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COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

COMMISSION DELEGATED REGULATION

**amending Regulation (EU) No 347/2013 of the European Parliament and of the Council
as regards the Union list of projects of common interest**

{C(2015) 8052 final}

1. Introduction

A well-interconnected energy infrastructure is a pre-condition for an integrated, competitive and sustainable internal energy market in the European Union. It is also a pre-requisite for a resilient Energy Union which provides EU consumers with secure, sustainable, competitive and affordable energy.

Projects of common interest (PCIs) are specific energy infrastructure projects that are necessary to implement the nine priority corridors and the three thematic areas laid down in the TEN-E Regulation¹. They constitute an effective tool for building well-interconnected energy networks in Europe and are cornerstones of various European strategies, including the the 2020 Energy and Climate Strategy, the 2030 Framework for Climate and Energy, the Energy Union Strategy, the European Energy Security Strategy, the Liquid Natural Gas (LNG) and Storage Strategy and the strategy set out in the Commission's Communication on achieving the 10% electricity interconnection target².

PCIs bring numerous tangible benefits. Gas PCIs end the energy isolation of Member States, provide for the diversification of gas sources, suppliers and routes in regions which for historical reasons were dependent on a single gas supplier, thus strengthening security of supply in the EU. Electricity PCIs allow for greater integration of renewables and directly increase the cross-border transmission capacity between Member States. Furthermore, PCIs contribute directly to building the internal energy market; they increase internal and cross-border trade, strengthen competition, increase market liquidity and have a positive impact on energy prices.

The energy infrastructure package adopted in 2013, including the TEN-E Regulation, was aimed at streamlining and accelerating the implementation of PCIs. It provided for a set of tailor-made measures accelerating the permit granting process, allowing for early integration of environmental assessment, improving regulatory treatment, and providing, under specific conditions, for Union financial assistance under the Connecting Europe Facility (CEF)³. Furthermore, in 2013, following a selection and assessment process involving the Member States, promoters and stakeholders, the Commission adopted the first Union list of 248 PCIs⁴.

After only two years of application, the TEN-E Regulation already delivered first tangible results.

¹ Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure (OJ L 115, 25.4.2013, p.39).

² Commission Communication to the European Parliament and the Council *Achieving the 10 % electricity interconnection target — Making Europe's electricity grid fit for 2020* (COM(2015) 82 final).

³ Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 (OJ L 348, 20.12.2013, p.129).

⁴ Commission Delegated Regulation (EU) No 1391/2013 of 14 October 2013 amending Regulation (EU) No 347/2013 of the European Parliament and of the Council on guidelines for trans-European energy infrastructure as regards the Union list of projects of common interest (OJ L 349, 21.12.2013, p 28).

Of the PCIs on the first Union list, 13 have already been commissioned. Significant progress has also been achieved in implementing PCIs scheduled for the commissioning in the medium term and some 60 projects are expected to be completed by the end of 2017. In September 2015, a historical agreement was reached on the financial structure of a Poland – Lithuania gas interconnector (GIPL) which by December 2019 will bring an end to the long lasting gas isolation of the Eastern Baltic Sea region.

The Commission has played a key role in the implementation of most of these projects, either through political action or through technical and/or financial support. Its role has been decisive as regards many commissioned electricity projects, such as the Santa Llogaia – Bescano interconnection at the Spanish-French border, and the Eastlink, Nordbalt and LitPol Link interconnections between the Baltic States and Finland and Sweden and Poland.

Another important milestone has been the establishment and reinforcement of cooperation between Member States at regional and EU level. At the Commission's initiative, the Baltic Energy Market Interconnection Plan (BEMIP) was reformed in 2015. Two new high level groups have been set up: a High Level Group for Central and South Eastern Europe Gas Connectivity (CESEC) and a High Level Group on Interconnections for South-West Europe (Iberian Peninsula). At the EU level, the Energy Infrastructure Forum was established in November 2015.

Two years of application still constitute a short period in the application lifetime of a regulation and the implementation of a project. The measures in the TEN-E Regulation have not yet been applied to the full extent and more time is needed to exploit the full potential of the 2013 package, including as regards even faster implementation of the PCIs.

This staff working document sets out the policy context for the new (second) Union list of PCIs, as adopted by the Commission on 18 November 2015. It explains how implementation of the PCIs will contribute to energy policy objectives. It also outlines next steps in various areas to improve application of the TEN-E Regulation across the EU so as to ensure timely implementation of the PCIs.

2. The (second) Union list of PCIs

The (second) Union list adopted on 18 November 2015 was prepared following a transparent, rigorous and inclusive process involving Member States, promoters and stakeholders. It is based on regional lists of PCIs agreed in a regional setting. The regional lists were agreed - following thorough assessment of the proposed candidate PCIs by the regional groups established by the TEN-E Regulation. These groups involved all relevant parties in the field of energy, who brought their knowledge and expertise with regard to the technical feasibility of projects and market conditions. The Groups included representatives of the relevant Member States, national regulatory authorities (NRA), transmission system operators (TSO), the European Networks for the Transmission System Operators for electricity and gas (ENTSO-E and ENTSOG), the Agency for the Cooperation of Energy Regulators (ACER), and the Commission.

The PCI selection process which led to the (second) Union list was improved on the basis of experience gained from the first process carried out in 2013.

The electricity and gas PCIs originated from the 10-year network development plans (TYNDP) developed by ENTSO-E and ENTSOG. For the first time, the PCIs were selected on the basis of the cost/benefit analysis carried out according to the new methodologies developed by ENTSO-E and ENTSOG⁵. The process was also more transparent. Meetings of the regional groups were generally open to stakeholders allowing consumer and environmental protection organisations (NGOs) to provide their feedback on PCI candidates at every stage of the selection process. Furthermore, means of carrying out public consultations - which were organised according to the Commission's consultation standards were also improved. To access the broadest spectrum of opinion, the relevant information was published in national languages on national ministries' and promoters' websites.

Following quantitative and qualitative assessment, the projects that were found to have the greatest benefits and address the urgent needs of the priority regions in the most cost-efficient way were selected as PCIs for the (second) Union list.

The (second) Union list provides for 195 PCIs, including 108 electricity projects, 77 gas projects, 7 oil projects and 3 smart grids projects. The higher number of electricity PCIs is in line with the Union's energy policy objectives and with the TEN-E Regulation, which states (recital 23) that the Union list should focus more on electricity PCIs as part of the transformation of our energy system. Of the electricity PCIs, 27 have been additionally labelled as 'electricity highways' to highlight their relevance for future electricity highways system across the Union and their role in accommodating significant volumes of renewable energy and transporting it over long distances. PCIs in the field of CO₂ networks have not yet been identified as these projects they were not mature enough at this stage.

The **electricity** PCIs (transmission lines and storage projects) selected for the (second) Union list will contribute to achieving the Union's energy policy objectives of market integration, sustainability through the integration of renewable energy, and security of supply through increased grid resilience and flexibility.

In the selection process, priority was given to projects that will allow Member States to achieve the 10% electricity interconnection target. Implementation in good time of the chosen PCIs will enable all Member States to achieve the target by 2020, except for Cyprus and Spain, which will do so soon after. The PCIs will also contribute to achieving the 15% electricity interconnection level by 2030⁶.

In addition, the electricity PCIs included on the Union list will contribute to removing bottlenecks on the borders between Estonia and Latvia, France and the UK, Germany and Denmark, and Belgium and the Netherlands.

⁵ <https://www.entsoe.eu/major-projects/ten-year-network-development-plan/CBA-Methodology/Pages/default.aspx>;

<http://www.entsog.eu/publications/cba-methodology#All>.

⁶ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/145397.pdf;
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0330&from=EN>.

The selected electricity PCIs will address the specific infrastructure needs of the priority regions, as follows:

- (a) In Western Europe, the electricity PCIs will end the isolation of the Iberian Peninsula through new interconnectors between France and Spain, and further integrate Portugal and Spain into the internal energy market. Furthermore, strengthening the internal north-south lines in east Germany will contribute to the better integration of renewable energy and will increase security of supply through increased grid resilience and flexibility. The PCIs will remove a number of various grid bottlenecks in Belgium, the Netherlands, Luxembourg, Italy, Austria and Ireland.
- (b) In Central Eastern and South Eastern Europe, the electricity PCIs will strengthen the existing electricity grid and provide for additional transmission capacity needed for the integration of renewable energy sources. New Slovakia-Hungary, Germany-Poland, Bulgaria-Greece, and Bulgaria-Romania interconnections will address the problem of insufficient transmission capacity. The projects will also increase the stability of the grid in Central Europe by removing uncontrolled energy flows (loop-flows) in Poland and the Czech Republic.
- (c) In Baltic Sea region (BEMIP), following the construction of major electricity interconnections with Finland (Estlink 2), Poland (LitPol Link⁷) and Sweden (NordBalt⁸), the Baltic States are well connected with the Nordic grid and the Continental European Network (CEN). Consequently, the proposed PCIs are aimed mainly at reinforcing internal links between the Baltic States to resolve remaining bottlenecks, in particular between Estonia and Latvia. The list includes a PCI to assess various aspects of the integrating the Baltic States' electricity network into the Continental European Network (CEN), including the synchronous operation. Its implementation will be discussed and monitored by a dedicated BEMIP working group.
- (d) In Northern Seas region, the electricity PCIs will ensure improved interconnectivity between the littoral states, enabling trade and price convergence, balancing opportunities of the energy systems, and the accommodating increasing volumes of renewable energy in the electricity mix. Projects linking Ireland and the United Kingdom to the continent, such as the Viking Link between the UK and France, Norway and Denmark, and the Celtic interconnector between Ireland and France will bring both the UK and Ireland above the 10% interconnection target.

The **gas** PCIs will contribute significantly to meeting the EU's key energy policy objective, i.e. to connect the remaining 'energy islands' by bringing an end by 2020 to the gas isolation of e.g. the three Baltic States, Finland and Malta. They will also contribute to achieving the goals of the EU diversification policy by accelerating the development of the Southern Gas Corridor, developing a liquid gas hub in the Mediterranean area and giving all Member States access to LNG. More specifically, PCIs will provide for additional sources of gas in countries

⁷ Operational as of December 2015.

⁸ Operational as of December 2015.

that are still largely dependent on one gas supplier, e.g. Finland, Estonia, Latvia, Ireland and the Member States in the Central and South-East Europe. Many PCIs will also enhance security of supply of the most vulnerable Member States.

The gas PCIs will have also a positive impact on internal and cross-border trade, competition and thus potentially on market liquidity. The example of the LNG terminal in Klaipeda shows that projects bringing new gas and competition to a region result in significantly lower contracted gas prices with the benefit for the European citizens and industry.

In the selection process of gas PCIs, special consideration was given to projections of future gas demand which vary depending on the policy, market and technological factors. Because gas is expected to continue to play a key role in the EU energy system focus was put on selecting only those PCIs that best address EU bottlenecks, in particular security of supply needs.

Analysis was conducted as regards the proposed new LNG capacities. Analysis of different scenarios showed that, up to the year 2025, the LNG capacities currently available in Europe would be sufficient to receive considerable increase in LNG demand (exceeding security of supply needs). LNG demand is likely to increase as a result of potential global supply increase (with new volumes entering primarily from the United States and Australia) and thus positive evolution of LNG prices. Consequently, there is no (immediate) demand for additional LNG capacities at EU level but there is a need for new LNG terminals in some regions of the EU to ensure diversification and security of supply.

The gas PCIs will address the specific infrastructure needs of the priority regions, as follows:

(a) In Western Europe, the gas interconnections, such as the third Portugal-Spain interconnection point, and France-Spain link (Midcat) will develop the eastern gas axis and will enhance the market integration of the Iberian Peninsula by 2020. The projects will double the interconnection capacity.

Malta's gas isolation will be ended by 2021 and the Shannon LNG terminal (the first LNG terminal in Ireland) will provide further diversification by 2018.

(b) In Central Eastern and South Eastern Europe, the gas PCIs, such as LNG terminals in Croatia (Krk) and Northern Greece will address the limited gas source diversity of the region. Other projects, such as the Poland-Slovakia, Bulgaria-Serbia (IBS) and Greece-Bulgaria (IGB) interconnectors will expand the existing transmission capacity and diversify gas supply. The PCIs include priority projects agreed within the CESEC High Level Group, established to speed up the construction of missing gas-infrastructure links and to tackle the remaining technical and regulatory issues to ensure three supply sources for the countries in the region.

(d) In Southern Gas Corridor, the gas PCIs will connect the EU energy market to the new sources of gas in the Caspian region, Central Asia and the eastern Mediterranean.

The Azerbaijani gas fields will be connected to the EU via three PCIs: the South Caucasus pipeline (SCP X), the trans-Anatolian pipeline (TANAP), and the trans-Adriatic pipeline

(TAP); construction is on schedule and the first flows of Azerbaijani gas to Greece and Italy are expected in 2020. Another PCI, the trans-Caspian pipeline, may supplement these flows at a later stage with the Turkmen gas.

Gas from the second new source, in the eastern Mediterranean, including the newly discovered fields in Cyprus and potentially Israel, further enable diversification of supply and ending Cyprus' gas isolation.

The PCIs will also contribute to achieving the EU's diversification goals by developing a liquid gas hub in the Mediterranean area.

- (c) In the Baltic Sea Region (BEMIP), the key objective is to end the gas isolation of the three Baltic States and Finland by 2020. This will be achieved by two PCIs, i.e. a new gas interconnector between Poland and Lithuania (GIPL) and a gas interconnector between Finland and Estonia (Balticconnector). Following the conclusion in September 2015 of an agreement on the financial structure of GIPL, which provides for its commissioning by December 2019, the focus should be on the implementation in good time of Balticconnector.

Other PCIs will address bottlenecks in the transmission system (by 2020-2022) in particular in Latvia (the section from Riga to the Lithuanian border) and in Estonia (interconnection point in Karksi).

In the western part of the region, a Poland – Denmark gas interconnector (Baltic Pipe), which is to deliver Norwegian gas by 2022, will address a need for more diverse gas sources, suppliers and routes in the BEMIP region (and the Central Eastern and South Eastern region).

The seven **oil PCIs** will address the need of the Central Eastern region's needs for diversified oil supplies. The three **smart grids** projects will allow for greater penetration of renewables in Ireland, United Kingdom, Italy, France, Croatia and Slovenia.

The selected PCIs are at various stages of development. Projects that are still at a feasibility stage will need to undergo a complete permit granting process, including environmental impact assessments and public consultations. All PCIs must also fully comply with the EU *acquis*, including internal energy market legislation, environmental rules, public procurement and competition law. Selection of a given project as a PCI does not prejudice in anyway the outcome of these processes. PCIs found not to be in compliance with Union legislation may be removed from the Union list. In addition, Member States' full compliance with the Third Energy Package rules will be taken as a positive factor in the implementation of PCIs.

Next steps:

Assessment - within the regional groups and with the full involvement of stakeholders – of the process for the adoption of the (second) Union list of PCIs with a view of identifying aspects which might require further improvements. Particular attention will be given to making the cost/benefit methodologies developed by ENTSO-E and ENTSOG fully fit for purpose and engaging stakeholders throughout the process.

3. Achievements of the TEN-E Regulation stocktaking of major developments between 2013 and 2014

3.1 *More effective monitoring of PCIs*

The Commission has closely monitored the implementation of PCIs since 2013. Effective monitoring is essential to the adoption at the earliest possible stage of measures to address any delays in implementing PCIs. In 2015, to improve its monitoring, the Commission introduced new measures in addition to those laid down in the TEN-E Regulation.

The TEN-E regional groups (originally tasked with the monitoring of PCIs) have played a leading role in this respect. These groups, whose work is managed and steered by the Commission, have been meeting regularly since 2013 to discuss the implementation of PCIs. The group's monitoring work (particularly with regard to the granting of permits) is based on annual reports prepared by ACER and the competent authorities (the 'one-stop-shops'). The reports evaluate progress and make recommendations as how to overcome delays and challenges in implementing PCIs. To make the monitoring more effective, consideration will be given to using a new tool '*progress watch*', whereby PCIs can be monitored in real-time so that risk of delays can be identified and preventive measures adopted.

The Commission will consider establishing, still in 2015, a dedicated group of experts to analyse the progress in achieving the 10% electricity interconnection target. The group would propose best practice approaches, in particular as regards project financing and speeding up permit granting procedures. It should be noted that in the fourth quarter of 2016 the Commission intends to adopt the Communication on achieving the 15% electricity interconnection target which takes into account the cost aspects and the potential of commercial exchanges in the relevant regions.

The Energy Union Framework Strategy⁹ emphasised the need for all regional cooperation, particularly in Central and South-East Europe, to evolve in a coherent way and to lead towards a fully integrated energy market. Regional cooperation is indispensable for the effective implementation of PCIs. Following the Commission's initiative and in cooperation with the relevant Member States, high-level groups were established in 2015 in three regions (the Iberian Peninsula, the Central-East-South region and the Baltic Sea region). The groups will significantly enhance regional cooperation in Europe by preparing a common regional political vision, drawing up regional priorities, providing strategic guidance and political support for the implementation of PCIs requiring strong consensus. The HLG will also prepare political agreements as required for the coordinated implementation, at regional level, of critical and complex cross-border projects.

On 4 March 2015, the President of the Commission and the Heads of State or Government of France, Spain and Portugal signed the Madrid Declaration on ways to strengthen the Iberian Peninsula's connections with the rest of the EU energy market. This was followed on 30 June by a memorandum of understanding on the establishment of a High-Level Group on

⁹ COM(2015)80.

Interconnections for South-West Europe¹⁰ to facilitate the integration of the region with the rest of the EU energy market.

In February, the CESEC High-Level Group was established in the Central and South-East region. On 10 July 2015, fifteen countries, including Austria, Bosnia, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovakia, Slovenia, Albania, Former Yugoslav Republic of Macedonia, Moldova, Serbia and Ukraine agreed on a memorandum of understanding¹¹ and an action plan to accelerate the construction of a limited number of gas infrastructure links and to tackle remaining technical and regulatory issues.

On 8 June 2015 the Commission and eight Member States, including Denmark, Germany, Estonia, Latvia, Lithuania, Poland, Finland and Sweden signed a memorandum of understanding on the reinforced BEMIP¹² which concluded the BEMIP reform. The memorandum strengthened the structure of BEMIP and extended its scope to new areas, such as security of supply, energy efficiency, renewables and the de-synchronisation of the electricity grid of the Baltic States from the Russian and Belarusian networks.

Following recent positive developments and building on the successful example of BEMIP, the Commission will analyse options for reinforcing cooperation in the Northern Seas region, including the North Seas Countries' Offshore Grid Initiative (NSCOGI). This would be beneficial for a region that is insufficiently interconnected and could provide political support for developing investments needed to exploit its offshore and onshore generation capacity.

As announced in the Communication on achieving the 10 % electricity interconnection target, the Commission launched an Energy Infrastructure Forum on 9 and 10 November 2015. The Forum, comprising representatives of all relevant stakeholders, aims at creating more synergies between Member States and regions in implementing energy infrastructure in Europe. The Forum will work towards finding solutions to issues that are common to all EU regions and disseminate best practice e.g. as regards regulatory incentives, cross-border cost allocation, public acceptance and financial instruments.

Also in 2015, to improve national authorities' and project promoters' application of the TEN-E Regulation, the Commission launched several important studies addressing various aspects of the Regulation. Studies were launched with respect to the permit granting¹³ and the regulatory aspects of developing an offshore grid in the North Sea. These studies will provide comprehensive information on authorities' and promoters' application of the respective parts of the TEN-E Regulation, make recommendations for improvement and form a basis for the sharing of best practice

¹⁰ <https://ec.europa.eu/energy/sites/ener/files/documents/revised%20for%20signature%20EN.pdf>.

¹¹ https://ec.europa.eu/energy/sites/ener/files/documents/CESEC%20MoU_signed.pdf.

¹²

https://ec.europa.eu/energy/sites/ener/files/documents/BEMIP%20Memorandum%20of%20Understanding_2015.pdf.

¹³ The study assessed compliance with all permit granting requirements, including the competences of the one-stop-shops, application of the 3.5 year time frame and the manuals of procedures.

Next steps:

- Continuous monitoring of PCIs through the regional groups, including through '*progress watch*' with particular attention to PCIs necessary to achieving the 10% interconnection target and the possibility of addressing potential delays at the earliest possible stage;
- Monitoring progress in the implementation of the investments necessary to achieve the 10% electricity interconnection target by 2020, possibly through the establishment of a dedicated group of experts;
- Preparation of the Communication on achieving the 15% interconnection target, and the methodology for achieving this target that will take into account the cost aspects and the potential of commercial exchanges in the relevant regions;
- Implement the memoranda of understanding and agreed action plans for BEMIP and CESEC; an action plan for the Iberian Peninsula, with specific PCIs and milestones needs to be prepared following the signing of the memorandum of understanding in June 2015;
- Analyse options for improving the cooperation in the Northern Seas region, including NSCOGI. Promote the development of an action plan for the development of the investment needed to exploit offshore and onshore generation capacity in the region;
- Analyse with the Member States the results of the study on permit granting and where necessary ensure the Member States' compliance with the TEN-E Regulation.

3.2 Targeted financial support for PCIs under the CEF and other available programmes

PCIs are estimated to cost close to € 200 billion between now and 2025, three quarters of which by 2020. The large majority of PCIs should be financed by the market through tariffs established by NRAs in line with the rules of the Third Energy Package. Nevertheless, a number of PCIs, despite promising significant benefits, are delayed because of insufficient access to financing.

In 2013, the Union established the Connecting Europe Facility (CEF) with a budget for energy of €5.85 billion¹⁴ for the 2014- 2020 period to support PCIs that are non-viable within the regulatory frameworks and fail to obtain sufficient financing on the market. The CEF should be used only as a last resort.

Under the two CEF calls held to date (in 2014 and 2015), the Commission allocated in total of € 797 million in grants for studies and works for 54 actions contributing to the implementation of PCIs. Most of the actions address urgent security of supply needs in the vulnerable Baltic Sea region and Central and South-East Europe. The most prominent

¹⁴ With the adoption of Regulation (EU) 2015/1017(see footnote 16), the financial envelope for the CEF (energy sector) was revised to €5.35 billion.

example of a project where the CEF has made a difference is the Poland – Lithuania gas interconnector (GIPL), which will bring an end by December 2019 to the long-lasting gas isolation of the Baltic States and Finland. The complete list of PCIs benefiting from CEF support is available on the DG Energy website¹⁵.

Experience gained in the evaluation of CEF proposals indicates that there is a need to improve promoters', national authorities' and NRAs' understanding of the rules so as to increase the effectiveness of the CEF. Most PCIs should be commercial projects and implemented on the basis of tariffs, regulatory incentives and a cross-border cost allocation mechanism. The CEF should be considered only as a last resort and there can be no automatism for PCIs in benefiting from grants for works. To highlight these points, the Commission will strengthen its information campaign to communicate the applicable CEF rules more effectively.

Given the limited budget of CEF and the exceptional nature of CEF grants for works, promoters should primarily explore and use other types of financial support available at EU and national levels, the potential of which has not been yet fully exploited. In this context, the Commission will consider various means of encouraging promoters to explore together with the EIB a possibly of using the financial instruments. It should be noted that energy projects, including PCIs, are eligible to benefit from the financial instruments under the European Fund for Strategic Investment (EFSI) which is worth at least €315 billion. All building blocks of the EFSI, including Regulation (EU) 2015/1017¹⁶, are in place so that it can be operational from autumn 2015¹⁷. Member States may also use, under certain conditions, the European Structural and Investment Funds (ESIF) to support their critical energy infrastructure projects. Six Member States have allocated around €2 billion to large-scale energy infrastructure investments under the European Regional Development Fund (ERDF) for the 2014-2020 period. As indicated in the Energy and Environmental Aid Guidelines¹⁸, the Commission considers that for PCIs market failures are such that State aid may be granted to such projects. The Guidelines contain compatibility criteria applicable to the situations where the financing provided for PCIs would qualify as State aid.

The Commission has also acted at project level, in particular by facilitating contacts between promoters, and financial institutions, mainly the EIB and the European Bank for Regional Development (EBRD), to attract financing for PCIs under standard financial instruments. Several meetings ('trilaterals') were organised in 2015 to bring all actors together.

¹⁵ <https://ec.europa.eu/energy/en/topics/infrastructure/projects-common-interest>.

¹⁶ Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (OJ L169, 1.7.2015, p 1).

¹⁷ Further measures accompanying Regulation (EU) 2015/1017 have been put in place, including Commission's Communication to the European Parliament and the Council *Working together for jobs and growth: The role of national promotional banks (NPBs) in supporting the Investment Plan for Europe* (COM(2015) 361/2), an agreement on working methods between the Commission and the EIB and final arrangements for the launch of the European Investment Advisory Hub (EIAH) and the European Investment Project Portal (EIPP).

¹⁸ Guidelines on State aid for environmental protection and energy 2014-2020 (OJ C200, 28.6.2014, p.1).

Next steps:

- Strengthen communication through a guidance document and a dedicated event for project promoters and national authorities on available sources of financing for PCIs, including the CEF, the EFSI and the ESIFs;
- In cooperation with the EIB, analyse possible challenges relating to financing PCIs on a larger scale using standard financial instruments and possible means of addressing them;
- Consider various means of encouraging promoters to explore with the EIB the possibility of using financial instruments to address their financial challenges.

3.3 Improved regulatory framework

The TEN-E Regulation complements the requirements of the Third Energy Package and facilitates investments with cross-border impacts. *Inter alia*, it provides that (i) NRAs must provide further regulatory incentives to PCIs, and (ii) - before an application is submitted for a CEF grant for works, the NRAs must implement a cross-border cost allocation (CBCA) procedure allocating the costs of a PCI among the Member States for which the project provides a net positive impact. As stressed above, tariffs, regulatory incentives and the CBCA procedure should be sufficient to ensure that PCIs are implemented.

However, in the case of some PCIs, NRAs have faced challenges in applying the TEN-E Regulation and have not issued CBCA decisions and/or not taken into account costs incurred by project promoters when fixing or approving network tariffs and/or expressed their willingness to do so only after the commissioning of the project. In some cases, such a situation might have arisen as a result of national rules not being (fully) aligned with the provisions of the TEN-E Regulation.

In a close cooperation with ACER, the Commission will consider next steps which should be taken to ensure correct application of the regulatory framework on PCIs and to improve NRAs' understanding of the role of tariffs, regulatory incentives and CBCA decisions in financing them.

Next steps:

- Support NRAs in preparing CBCA decisions by explaining the resulting legal obligations;
- In cooperation with ACER, monitor the application of CBCA decisions by NRAs and possibly take formal action against non-compliant Member States;
- Assess Member States' regulatory frameworks and their means of providing adequate incentives for PCIs (including smart grids projects).

4. Developing energy cooperation with the European Neighbourhood countries

To achieve on the objectives of increased security of supply and more diversified energy sources, suppliers and routes, the Union needs to reinforce its cooperation with its neighbours. The aim should be closer integration of energy markets through new interconnections and effective implementation of the EU's energy *acquis*.

The cooperation on energy infrastructure that was marked in 2013 by the selection of projects of energy community interest (PECIs) in the framework of the Energy Community entered into a new phase in 2014. Following a recommendation from the Energy Community Ministerial Council of 23 September 2014¹⁹, the Commission tabled a proposal on incorporating the TEN-E Regulation in the Energy Community *acquis*; the Ministerial Council adopted this on 16 October 2015.²⁰ The objective of the proposal is to establish a regulatory framework for PECIs similar to that for PCIs and thus to ensure their implementation in good time. This is expected to generate new momentum and lead to the timely implementation of projects that, while located on the territories of Energy Community countries, contribute to meeting the objectives of EU energy policy.

One important issue regarding its proposal which the Commission will need to examine further, in cooperation with the contracting parties, concerns the possible future use of the PCI label for projects spanning border between EU and Energy Community countries. One possibility could be to explore how the concept of 'projects of mutual interest' could best be applied to the EU's neighbourhood.

In parallel with bilateral cooperation in the framework of the Energy Community, the Commission will further develop its contacts with neighbouring countries at regional level. Euro-Mediterranean cooperation - with three recently established platforms on (i) gas, (ii) regional electricity market, and (iii) renewables and energy efficiency - constitutes a benchmark for other regions.

Next steps:

- Provide support to the Energy Community in implementing the TEN-E Regulation;
- Engage in the process of selecting new PECIs;
- Assess the possible future use of the PCI label for projects spanning border between the EU and Energy Community contracting parties and the Southern and Eastern Mediterranean countries.

¹⁹ https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3400198/2217_001.pdf.

²⁰ https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3854275/Conclusions_13th_MC_signature.pdf.