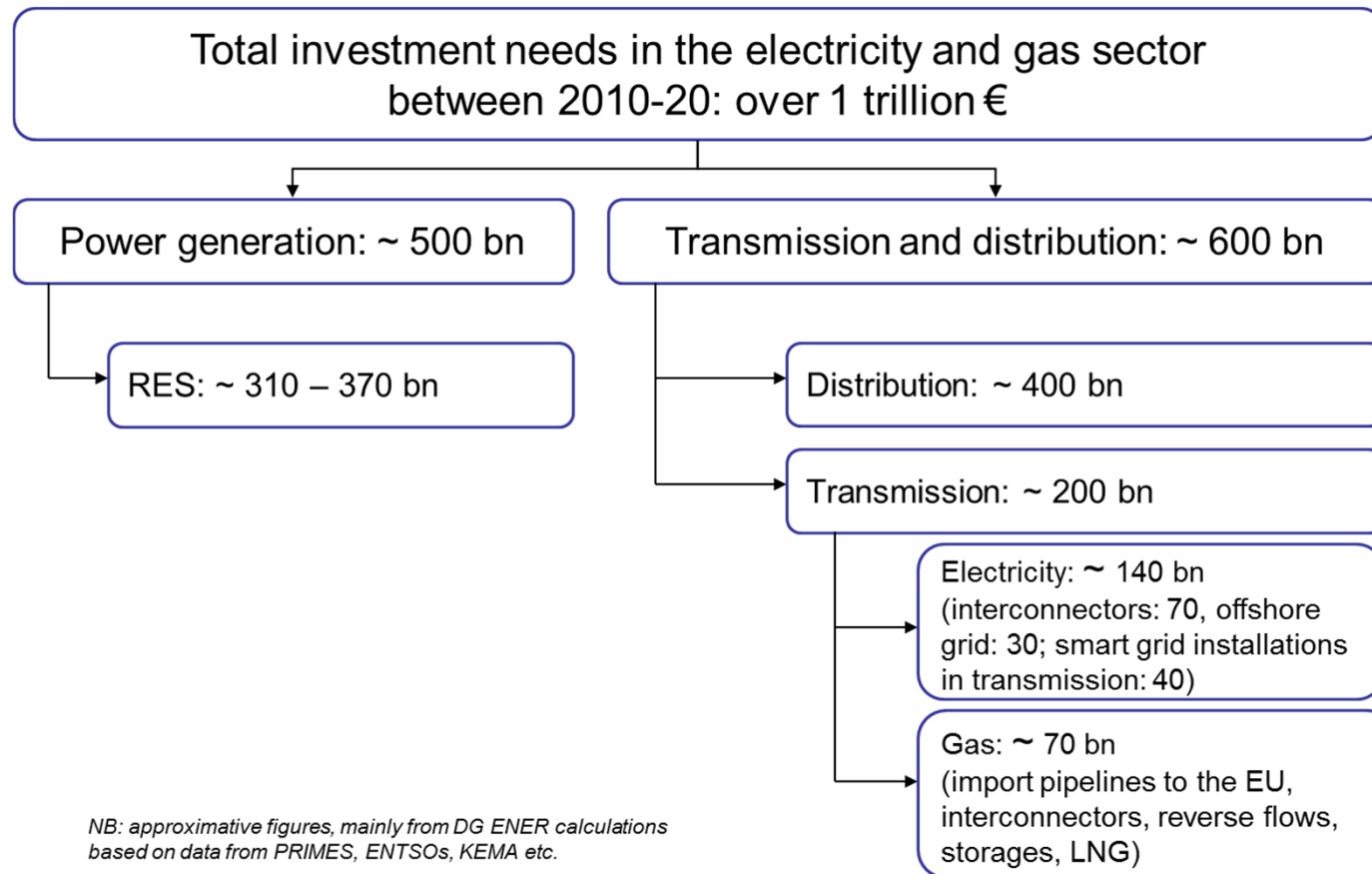




Connecting Europe Facility: Financing of energy infrastructures – Regulatory aspects

Catharina Sikow-Magny
Internal Market I: Networks and Regional initiatives

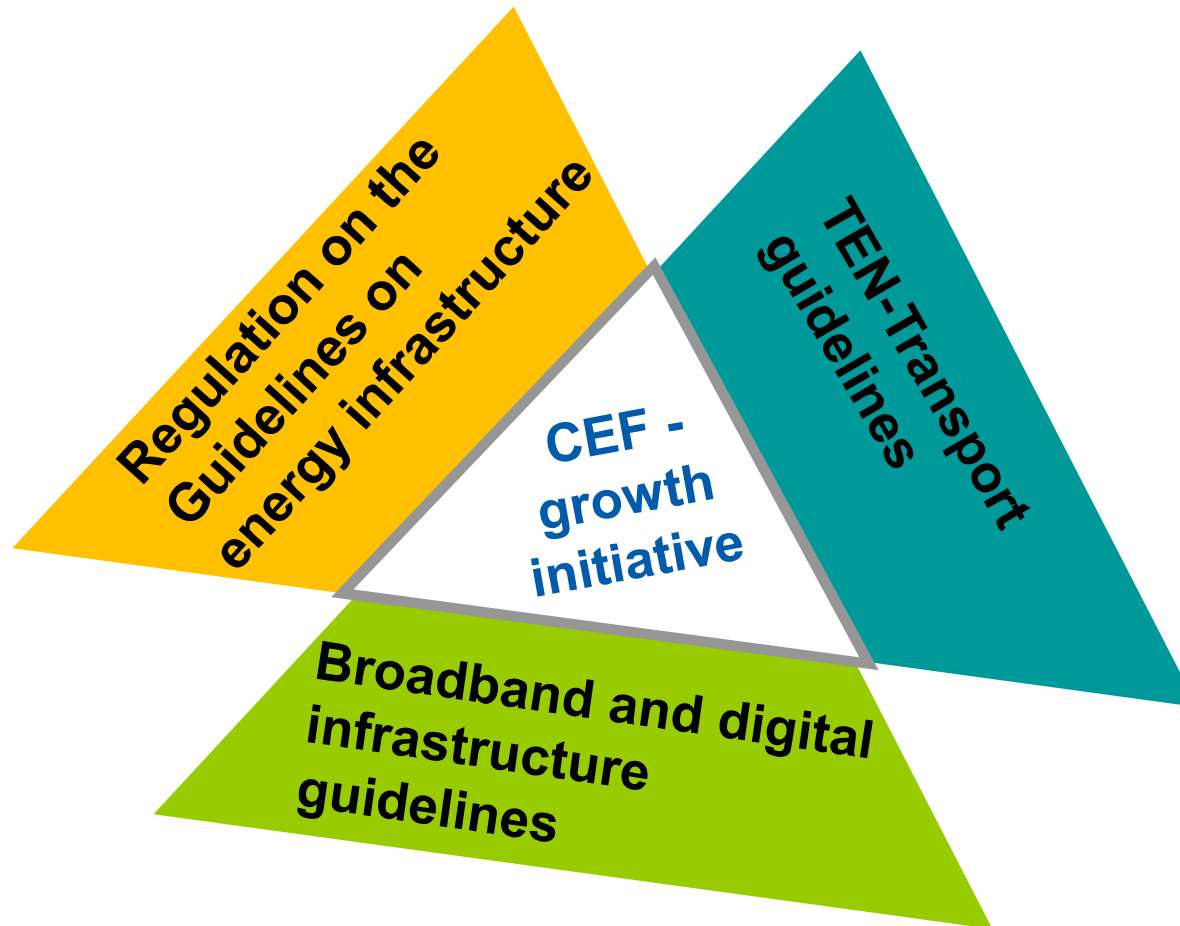
The EU energy system will need substantial investment to get fit for 2020 and beyond



NB: approximative figures, mainly from DG ENER calculations based on data from PRIMES, ENTSOs, KEMA etc.



The legislative proposals of the package



Three sectorial
infrastructure
policy proposals

Connecting
Europe Facility:

Budget EUR

Energy – 9.12bn

Transport – 30bn

ICT – 9.1bn



Regulation on guidelines for trans-European energy infrastructure

*Implementation of **12 priority corridors/areas**, necessary to meet EU's energy and climate policy goals by 2020 and beyond...*

*...by providing policy and regulatory certainty through a **stable and appropriate regulatory framework** to **promote the necessary investments**.*



● Permit granting – Regime of common interest

-Priority status for PCIs

- **Establish public interest and necessity in Member States, most preferential treatment**
- **Streamlining of EIA procedures**

-Increased transparency and enhanced public participation

-Competent Authority to manage permit granting process

-3 years time limit for the permit granting decision





Regulatory framework - measures

*Energy system-wide **cost-benefit analysis***

- **Proposal by ENTSOs, ACER opinion, Commission approval**

*Enabling investments with **cross-border** impact:*

- **Cost allocation as function of net positive impact on MSs**
- **NRA joint decision on investments and cost allocation**
- **ACER decision if no agreement**

*Long-term **incentives** for investment:*

- **Obligation on NRAs to grant appropriate risk-related incentives through tariffs (anticipatory investments, early recognition of costs incurred, additional return, etc.)**
- **ACER guidance on best practices of NRAs and methodology**





Financing – measures in the Connecting Europe Facility 2014-2020

- € 50 bn for transport, **energy (€9.12 bn)** and ICT
- **Financial Instruments** (equity/debt incl. project bonds in cooperation with IFIs) and **grants** for studies and works
- **Eligibility criteria (in guidelines):**
 - **Grants for studies and financial instruments:**
 - all electricity, gas and CO2 transport projects of common interest (no oil)
 - **In exceptional cases, grants for works:**
 - electricity transmission and storage and gas projects of common interest IF:
 - CBA shows positive externalities
 - commercially not viable
 - Smart grids and carbon dioxide networks if significant positive externalities, but no commercial viability





Unbundling and financial investors - Interpretative note

- *Under 3rd Energy Package – unbundling of transmission networks ownership from ownership of energy production and supply [cross sector gas/electricity, across the EU single market] - to prevent conflict of interests*
- *Potential issue: Financial investors (infrastructure funds, pension/insurance funds) do not want to be forced to choose between acquisition of equity interests in transmission and in production and supply*
- *Objective of the interpretative note:*
 - Provide clarification that **it is not necessarily a breach of unbundling provisions** if a financial investor holds a stake in generation and transmission
 - Give **indication on when conflict of interest is less likely to appear** (geographical location of assets, effective control over assets, design of the market) – **indication only** -> not a guarantee of lack of conflict of interests
 - Stress that **TSO certification process needed** to give certainty to investors
 - Clarify that **TSO re-certification may not be necessary** in case financial investor acquires further assets in generation/supply – Regulators to apply a pragmatic approach
- *Consultation with National Regulatory Authorities on-going*
- *Note expected later this year*

