

Opinion of the European Economic and Social Committee on a 'Proposal for a Decision of the European Parliament and of the Council laying down guidelines for trans-European energy networks and repealing Decisions No 96/391/EC and No 1229/2003/EC'

(COM(2003) 742 final – 2003/0297 (COD))

(2004/C 241/04)

On 19 February 2004 the Council decided to consult the European Economic and Social Committee, under Articles 156 and 251 of the Treaty establishing the European Community, on the 'Proposal for a Decision of the European Parliament and of the Council laying down guidelines for trans-European energy networks and repealing Decisions No 96/391/EC and No 1229/2003/EC'.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 May 2004. The rapporteur was Mrs Sirkeinen.

At its 409th plenary session of 2 and 3 June 2004 (meeting of 2 June 2004), the European Economic and Social Committee adopted the following opinion by 164 votes for, three against and 17 abstentions.

1. Introduction

1.1 The Commission adopted in 2001 a Communication on European Energy Infrastructure. In order for the wider European electricity and gas market to function effectively it is not sufficient that common rules and standards apply. It is equally necessary that adequate infrastructure exists linking the Member States.

1.2 The Communication presented a number of measures, including a target of 10 % interconnection for electricity and a priority funding for trans-European network projects identified as Priority Projects of European interest. The Commission has also proposed an increase in the existing 10 % ceiling on contribution to the development stage of projects to 20 % for Priority Projects. The Barcelona Council endorsed the 10 % interconnection target, but the increase of the contribution ceiling still remains under discussion in the Council.

1.3 In order for the Accession countries to be a part of the internal market for electricity and gas, a revision of the trans-European network (TEN) guidelines needs to be revised. Many projects connecting the old Community with the new Member States already qualify for TEN funding, but the list needs to be completed. A similar approach is needed with respect to neighbouring countries. The medium-term objective is to progressively create an European electricity and gas market, including potentially more than 35 countries and a population over 600 million. This market should be based on common standards for market opening, environmental protection and safety.

1.4 The demand for natural gas is growing rapidly, and the Community is becoming increasingly dependent on gas imports. To ensure the effective functioning of the European energy market and the future supply of gas, diversifying gas supplies and construction of new infrastructure is necessary. Investment is needed both into new supply pipelines and, even with more flexible use of present infrastructures after market

opening, into internal pipelines. Close collaboration is required with supply countries and transit regions.

2. The Commission proposal

2.1 The present revision of the TENs guidelines for electricity and gas will, in particular, integrate the new Member States into the framework of the internal electricity and gas market. The new text will:

- ensure that the need to better integrate the accession countries and neighbouring regions into a wider European energy market will be fully taken into account in the list of projects qualifying for support and identified in the Trans-European Energy Networks guidelines;
- introduce the Declaration of European Interest for some key cross-border projects on the Priority Axis; and
- enable the Commission to nominate a European coordinator for a Priority project.

The Communication puts obligations on Member States to give priority to Priority projects, facilitate and speed up completion of projects as well as to carry out assessments and report to the Commission.

2.2 Annexes to the Decision list projects of common interest eligible for Community financial aid (Annex III) under criteria laid down in Annex II, projects of common interest that shall have priority for the grant on Community aid (Annex I) and projects of European interest (Annex IV).

2.3 The estimated amount of investment required in the period of 2007-2013 for the construction of priority projects for electricity and gas networks is around EUR 28 billion, of which EUR 20 billion in the EU and EUR 8 billion in third countries. In addition come costs for completing other projects of common interest.

3. General comments

3.1 The EESC has in its opinions strongly supported the proposals from the Commission on developing and supporting TENs for electricity and gas as an integral part of creating effective internal electricity and gas markets as well as a comprehensive policy for security of energy supply. The Committee has also supported the Commission proposal of increasing the ceiling of financial contribution to the development stage to 20 %.

3.2 Unfortunately, as noted also in previous EESC opinions, the realisation of TEN projects has been very slow and unsatisfactory. Difficulties to finance extensive construction projects have been referred to as a serious obstacle. The EUR 20 million per year available to the Commission as contributions to the development stage of projects can hardly have a strong influence on their realisation. Public-private partnerships need to be developed.

3.2.1 Financing as such may not be the only obstacle to the slow progress of TEN project realisation. There may be other underlying reasons, like lack of commitment by Member States to cooperate on cross-border projects. The idea of a European coordinator may have a role to play here. In some cases opting for potential public funding may also have delayed the start of a project, which would have normally been started without the delay of waiting for one or the other decision.

3.2.2 Long, cumbersome and as to the end result unsure planning and permit procedures are a significant obstacle to infrastructure investments presently. Priority status given to a project by EU institutions should serve as a clear signal of the importance of a timely execution of the project to local and other decision makers.

3.3 The EESC welcomes the Commission draft decision, noting that it should preferably have been presented earlier. When this opinion is approved by the EESC plenary, enlargement has taken place and the EU has 25 Member States. As to approaching the neighbouring countries, the need for this in terms of security of supply has been clearly visible for long, at the latest since the Green Paper on security of energy supply.

3.4 The EESC finds the analyses of the interconnection situation and prospects in the different parts of the Union and neighbouring areas informative and to the point.

3.5 The Commission does not, however, refer to any wider and longer term studies of the expected developments in the internal energy markets, which would provide the necessary background information for identifying key infrastructure projects. A long term vision or alternative scenarios are all the more important in a sector where the lifespan of investments is 50 years or more. This lack of reference is also surprising while such information is available, including material produced by the Commission itself.

3.5.1 The role of natural gas in the future energy scene of Europe is of particular interest. The trend is towards rapidly increasing use and growing dependence on imports from outside the EU. This trend highlights the importance of managing infrastructures as well as risks involved in dependence on a few sources and concentration of ownership. What medium and long term prospects for demand, use location and sources are behind the proposals for priority infrastructure projects? How is the use for heating, electricity generation and CHP expected to develop, as well as any potential plans for production of hydrogen from gas? What are the potentials of sources? Political decisions, starting from EU environment policy down to local planning decisions, influence strongly energy choices and markets. These should take into account the broader, long term picture.

3.6 One relevant question is whether there might be alternative solutions to some of the bottleneck problems that the proposed network projects are meant to solve. Would, for instance, in some cases investment in electricity generation, located close to extensive demand, be a more viable solution? When developing network proposals this should always be examined, taking also into account the potential of increased energy efficiency and distributed generation from renewable energy sources.

4. Detailed comments

4.1 Recital 4 should be reworded so as to give equal preference to the efficient operation of the internal market and strategic goals like security of supply and universal service provision.

4.2 Projects within one Member State should qualify for the list of projects of European interest only in exceptional cases.

Brussels, 2 June 2004.

The President
of the European Economic and Social Committee
Roger BRIESCH
