



## Building Energy Infrastructure for Europe



The European Commission unveiled in October 2011 the Connecting Europe Package containing the proposal for “Guidelines for trans-European energy infrastructure” and the “Connecting Europe Facility”. During the legislative process that has started, the proposals will be examined, discussed and redrafted. As key stakeholders, gas infrastructure operators – represented by GIE – would like to contribute to this process.

### Keeping the right balance

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The completion of a fully integrated and resilient internal energy market is estimated to require at least €70 billion of investment in new gas infrastructure.

A market-based approach should be the cornerstone of these investments; however, GIE acknowledges that some infrastructure investments which are not based on direct market demand (e.g. market integration and competition, sustainability and security of supply reasons) might need financial support to ensure implementation.

Aiming to promote a limited number of Projects of Common Interest (PCI) may, if not done carefully, lead to market distortion by disadvantaging other projects (or even exclude investments which might be needed, e.g. for cross-border capacity enhancements). Thus the impact of the proposed measures on the functioning of the market and in particular on the decision process and economic viability for the market based infrastructure needs to be further and carefully assessed. Otherwise, the proposed financing tools designed to help certain projects could potentially reduce stakeholders’ willingness to commit long term through market-based scenarios. This could jeopardise investment decisions for ‘regular’ infrastructure projects and prevent implementing the necessary gas infrastructure to meet the Europe 2020 Strategy.

### Selection process for PCI

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The proposed process for selecting PCI is long, complex and still raises numerous issues such as:

- the role of non-TSO project promoters (non-ENTSOG members) in the selection process, especially the need to involve them in developing the methodology and in accomplishing the Cost-Benefit-Analysis;
- the scope, process and reliability of the energy system wide Cost-Benefit Analysis;
- relation between Ten Year Network Development Plan and European Union wide list;
- treatment of confidentiality and of commercially sensitive information
- the introduction of quantitative thresholds in addition to the selection criteria.

### Improved permit granting process

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High quality studies conducted by project promoters (safety, archaeological, environmental impact which last more than one year to cover an entire lifecycle of nature) and an early involvement of the public and relevant stakeholders are key success factors of a permitting procedure for gas project. Improving permit granting process should be done carefully to avoid putting undue constraint on the applicant while ensuring the acceptance and the implementation of gas infrastructure projects.

According to the draft regulation only PCI could benefit from the priority regime for permit granting process. This could lead to the introduction of a two-tier system. To avoid this, Member States should be encouraged to use the European best practices also for all national projects in order to boost efficiency of the necessary infrastructure and prevent congestion.



## Distinction between gas and electricity

The draft text does not take the specific characteristics of gas into account. In particular when enabling investments with cross border impact, a clear distinction should be made between the two sources of energy in order to take into account the different physical and contractual features of each one. Gas infrastructure projects are based on firm commitments, i.e. from market parties as a result of market testing or from national regulatory authorities. Therefore a Cost Benefit Analysis at European level would to a large extent duplicate work.

Moreover, the proposed regulation should acknowledge the role that LNG terminals and underground storages, which are specific to gas, play in providing flexibility for a well functioning internal energy market. Accordingly, storage and LNG operators should have an official status as stakeholders in the PCI selection process and in the Cost Benefit Analysis.

## Risk of contradiction with the spirit of liberalization

Measures in the framework of this proposal should be complimentary and focus on the necessary 'missing links'. Thus the proposals should first recall what is already stated in European legislation (concerning transparency rules,

involvement of the public, tariff setting for national and cross border projects and incentive regulation) before looking at creating an additional set of rigid rules at European level which, through reinvention and different wording, may contradict the existing ones.

## Infrastructure in the context of a low-carbon economy

The transition towards low-carbon economy will undoubtedly trigger new infrastructure needs to cope with the ever more volatile energy generation. The recently published Energy Roadmap 2050 clearly envisages an increasing share of renewable energy in the future energy mix in Europe. There is no doubt that gas and gas infrastructure are ideal partners and enablers of renewable energy and will gain in importance thanks to new technologies such as "power to gas" and the production of green gas. Infrastructure operators will also increasingly provide innovative solutions, such as energy storage (for instance, Compressed Air Energy Storage) to support the integration of renewable energy and ensure system stability. Similarly, Carbon Capture & Storage (CCS) is expected to play an important role in reaching environmental targets. In this context, it is important to realize that today's infrastructure investments pave the way for future developments. These aspects have to be sufficiently recognized in the Connecting Europe Package.



Gas Infrastructure Europe (GIE) is the association of European gas infrastructure operators (Transmission System Operators, Storage System Operators and LNG Terminal Operators) and currently has 70 members in 25 European countries.

GIE supports the main principles for improving permit granting procedures, regulatory treatment and the financial framework as well as the overall intention to favour the implementation of the necessary gas infrastructure to meet the Europe 2020 Strategy.

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