



# ***The Framework of EU Energy Infrastructure Priorities – A Dialogue for Cooperation and Development***

*Redefining SE Europe's Energy Map*

**6<sup>TH</sup> SOUTH EAST EUROPE ENERGY DIALOGUE**

**"THE MET HOTEL"**

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 Commission's Communication on energy infrastructure priorities for 2020 and beyond, adopted on 17 November 2010,

- ✓ called for a new EU energy infrastructure policy to coordinate and optimise network development on a continental scale.
- ✓ confirmed the necessity to replace the existing Trans-European Networks for Energy (TEN- E) policy and financing framework.



## COM(2011)500/I, COM(2011)500II

■ **Attempts to identify**, for the period up to 2020 and beyond “projects of common interest” , ie

✓ a limited number of **trans-European priority corridors** and areas covering electricity and gas networks as well as oil and carbon dioxide transport infrastructure, for which European Union action is most warranted.

➤ **BUT...the Rules are not there yet.**



## COM(2011)500/I, COM(2011)500II

■ These projects will typically involve more than one Member State via physical location and/or a significant cross-border impact

- **PROCESS (Bottom up):**

- ✓ Promoters submit proposal to the "Regional Expert Group" (M-S, NRAs, TSOs), who formulate a list of proposals
- ✓ Final decision by the Commission

## **General Criteria for projects of common interest have been referred to, such as:**

- the project is necessary for the implementation of the energy infrastructure priority corridors and areas,
- the project displays economic, social and environmental viability; And
- the project involves at least two Member States, either by directly crossing the border of one or more Member States or by being located on the territory of one Member State and having a significant cross-border impact



### FINANCING IS AN ISSUE

#### **So, The Connecting Europe Facility**

- Was adopted on 29 June 2011 by the Commission in the Communication "A Budget for Europe 2020" on the next multi-annual financial framework (2014-2020),
  - ✓ Aims at promoting the completion of priority energy, transport and digital infrastructures with a single fund of EUR 40 billion, out of which EUR 9.1 billion are dedicated to energy.

- Public funding in the current economic crisis is becoming limited.
- Private investments are channeled to projects, which are well-planned, utilize the synergies between two or more countries and/or sectors, have a sound financial framework and show commercial viability.
- National energy markets are too small to be attractive for investments.
- Having a coordinated regional approach is of primary importance to achieve common goals.

This is why the basis of the proposal is

- A harmonized European cost benefit analysis that take into account economic, social and environmental costs and benefits and which
  - Will define the beneficiaries, who will finally pay for the project
  - That is, most promoted projects are expected to be “commercial”



AND, HOW THIS IS EXPECTED TO BE DONE?

- ENTSOs develop concrete methodologies, they will be approved by ACER and finally Commission.
  - Costs will be allocated to M-S according to direct and indirect benefits
  - Paid by grid users through national tariffs following agreement by NRAs
  - If NRAs do not agree, then decision by ACER

The **main identified obstacles** are problems related to :

- permit granting (lengthy and ineffective permit granting procedures, along with public opposition),
- regulation (framework not geared towards delivering European infrastructure priorities) and
- financing (limited financing capacities of operators, lack of adapted funding instruments and sufficient support).

But, promotion of a project, also means that

- NRAs shall ensure that appropriate incentives are granted
- If the project faces big difficulties the EC may nominate a coordinator
- If the project delays for more than two years, EC may launch an open call for proposals to build it

Big projects of European Interest, Short-listing of priorities, Support of EC (political, technical and partially financial), and Bottom-up process for project proposals

Big Opportunity for the Region to cooperate, define and propose viable projects



## QUESTIONS THIS CONFERENCE IS EXPECTED TO ADDRESS

- ❖ What are the strengths and opportunities that make the region attractive to investors ?
- ❖ What are the most important challenges, which the region as a whole is facing in terms of moving towards secure, sustainable and competitive energy ?
- ❖ What are the main barriers to necessary investments and how could they be removed in order to reach these goals ?
- ❖ What should be the balance of public and private involvement and who should be involved ?



# THANK YOU

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## OTHER SUPPORT SLIDES

In its report to the June 2011 Energy Council, the Commission has estimated **total investment needs in energy infrastructures** of European importance up to 2020 at about EUR 200 billion:

- About EUR 140 billion for high voltage electricity transmission systems, both onshore and offshore, storage, and smart grid applications at transmission and distribution level;
- About EUR 70 billion for high pressure gas transmission pipelines (coming into the EU and between EU Member states), storage, liquefied/compressed natural gas (LNG/CNG) terminals and reverse flow infrastructure;
- About EUR 2.5 billion for carbon dioxide transport infrastructure.





## **Decision No 1364/2006/EC COM(2010)203 and SEC(2010)505**

- The TEN-E framework has been developed and shaped in the 1990's through the successive TEN-E Guidelines and the corresponding financing Regulation.
- The 2006 Guidelines for Trans-European Energy Networks listed about 550 projects eligible for Community support, classifying them in the following three categories: projects of European interest (42 in total); priority projects and projects of common interest. These projects cover only electricity and gas infrastructure.
- The report on the implementation of the TEN-E framework in the period 2007-2009, published in April 2010, concluded that while making a positive contribution to selected projects by giving them political visibility, the policy lacks focus, flexibility and a top-down approach to fill identified infrastructure gaps



## Regulation (EC) No 680/2007

- The TEN financing Regulation, adopted on 20 June 2007, sets out the conditions for co-funding of TEN-E projects, with a budget for the period 2007-2013 of EUR 155 million.
- The TEN-E Programme's financial resources and set-up have however proven to be inadequate in light of the paradigm shift to a low carbon energy system.
- Limited budget, no risk mitigation instruments, no funding outside the EU, insufficient synergies with other EU funds.



## Regulation (EC) No 663/2009

The European Energy Programme for Recovery, (which was set up in the context of the economic and financial crisis, 2009), has, for the first time, allocated significant one-off amounts (about EUR 3.85 billion) to a limited number of eligible projects.

The proposal aims at replacing the existing TEN-E Guidelines and forms a logical package with the "Connecting Europe Facility" (CEF) developed in view of replacing the current TEN financing Regulation.

### **Electricity transmission** and storage projects should promote:

- market integration, competition and system flexibility;
- sustainability, *inter alia* through transmission of renewable generation to major consumption centres and storage sites;
- interoperability and secure system operation;

## Gas projects should promote :

- market integration, interoperability and system flexibility;
- security of supply, *inter alia* through diversification of supply sources, supplying counterparts and routes;
- competition, *inter alia* through diversification of supply sources, supplying counterparts and routes;
- sustainability;

It then aims at implementing these priorities by:

- streamlining permit granting procedures to significantly reduce their duration and increase public participation and acceptance for the implementation of such projects;
- facilitating the regulatory treatment of projects of common interest in electricity and gas by allocating costs depending on the benefits provided and ensuring allowed returns are in line with risks incurred;
- ensuring implementation of projects of common interest by providing necessary market-based and direct EU financial support.
- In this latter regard, the proposal provides the basis for eligibility of projects of common interest for EU financial assistance under the "Connecting Europe Facility", which is subject to a separate legislative proposal.

- policy in ensuring
  - ✓ that **solidarity** between Member States will become operational,
  - ✓ that the **internal energy market** is completed and isolated regions are linked,
  - ✓ that **alternative supply or transmission** routes and sources of energy will materialise and
  - ✓ that **renewables will develop and compete** with traditional sources

## Electricity

- ✓ Networks **upgraded** and modernized to meet increasing electricity demand.
- ✓ New electricity **highways**, north-south, east –west, shall be built to foster market integration and maintain the existing levels of system's security, but especially to transport and balance electricity generated from renewable sources, which is expected to more than double in the period 2007-2020.
- ✓ More **innovation and intelligence** in the networks at both transmission and distribution level, in particular through information and communication technologies





## Natural Gas

- ✓ Natural gas will continue, provided its supply is secure, to play a key role in the EU's energy mix in the coming decades and will gain importance as the back-up fuel for variable electricity generation.
- ✓ In the medium term depleting indigenous conventional natural gas resources call for additional, diversified imports.
- ✓ Gas networks face additional flexibility requirements in the system, the need for bi-directional pipelines, enhanced storage capacities and flexible supply, including liquefied (LNG) and compressed natural gas (CNG).