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INFORMATION NOTE

From: General Secretariat of the Council
To: Council

Subject: Any other business
Impact of the existing 70 percent rule on offshore hybrid projects
- Information from the Belgian delegation

Delegations will find attached an information note prepared by the Belgian delegation, on the above-mentioned subject for consideration under "Any other business" at the meeting of the Council (Transport, Telecommunications and Energy) on 2nd December 2021.

TTE Energy 2 December 2021: Background note from Belgium**Impact of the existing 70 percent rule on offshore hybrid projects****New developments in Offshore Wind require new rules**

The EU has climate targets which require a significant expansion of renewable energy. In the Commission's 'Strategy on Offshore Renewable Energy' we noted 300 GW offshore wind capacity. This means that the annual increase needed equals what Europe has on installed capacity today.

The deployment of new capacity is a real European task, contributing to the European goal of climate neutrality by 2050.

Member states around the different European Seas are working together to ensure that climate neutrality is in reach in the most cost effective way. Building offshore wind at large scale will support emission reductions in hard to-abate sectors such as steel, chemicals, cement and others and long haul transport.

Regulatory framework needs to be adapted

Deployment of large scale offshore wind is no longer a point-to-point business, which interconnects a windfarm with a landing point. The new model is a hybrid offshore windfarm with grid connections that go beyond the point-to-point connection to one country. This new model, the offshore hybrid, pools generation and transmission assets in order to save space and contribute to cost reduction. They enhance liquidity in energy markets.

The main barrier to the development of offshore hybrids is the existing requirement that they should be treated as interconnectors and therefore fall under the 70 % rule.¹ It is necessary to exempt offshore hybrids from article 16 of the electricity regulation.

¹ Article 16 of the Electricity Regulation provides that TSOs shall make available a minimum binding level of capacity equal to 70% for cross-zonal trade.

Investment decisions from companies depend on certainty of how much of the power output of the new asset can be sold. This is not yet clear and this needs time. We therefore ask that offshore hybrids are exempt from the 70 % rule. The innovations of the industry should be supported by innovation in rules and the application of the same rules to different assets cannot continue.

Partnerships are being established between authorities, offshore developers and TSOs but we need a clear signal from the Commission that these new assets will be exempted. It should not be a project by project battle but an overall exemption for all the offshore hybrids.

We also need to find a balance between offshore bidding zones usually favored by exporters and existing home-market solutions, typically preferred by importers.

