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COVER NOTE

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT Accompanying the document Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Regulation (EU) No 347/2013

Delegations will find attached document SWD(2020) 347 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Regulation (EU) No 347/2013

{COM(2020) 824 final} - {SEC(2020) 431 final} - {SWD(2020) 346 final}

Executive Summary Sheet
Impact assessment on the revisions of the Guidelines for the trans-European energy networks (TEN-E Regulation)
A. Need for action
What is the problem and why is it a problem at EU level?
<p>The current TEN-E Regulation has established a new approach to cross-border infrastructure planning bringing together stakeholders in a regional cooperation setting to identify and help implement the projects of common interest (PCIs) that contribute most to the internal energy market, security of supply and sustainability. It also requires Member States to streamline permit granting procedures for PCIs and provides for the conditions to access to financing from the Connecting Europe Facility (CEF). The evaluation of the current TEN-E Regulation showed that while the objectives of the current Regulation remain largely valid, their focus on 2020/30 targets must be upgraded to reflect the new political context and the 2050 climate neutrality objective under the European Green Deal. Besides the new political context and objectives, technological development has been rapid in the past decade.</p> <p>The following two key problems have been identified: 1) Type and scale of cross-border infrastructure developments are not fully aligned with EU energy policy objectives in particular as regards the European Green Deal and the climate neutrality objective, and 2) Delays in project implementation. The increased 2030 climate target and the climate-neutrality objective of the European Green Deal and A Clean Planet for All require a profound transition of the European energy system, both on the supply and demand side. This means an infrastructure needs to be in place to support this European energy transition, including rapid electrification with a doubling of the share of renewable electricity production, steep increase of renewable and low-carbon gases, energy system integration and a higher uptake of innovative solutions. Not all infrastructure categories relevant for the energy transition are currently eligible for PCI status (e.g. hydrogen) and some do not sufficiently reflect technological developments (e.g. smart grids). Delays in the implementation of priority projects that have been identified as necessary to achieve the EU climate and energy policy objectives would jeopardise the required accelerated change in the energy system. The implementation of key infrastructure projects still takes too long. In 2020, 27% of electricity PCIs were delayed by on average 17 months against their initially planned commissioning date.</p>
What should be achieved?
<p>The general objective is to facilitate the timely development of adequate energy infrastructure across the EU and in its neighbourhood to enable delivering on the EU's energy and climate objectives in line with the European Green Deal, in particular on the 2030/50 targets including the climate-neutrality objective, as well as market integration, competitiveness, and security of supply at least cost to consumers and businesses. The specific objectives are: 1) Enable the identification of the cross-border projects and investments across the EU and with its neighbouring countries that are necessary for the energy transition and climate targets, 2) Improve infrastructure planning for energy system integration and offshore grids, 3) Shorten permitting procedures for PCIs to avoid delays in projects that facilitate the energy transition, and 4) Ensure the appropriate use of cost sharing tools and regulatory incentives.</p>
What is the value added of action at the EU level (subsidiarity)?
<p>An EU-level framework for cooperation amongst Member States is necessary to develop cross-border energy infrastructure. Individual Member State regulations and actions are insufficient to deliver these infrastructure projects. From an economic perspective, energy network developments can best be achieved</p>

when planned with a European perspective, encompassing both EU and Member State action while respecting their respective competences. The evaluation of the current TEN-E Regulation confirmed that TEN-E has clearly provided added value compared to what could have been achieved at national or regional level alone.

B. Solutions

What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?

Various policy options were considered for the following issues:

A) SCOPE

- Smart electricity grids and electricity storage
- Gas infrastructure, hydrogen networks and power-to-gas
- Projects with third countries (projects of mutual interest)

B) GOVERNANCE / INFRASTRUCTURE PLANNING

- Offshore grids for renewable energy
- Cross-sectoral infrastructure planning

C) PERMITTING

- Accelerating completion of permitting procedures
- One-stop shop for offshore grid development

D) REGULATORY TREATMENT

- Inclusion of full investment costs

The comparison of the options shows that no single option is sufficient to meet the identified objectives. A package of preferred policy options appears as best suited to achieve the objectives in a proportional manner, as described in detail in the impact assessment report.

What are different stakeholders' views? Who supports which option?

Concerning the scope of the current framework, many stakeholders pointed out a necessary update of smart electricity grids. While several stakeholder groups, mainly representing TSOs and industry associations, considered the inclusion of new gas infrastructures important, there was mixed support notably from environmental NGOs. As regards governance and infrastructure planning, stakeholders did not express specific views on the future offshore infrastructure planning regime, while supporting adjustments to the responsibilities in infrastructure planning and reinforcing the sustainability assessment. Concerning permitting, stakeholders pointed to the difficulties with complex and lengthy permitting process for offshore projects crossing several jurisdictions and called for a simplified permitting process.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

The assessment of the impacts relies to a large extent on a qualitative approach. It was not possible to quantify the impacts for all options due to the lack of project specific data in particular for new infrastructure categories. Moreover, the proposed changes are mainly gradual improvements to the current framework, which has been deemed to work relatively well.

Adapting the scope of the instrument by ensuring the consistency of infrastructure categories with the climate-neutrality objective will lower greenhouse gas emissions supported by optimal and efficient

<p>integrated infrastructure planning which also minimizes potential environmental impacts. An accelerated permitting process will also allow for a faster implementation of key projects therefore bringing forward the environmental and socio-economic benefits.</p>
<p>What are the costs of the preferred option (if any, otherwise of main ones)?</p>
<p>The TEN-E Regulation establishes an enabling framework for Trans-European energy infrastructure by providing for a process for the selection of projects of common interest which can then benefit from provisions to facilitate their implementation. As such, the TEN-E Regulation does not impose obligations or costs on economic operators, but it does set requirements on promoters of PCIs, mainly TSOs and DSOs, which decide to apply for PCI status and subsequently become subject to certain obligations, mainly in the form of monitoring and reporting obligations. In addition, the TEN-E Regulation sets obligations on competent national authorities and regulators concerning permitting, regulatory incentives, and public participation as well as on network operators concerning long-term network planning. Consumers are mainly affected through network tariffs to finance investments in the regulatory asset base (RAB). A targeted use of the TEN-E instrument in conjunction with selective support from the Connecting Europe Facility can help to alleviate these costs for consumers while also minimising the risk of stranded assets.</p>
<p>What are the impacts on SMEs and competitiveness?</p>
<p>No direct impacts in terms of compliance or administrative costs for SMEs are identified. SMEs could benefit from increased competitiveness in those technology areas that are included or strengthened in the future TEN-E framework (e.g. offshore renewable energy industry, digital services, or hydrogen).</p>
<p>Will there be significant impacts on national budgets and administrations?</p>
<p>Increased coordination and streamlining of existing structures within Member States' competent authorities in charge of the PCI selection and implementation will bring further efficiencies.</p>
<p>Will there be other significant impacts?</p>
<p>Compliance costs will decrease as a result of REFIT measures proposed such as streamlining of reporting obligations, more efficient monitoring and opting out of pre-consultation requirements if already covered by the national rules under the same or higher standards as in the TEN-E Regulation.</p>
<p>Proportionality?</p>
<p>The package of preferred policy options is considered proportionate.</p>
<p>D. Follow up</p>
<p>When will the policy be reviewed?</p>
<p>A review of the effectiveness of the new legislation could take place in 2026, when the second PCI selection process under the new framework should have been completed.</p>