

## **Overview of the Guidelines in Force for Trans-European Energy Networks (TEN-E)**

The European Union policy concerning Trans-European Networks is based on three cornerstones: the legal basis for TEN's introduced in the EC Treaty by the Maastricht Revision (1993), the regulation on TEN financial support and the (recently revised) Guidelines decision for Energy TEN's, which identifies priority axes and projects of common interest.

### **1. TEN-Energy in the EC Treaty**

The EC treaties of Rome (1957) and Maastricht (1993) laid the foundation for the creation of the internal market allowing the free movement of people, goods and capital. This includes, in particular, the European internal energy market.

*Article 154 (ex Article 129b) with regards to **Trans-European Networks*** sets out the objectives of Community action:

1. Contributing to the establishment and development of Trans-European networks in the areas of transport, telecommunications and energy infrastructures.
2. Aiming at promoting the interconnection and interoperability of national networks as well as access to such networks.
3. Taking account in particular of the need to link island, landlocked and peripheral regions with the central regions of the Community.

### **2. TEN Financial Support Regulation**

The EC treaties permit subsidies for Trans-European networks (TEN's) in transport, telecommunications and energy. The Delors White Paper (1993) on *Growth, Competitiveness and Employment* already pointed out that large amounts of money were required for the construction of the proposed infrastructure. In early 1995 the Finance Minister's Council discussed the finance of the TEN's and made three decisions, first that a better regulatory framework was needed to raise private risk capital; second that the TEN budget would have to be increased because of the strong interest from Member States; and third more attention would have to be given to raising long-maturity loans. Much of these loans will come from the European Investment Bank (EIB). The EIB is now the world's largest international borrower on the capital market and is able to fill gaps in the financing requirements in supporting EU policies.

The **TEN FINANCIAL SUPPORT REGULATION** was adopted in 1995 and amended in 1999:

- Council Regulation (EC) No 2236/95 of the Council of 18 September 1995 laying down general rules for the granting of Community financial aid in the field of Trans-European networks (OJ L 228 of 23.09.95, p.1) (basic text on TEN financial rules).
- Amended by Regulation (EC) No 1655/1999 of the European Parliament and the Council of 19 July 1999.

In the context of the TEN - Energy programme, the Commission wants to concentrate on a series of projects considered to be key projects. For this objective the

Commission considers it important to focus the funding available (in the period 2002 through 2006 about 20 Mio. EURO per year) on the development phases of projects, i.e. on the phases following the feasibility studies, and also on projects which have a significant impact on the operation of the internal market and/or on the security of energy supply.

The Community aid may take one or more of the following forms:

- Co-financing of studies related to projects. The Community contribution may in general not exceed 50% of the total cost of a study;
- Subsidies of the interest on loans granted by the European Investment Bank or other public or private financial bodies. As a general rule, the duration of subsidy shall not exceed five years;
- Contributions towards fees for guarantees (for loans) from the European Investment Fund or other financial institutions;
- Direct grants to investments in duly justified cases;
- Risk-capital participation for investment funds or comparable financial undertakings.

In the energy and telecommunications sectors, where competition and financial profitability are crucial elements, TEN financial support was initially intended mainly for co-financing of studies, while support to the construction (investment) phase would remain exceptional. In December 2001 the Commission has proposed to focus TEN financial support on projects in their development phase, i.e. after desk studies but before construction.

### **3. EC Guidelines for TEN Energy**

#### Resume:

- European Community Guidelines for TEN-Energy were adopted for the first time in the year 1996, comprising the list of projects of common interest.
- The list of projects has been revised twice in 1997 and 1999.
- The recent revision of the guidelines was proposed by the Commission in December 2001 and is expected to come into force in July 2003

Community action for the development of energy networks concerns the main transportation/transmission networks for electricity and natural gas, excluding distribution networks. In the context of the revision proposed in December 2001, the guidelines in particular establish:

#### **The SCOPE**

- **ELECTRICITY NETWORKS**
  - High voltage lines - Submarine links - Protection, monitoring and control systems.
- **NATURAL GAS NETWORKS**
  - High pressure gas pipelines - Underground storage facilities - Reception, storage and regasification facilities for liquefied natural gas (LNG) - Protection, monitoring and control systems.

## **The PRIORITIES**

Community action for the development of Trans-European energy networks will address the following priorities:

- **ELECTRICITY SECTOR**
  - Connection of isolated electricity networks - Development of interconnections between the Member States - Development of internal connections connected with interconnections between Member States - Development of interconnections with the third countries.
- **NATURAL GAS SECTOR**
  - Introduction of natural gas into new regions - Connection of isolated gas networks - Increase reception and storage capacities - Increase in transport capacities (supply gas pipelines).

## **The OBJECTIVES**

The Community shall promote the interconnection, interoperability and development of Trans-European energy networks and access to such networks in accordance with current Community law, with the aim of:

- Allowing effective operation of the internal market in general and of the internal energy market in particular, while encouraging the rational production, distribution and utilisation of energy resources and the development of renewable energy resources, so as to reduce the cost of energy to the consumer and render the European economy more competitive;
- Facilitating the development and reducing the isolation of the less-favoured regions of the Community, thereby helping to strengthen economic and social cohesion;
- Reinforcing the security of energy supplies, for example by strengthening relations with third countries in the energy sector in their mutual interest, in particular in the framework of the Energy Charter Treaty and cooperation agreements concluded by the Community.

## **The Identification of PROJECTS OF COMMON INTEREST**

A project may be of common interest if it

- corresponds to the objectives and priorities
- displays potential economic viability

The inclusion of a project in the list of projects of common interest is without prejudice to the assessment of its environmental impact. From 1996 up till 2000, 90 projects of common interest have been identified, 44 in the electricity sector and 46 in the gas sector.

The new list to be adopted by July 2003 will contain 221 projects of common interest, 122 in the electricity sector and 99 in the gas sector.

## **CREATION OF A FAVOURABLE CONTEXT**

The creation of a more favourable context for investment in energy networks was the objective of a specific Council decision, adopted in 1996.

The construction of new transmission projects requires the full support of not only all energy markets participants but also of governmental and local authorities. In this context, the European Community:

- will promote technical cooperation projects between the operators responsible for the management, monitoring and control of the Trans-European energy networks;
- will promote cooperation between Member States with a view to easing authorisation procedures for projects on Trans-European energy networks in order to reduce delays;
- can provide financial support for projects of common interest from the budgetary resources earmarked for the TEN policy, under the rules defined by the relevant Council Regulation and
- will take account of the projects of common interest in the financial interventions by its Funds, instruments and programmes.

In implementing the above measures, the Commission is assisted by a Committee composed of the representatives of the Member States and chaired by the representative of the Commission.

In addition, it is important to take note that the rules for the opening of the electricity and gas internal market that have been proposed by the Commission in March 2001 have been recently (June 2003) agreed by the European Parliament and the Council. These rules will also contribute substantially to the realisation of such favourable context regarding investments in energy networks.