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DRAFT REPORT

on energy infrastructure priorities for 2020 and beyond
(2011/2034(INI))

Committee on Industry, Research and Energy

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The European Parliament,

- having regard to the Commission communication entitled ‘Energy infrastructure priorities for 2020 and beyond – a blueprint for an integrated European energy network’ (COM(2010)0677),
- having regard to the Commission staff working document on an impact assessment on the ‘Energy infrastructure priorities for 2020 and beyond – a blueprint for an integrated European energy network’ (SEC(2010)1395),
- having regard to the Commission communication entitled ‘Energy 2020 – a strategy for competitive, sustainable and secure energy’ (COM(2010)0639),
- having regard to the Commission communication entitled ‘Europe 2020 – a strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to the Commission communication entitled ‘Renewable energy – progressing towards the 2020 target’ (COM(2011)0031),
- having regard to Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC¹,
- having regard to the Commission communication entitled ‘Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage’ (COM(2010)0265),
- having regard to the third legislative package concerning the internal market in the field of energy and coming under the title ‘Energising Europe: A real market with secure supply’²,
- having regard to Regulation (EU) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply³,
- having regard to the Commission communication entitled ‘A resource-efficient Europe – flagship initiative under the Europe 2020 strategy’ (COM(2011)0021),
- having regard to Decision No 1364/2006/EC of the European Parliament and of the Council of 6 September 2006 laying down guidelines for trans-European energy networks and repealing Decision 96/391/EC and Decision No 1229/2003/EC⁴,

¹ OJ L 140, 5.6.2009, p. 16.

² OJ L 211, 14.8.2009.

³ OJ L 295, 12.11.2010, p. 1.

⁴ OJ L 262, 22.9.2006, p. 1.

- having regard to the report from the Commission on the implementation of the trans-European energy networks in the period 2007-2009 (COM(2010)0203),
 - having regard to its resolution of 25 November 2010 on Towards a new Energy Strategy for Europe 2011-2020¹,
 - having regard to its resolution of 15 December 2010 on Revision of the Energy Efficiency Action Plan²,
 - having regard to its resolutions of 16 June 2010³ and 17 February 2011⁴ on Europe 2020,
 - having regard to Article 194 of the Treaty on the Functioning of European Union,
 - having regard to Article 170 of the Treaty on the Functioning of European Union, under which the Union is required to contribute to the establishment and development of trans-European networks in the areas of transport, telecommunications and energy infrastructures,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committee on the Environment, Public Health and Food Safety and the Committee on Regional Development (A7-0000/2011),
- A. whereas our major energy challenges are confronting climate change, strengthening energy autonomy while reducing fossil fuel imports, achieving a competitive internal energy market and ensuring universal access to sustainable, affordable and secure energy,
- B. whereas the Lisbon Treaty provides a specific legal basis for developing an EU energy policy which promotes the interconnection of energy networks necessary to achieve the other EU energy policy objectives (functioning of the energy market, energy efficiency and renewable energy, security of supply),
- C. whereas a lack of timely modernisation and adjustment of the Union's energy infrastructure to a more sustainable energy production and consumption model could jeopardise the capacity to achieve the energy and climate objectives for 2020 and undermine the EU's 2050 long-term objective of reducing greenhouse gas (GHG) emissions by 80 to 95%,
- D. whereas an open, integrated and competitive EU energy market is needed in order to achieve competitive energy prices, security and sustainability, and whereas the completion of such a market still remains an important challenge,
- E. whereas interconnection capacity between Member States remains generally insufficient, and whereas certain regions remain isolated,

¹ Texts adopted, P7_TA(2010)0441.

² Texts adopted, P7_TA(2010)0485.

³ Texts adopted, P7_TA(2010)0223.

⁴ Texts adopted, P7_TA(2011)0068.

- F. whereas alternative supply and transit routes and new interconnections are important in order to ensure that solidarity between Member States becomes operational,
- G. whereas energy infrastructures planned today must be consistent with long-term EU climate and energy objectives,
- H. whereas energy efficiency offers a powerful and cost-effective tool for achieving a sustainable energy future and can partially reduce the need for investment in energy infrastructure,
- I. whereas smart grids and meters provide an important opportunity to establish an efficient relationship between energy production, energy transmission and users,
- J. whereas long authorisation procedures and a lack of coordination between administrative bodies have resulted in major delays and additional costs, especially in cross-border projects,
- K. whereas a high-quality public debate must be guaranteed and European environmental legislation duly taken into account,
- L. whereas market-based tools must remain the basis for financing energy infrastructure, and whereas a limited amount of public finance may be required to fund certain projects which are not strictly commercially viable,

I. Strategic planning of energy infrastructures

1. Stresses the crucial importance of timely and full implementation of existing legislation, including the regulatory work called for by the third internal energy market package;
2. Believes that a EU approach is needed in order to fully exploit the benefits of new infrastructure and stresses the need to develop a harmonised method for the selection of infrastructure projects, based on a European and regional perspectives and the optimisation of socio-economic and environmental effects;
3. Stresses that the reference scenario used for assessing the energy infrastructure for 2020 needs to be consistent with the overall energy policy objectives and the EU's 2050 roadmap, and with other EU policies (such as transport, buildings and the Emission Trading Scheme (ETS)), including energy efficiency policies (notably the implementation of the forthcoming energy efficiency action plan (EEP)) as well as the potential impact of technological advances and the deployment of 'smart cities' initiatives;
4. Emphasises the need to identify, according to a hierarchy of importance, where infrastructure could be minimised through energy efficiency policies, where existing infrastructure can be upgraded or modernised and where new infrastructure is needed and can be built alongside existing infrastructure;
5. Considers that the development of electricity infrastructure between the EU and third countries can create a risk of carbon leakage or increase that risk where already present; calls on the Commission to bring forward, wherever necessary, measures to address this issue as a 'carbon inclusion mechanism' or require conformity with EU Directive

2009/28/EC;

6. Stresses that there should be a greater focus on internal transmission systems that significantly contribute to the integration of energy markets and to putting an end to energy islands and transmission bottlenecks;
7. Welcomes the Commission's efforts to promote regional cooperation and calls for further guidance on such regional initiatives;

II. A comprehensive infrastructure development scenario

8. Considers that, although the Ten-Year Network Development Plan (TYNDP) identifies relevant electricity infrastructure projects, it should also set the priorities to be developed in order to achieve EU energy and climate goals;
9. Calls 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 involving the power sector, independent experts, consumer organisations and NGOs;
10. Considers that the TYNDP should form the basis of a rolling programme for developing European electricity transmission infrastructure within a long-term European planning perspective and with monitoring by the Agency for Cooperation of Energy Regulators (ACER) and the Commission;
11. Stresses that fostering the building of infrastructure for efficient and intelligent integration of renewable energy is critical for the successful achievement of overall energy objectives and welcomes the priority given to the North Sea grid as an essential element of a future European super-grid; asks the Commission to consult all relevant stakeholders with a view to speeding up the identification of electricity highways and to present an outline to the European Parliament by 2014;
12. Endorses the importance of efficient gas infrastructures in enhancing diversification and security of supply and reducing energy dependence; highlights the need for additional flexibility requirements in gas infrastructures, in particular with a view to ensuring reverse flows, and stresses that gas infrastructure should be developed, with full account being taken of the contribution of LNG/ CNG terminals;
13. Considers that the development of infrastructure for unconventional gas sources has not yet been given the necessary attention by the Commission as regards legal issues, life cycle assessment and environmental impacts; asks the Commission to conduct a thorough evaluation on this issue;
14. Stresses the importance of integrated energy infrastructure planning for agricultural and small-scale rural energy sources, so as to favour decentralised energy production and rural development;
15. Emphasises the importance of infrastructure at distribution level and the role that prosumers and distribution system operators (DSOs) play during the integration of

decentralised energy products into the system;

16. Urges the Commission to present by 2012 concrete initiatives to promote the development of energy storage capacities (including multi-use gas/hydrogen facilities, hydropower, high-temperature solar and other technologies);
17. Considers that the CO₂ capture and transport infrastructure projects developed by the Commission so far should continue; calls on the Commission to draw up a mid-term report evaluating the progress achieved with EU-funded projects in this area;
18. Urges the Commission to critically assess and review, wherever necessary, the figures for investment needs given in the communication on energy infrastructure priorities, and asks it to report to the Council and to the Parliament on the investments likely to be needed;

III. Smart grids

19. Believes that energy infrastructures should become more end-user-oriented, with a stronger focus on the interaction between distribution system capacities and consumption; points to the benefits of a new electricity system incorporating modern technologies and services such as smart meters, smart grids and interoperable ICT-operated load- and demand-side energy management services;
20. Believes that smart grids and energy management solutions offer a unique opportunity to boost the competitiveness of European industry, with particular reference to SMEs; calls on the Commission to present a new proposal which includes a binding requirement to deploy smart meters for all non-residential customers by 2014;
21. Urges the Member States, in liaison with European standardisation bodies and industry; to speed up work on technical standards for electric vehicles and smart grids and meters, with a view to its completion by 2012;
22. Points out that Member States are already obliged to roll out smart meters for at least 80% of their final consumers by 2020; stresses that Member States should support a sufficient number of pilot projects for residential consumers in order to boost the innovation process, as provided for in the third energy market package; calls for clear rules concerning privacy and data protection to be established in accordance with existing EU law;

IV. Defining clear and transparent criteria for priority projects

23. Welcomes the priority corridors identified by the Commission and agrees on the need to optimise limited funds; calls for a clear and transparent methodology leading to the identification of priority projects that meet pressing European needs in terms of upholding the principles of security, sustainability and development of the internal market;
24. Stresses 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; stresses that all PEIs should contribute to achieving EU energy policy objectives and considers that the following criteria should be mandatory:

- the project must be of major European interest,
 - their necessity must be demonstrated on the basis of the infrastructure hierarchy,
 - they must be in line with climate and environmental objectives,
 - they must be consistent with long-term EU energy policy (allowing flexible and multifunctional application and avoiding lock-in effects),
 - they must make use of proven technologies such as ICT and smart grids;
25. Takes the view that, depending on the nature of the infrastructure and in order to allow further prioritisation of projects, the criteria to be taken into account should include:
- contribution to putting an end to energy islands,
 - cost efficiency,
 - maturity of projects,
 - reducing potential renewable energy source (RES) curtailment,
 - environmental impact,
 - public interest;
26. Stresses that the assessment of possible obstacles to market-driven development of energy infrastructure must be guaranteed;
27. Emphasises that transparency should be enhanced by clearly informing the public about the purpose of each project; asks proof of compliance with the criteria should be verified in the context of public consultations;

V. Fast and transparent permit-granting procedures

28. Agrees on the need to ensure timely implementation of PEIs and welcomes the Commission's proposal to streamline, enhance the coordination of and improve permit-granting procedures, provided that the subsidiarity principle is respected;
29. Welcomes the establishment of a national contact authority for each European interest project ('one-stop shop') as a single administrative interface between developers and the different authorities involved in the authorisation procedure; takes 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;
30. Calls on the Commission to determine whether joint or coordinated procedures establishing concrete key measures (regular exchanges of information, timely communication of decisions, joint problem-solving mechanisms, etc.) could be set up; encourages the Commission to assess the possibility of modifying certain aspects of national administrative law;

31. Welcomes the introduction of time limits within which the relevant executive authorities must reach a final decision; calls on the Commission to further assess this initiative, taking account of the diverse range of project specificities and the territorial characteristics of projects, and to evaluate the suitability of using arbitration procedures as a final decision-making tool;
32. Encourages a more participatory approach and recognises that securing greater acceptance of energy infrastructure projects by local people goes hand in hand with their involvement in the development of these projects at the earliest possible stage; calls for the participation of civil society in the consultation process for projects of European interest;
33. Asks the Commission to further assess whether compensatory mechanisms could prove useful for the approval of cross-border projects which do not bring benefits to certain (transit) regions but are nonetheless necessary for the achievement of EU energy objectives;

VI. Financing instruments

34. Notes that grid investments are cyclical and should be viewed in a historical perspective; points out that a large amount of the infrastructure built over the past decades to interconnect centralised power plants will become obsolete in the coming years; points out that society will expect the cost of deploying new infrastructure to be optimised;
35. Stresses that the bulk of the cost of infrastructure investments needs to be financed by the market and based on the 'user pays' principle; takes the view that where key projects are not attractive to the market but their development is necessary in order to achieve the stated objectives, public funding should be used to lever private investment by setting up an innovative mix of financial instruments;
36. Emphasises that a stable, predictable and appropriate regulatory framework is crucial in order to promote investment;
37. Stresses that the fullest possible use should be made of market-based tools, including project bonds, loan guarantees, risk-sharing facilities, incentives for funding public-private partnerships, partnerships with the EIB and the use of ETS revenue, in accordance with EU energy and climate objectives;
38. Recalls the importance of transparent and non-discriminatory tariffs with a view to ensuring appropriate cost allocation for cross-border investments, fair prices for consumers and greater competitiveness;
39. Welcomes the Commission's initiative to present in 2011 a proposal to address cost allocation of technologically complex or cross-border projects;
40. Instructs its President to forward this resolution to the Council, the Commission and the Member States.