeding up the identification of electricity highways as an integrated hub-based grid infrastructure in order to optimise connectivity, system resilience and operational flexibility and to reduce costs, without excluding any wider European geographical territory, and calls the Commission to present an outline to Parliament by mid-2014, which addresses as fully as possible the specific needs arising from the transmission of renewable energies.

The report endorses the importance of **efficient gas infrastructure in enhancing diversification and security of supply**, in contributing to better internal energy market functioning, and thus in reducing energy dependence. It highlights the need for additional and correct implementation of flexibility requirements in gas infrastructure, in particular with a view to ensuring reverse flows and interconnections, and stresses that gas infrastructure should be developed, with full account being taken of the contribution of LNG and CNG terminals, transport ships and storage facilities, as well as the development of gasified biomass and biogas

III. Smart grids: the report stresses that the roll-out of smart grids should be **one of the energy infrastructure priorities** with a view to achieving EU energy and climate objectives. It notes the need to create a **stable regulatory framework** in order to promote the very large investment needed in Europe to establish smart grids. The Commission is urged to facilitate the urgent deployment of large smart-grid demonstration projects as the best way to measure the costs and benefits to European society.

Members stress that smart grid standardisation and interoperability shall be a priority: Members States are urged, in liaison with European and international standardisation bodies and industry, to speed up work on technical and safety standards for electric vehicles, charging infrastructure, smart grids and smart metering, with a view to its completion by the end of 2012. Technologies should be based on open international standards so as to ensure their cost-effectiveness, which will enhance the interoperability of the system and will provide consumers with a choice of solutions.

In this context, the report acknowledges that standardisation work in **smart metering** is progressing and hat technical standards for smart meters should take into account the additional functionalities identified in the final report of the CEN/CENELEC/ETSI Smart Meters Coordination Group (SM-CG), namely: (i) remote reading or metrological registers; (ii) two-way communication; (iii) support for advanced tariffication/pre-payment; (iv) remote enablement and disablement of supply and power limitation; (v) communication with and, where appropriate, direct control of individual devices within homes and buildings; (vi) provision of information via web portal/gateway to an in-home display.

Members stress that grids should be adapted for new entrants, in order to facilitate small-scale new production sources, such as households and SMEs.

IV. Defining clear and transparent criteria for priority projects: Members welcome the priority corridors identified by the Commission and agree on the need to optimise limited funds. They call for a clear and transparent methodology leading to the selection of priority projects that meet pressing European needs and emphasise that the selection of projects of European interest (PEIs) should be conducted on the basis of objective and transparent criteria and with the involvement of all stakeholders.

The committee recalls that PEIs should should be capable of contributing substantially to:

- increasing market integration, competition and market liquidity and reducing market concentration,
- putting an end to energy islands,
- reducing network losses, preventing transmission bottlenecks – including in respect of internal projects as long as they contribute to the development of cross border interconnection – and relieving cross-border transmission,
- resolving single supplier dependency,

- diversification with regard to transit routes and the origin of resources,
- integration of renewable energy to the grid and increasing the use of renewable energy sources by reducing renewable energy curtailment.

Members consider that, to justify projects being accorded priority, the **following criteria should be taken into account**:

- the project must have a European dimension (= clear EU public interest),
- its necessity must be demonstrated on the basis of the infrastructure hierarchy,
- it must be in line with climate, energy efficiency and environmental objectives,
- it must be consistent with long-term EU energy policy (allowing flexible and multifunctional application and avoiding lock-in effects),
- it must offer a good cost-benefit ratio and cost efficiency,
- it must be technically sound.

V. Fast and transparent permit-granting procedures: Members welcome the establishment of a national contact authority (**one-stop shop**) for each European interest project as a single administrative interface between developers and the various authorities involved in the authorisation procedure. They take the view that, with regard to cross-border projects, further coordination between national one-stop shops and an increased role for the Commission in such coordination should be ensured. They stress that any national contact authority must be **independent and free from political or economic influence**. In addition, PEIs must be processed in order of submission and within the time limit set out in the future Commission proposal.

The report stresses the need for a more **participatory approach**, and recognises that securing greater acceptance by local people of energy infrastructure projects goes hand in hand with providing adequate information about the purpose of the projects, and with local involvement in their development at the earliest possible stage. It calls for the participation, at all levels of civil society, of NGOs, industry, the social partners and consumer organisations in the consultation process for projects of European interest. The Commission is called upon to set up a consultation and assessment system in order to identify and disseminate best practices and knowledge in relation to public acceptance of infrastructure.

VI. Financing instruments: the report stresses that the **effective functioning of the market** should provide a large part of the cost of the requisite infrastructure investment, on the basis of principles of proper cost-allocation, transparency, non-discrimination and cost-effectiveness and in line with the ‘user pays’ principle. The Commission is requested to assess where the existing regulatory incentives are sufficient to send the necessary signals to the market, and what complementary measures, including those improving cost allocation rules, are needed.

Members take the view that, when **no regulatory alternative is available** and the market alone can not cover the investments needed, **EU funding may be required** to fund some limited PEIs the specific characteristics of which make them commercially unviable but the development of which is necessary to achieve EU energy policy objectives. Public funding may be used to lever private investment by setting up an innovative mix of financial instruments, provided that it does not distort competition.

The committee considers that the **fullest possible use should be made of market-based tools**, including improvements to rules on cost allocation, project bonds, revolving funds, renewable energy equity funds, loan guarantees, non-commercial risk-sharing facilities, incentives for funding public-private partnerships, partnerships with the EIB – by improving its intervention capacity and available resources – and use of ETS auction revenue for projects linked to renewable energy sources and energy efficiency, as well as, **where appropriate, other innovative financing instruments**.

Lastly, Members support the idea of issuing common European project bonds to finance Europe’s significant infrastructure needs and structural projects in the framework of the EU 2020 agenda, including the new Strategy on Energy Infrastructure Development.