

# Trans-European energy networks: guidelines

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**PURPOSE:** to report on the implementation of the guidelines for the trans-European energy networks from 2002-2004.

**CONTENT:** this Report has been prepared by the Commission in accordance with Article 11 of Decision 1229/2003/EC *laying down a series of guidelines for trans-European energy networks*. The Report summarises the level of implementation of the energy guidelines between 2002 and 2004. It is based on information received from transmission system operators and from Member State experts. Details concerning the implementation of electricity and gas connection can be found in Annex to the Report.

The EU's trans-European Networks policy is based on three cornerstones: i) Articles 154-156 of the TEU; ii) the TEN financial support Regulation and iii) Decision 1229/2003/EC *setting out the guidelines for trans-European energy networks*. The guidelines seek to establish effective operations in the EU's energy market, reinforce the EU's security of supply and help protect the environment.

The guidelines, which were first adopted in 1996, and revised in 1997 and 1999, identify the axes for priority projects and projects of common interest. The priority projects take account of the connection need for the efficient operation of the internal market and those which can offer security of supply.

One of the Report's main findings is that the gas and the electricity networks face different challenges. The Report identifies these problems:

- Existing electrical capacities are insufficient and will not be able to meet an increase in trade. In 2002 the Heads of State agreed to set a new target whereby the level of electricity interconnections should be equivalent to at least 10% of their installed production capacity by 2005.
- The EU will, over the next 20-30 years, become increasingly dependent on gas imports. In the future, the Caspian Sea, the Middle East and the Gulf region will become additional important suppliers. The main supply of natural gas is currently sourced from Norway, Russia and North Africa.

As far as implementation of the priority projects is concerned, the Report notes that since 1996 the gas and electricity sectors display differing patterns of implementation. Whilst the security of gas supply has been well managed the lack of both electricity generation capacity and interconnection has led to a serious congestion of specific lines.

This in spite of the fact that cross-border connections can and do have a positive effect. In Belgium, for example, the additional Avelgem to France line has increased the net capacity of electricity by 16%. In Italy, a completed line with Switzerland yields a net transfer capacity of 22%, whilst lines connecting Ernestinovo to Croatia has resulted in a 38% net transfer capacity. These additional lines increase the electricity exchange significantly and Portugal now exceed the 10% interconnection capacity target. Other countries, such as Spain and the United Kingdom, however, are still well below this target.

As far as Community funding is concerned the Report states that between 1995 and 2004 EU funding for the TEN-E budget line totalled EUR 174 million. This size is very modest when compared to the required investment and is spent mostly on co-financing studies. The largest share of funding went on the gas network (68.8%) and the smaller part (37.2%) was spent on the electricity network. The financial support given to financing studies can be crucial in helping to kick-start projects. Further, support for novel

technologies such as putting electricity cables underground or the joint use of rail and road tunnels, provides a strong stimulus for the completion of projects.

In its Conclusions, the Report notes that the objective to focus on priority projects is indeed being implemented. To accelerate the implementation of projects, special attention needs to be given to monitoring the progress in detail and to exchange information on cross-border connections regularly. Within the long list of projects of common interest a relatively large number of projects have progressed well – seemingly without much support under TEN-E. A closer look at cross-border connections, particularly along the axes, reveals that in the sub-class the impact of the TEN-E programme was significant. The TEN-E budget, although modest, has contributed significantly to initialising projects in isolated or island regions; funded the potential use of novel technologies and triggered the construction decision for specific projects. At the same time it has become clear that an update of the priority axes as well as project lists is needed in order to increase support for enhanced inter-connectivity between the new Member States and the accession countries.