



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

18 OCT. 2010

Brussels,
D(2010)

Opinion

Title

DG ENER - Impact Assessment on a Commission initiative for the energy infrastructure package

(draft version of 1 October 2010 -resubmission)

(A) Context

The Energy Infrastructure Package (EIP) was announced in the Second Strategic Energy Review, which was published together with a Green Paper in November 2008. The review was adopted by the European Council on 19 February 2009. At its March summit in 2009, the EU Council invited the Commission “to present early in 2010 its proposal for a new EU Energy Security and Infrastructure Instrument.” (EESII). This impact assessment accompanies phase 1 of the development of the package. A separate assessment will be carried out to prepare the legislative proposal for a new European energy security and infrastructure instrument, which is to be presented in 2011 (phase 2 of the Energy Infrastructure Package).

Having examined an earlier version of the impact assessment, the IAB requested resubmission in its opinion of 27 September 2010.

(B) Overall assessment.

The IA report has been improved in some aspects on the basis of the Board's recommendations. The Board notes the greater clarity about what is covered by this analysis, which is of a preliminary and indicative character, and what will be covered by a more thorough analysis at a later stage. Given the uncertainties around the key results and the analytical work still under way, it is nevertheless of the view that caution needs to be exercised at this stage when concluding about policy choices. This concerns in particular the simplification of the permitting procedures, estimating investment needs and discussing potential financing sources (which could also be affected by changes in tariff regulation), as well as the new mechanism for selecting projects at the EU level. All these issues will need a thorough analysis in the IA accompanying possible future legislative proposals.

(C) Main recommendations for improvements

(1) The estimate of investment needs requires further explanation. While the IA report is clearer about the assumptions behind the various modelling exercises, this should be complemented by a sensitivity analysis. This should identify the impact on overall investment needs of changes in the main parameters such as oil price or GDP growth rate. Additionally, while the report is now clear about the fact that using different models leads to different results, it needs to explain how these results have been used to derive a single figure for investment needs rather than ranges of figures. The report should also explain more fully the assumption that the target for the renewable energy will not be met (p. 37), unless investment in offshore wind energy increases.

(2) The discussion about financing issues should be extended further. As requested in the previous opinion, the IA needs to discuss financing issues more fully. This discussion could be presented in a set of options for the policy area 'financing', as has been done with regard to other issues, even if a detailed analysis will be included in a separate impact assessment. For this purpose information about what is understood by commercially viable projects should be complemented with an assessment of the role of market based instruments. The report should also discuss the role of tariff regulators and consider options in which the regulatory constraints are modified. In this context the IA should clarify the apparent contradiction between the assumption that tariff setting remains a national competence (p.23) and the announcement of the Commission's intention to issue specific guidelines on cost allocation for cross-border projects (p.44).

(3) The discussion about new basic principles for the project selection needs to be developed further. The report needs to justify the choice of the basic principles for project selection on p. 30, for instance by linking them more directly to the problems identified. The lack of criteria for Carbon Capture and Storage and for smart grids needs to be explained. While the report announces that these criteria will be further discussed with the stakeholders, the brief assessment on p. 38 of the impact of introducing these criteria on the existing projects could be complemented by a rough estimate of how many projects/what type of projects would not qualify under the new regime.

(4) The report needs to clarify the assessment of impacts of policy options in the area of permitting (D). The report states (p.40) that significant further analytical work is underway on the issue of permitting, the results of which will be tested with stakeholders. In this context, the IA needs to justify why it already concludes on the preferred policy which includes a one stop shop (option D3).

(D) Procedure and presentation

The report should explain in a separate section how the recommendations of the Board have been taken into account

(E) IAB scrutiny process

Reference number	2010/ENER/016
External expertise used	No
Date of Board Meeting	Written procedure