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REPORT

on achieving the 10 % electricity interconnection target – Making Europe's
electricity grid fit for 2020
(2015/2108(INI))

Committee on Industry, Research and Energy

Rapporteur: Peter Eriksson

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3
RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE.....	11
FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE.....	12

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on achieving the 10 % electricity interconnection target – Making Europe’s electricity grid fit for 2020 (2015/2108(INI))

The European Parliament,

- having regard to the Commission communication entitled ‘Achieving the 10 % electricity interconnection target’ (COM(2015)0082),
- having regard to the European Council conclusions of 15-16 March 2002,
- having regard to the European Council conclusions of 20-21 March 2014,
- having regard to the European Council conclusions of 23-24 October 2014,
- having regard to the ENTSO-E ‘Ten-Year Network Development Plan 2014’,
- having regard to the Madrid Declaration of the Energy Interconnections Links Summit between Spain, France, Portugal, the European Commission and the EIB of 4 March 2015,
- having regard to the Connecting Europe Facility (CEF) (Regulation 1316/2013 of the European Parliament and of the Council of 11 December 2013),
- having regard to Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013,
- having regard to Rule 52 of its Rules of Procedure,
- having regard to the report of the Committee on Industry, Research and Energy (A8-0330/2015),

Benefits of interconnection

1. Welcomes the Commission communication and strategy as a positive step towards achieving the 10 % electricity interconnection target and improving the functioning of the internal electricity market in the EU;
2. Acknowledges that renewable energy, increased energy efficiency and a sustainable energy mix leading to energy savings and an internal energy market that allows energy to flow freely are important means for a stable, secure, independent, inclusive, transparent and competitive energy system for the EU, which generates high-quality jobs and wealth within a future-oriented sustainable economy; underlines the fact that a higher degree of electricity interconnectivity, smart grids and new market design are necessary for developing such a system; believes that creating such a system and ending energy islands should be a major political priority of the Energy Union;

3. Recognises that electricity interconnection is one of the key preconditions for completing an integrated internal electricity market, which, if well designed, will help to achieve our climate objectives, including the EU's aim to be the leader in renewables, and improve the EU's geopolitical position through greater energy security and independence, as well as reduce energy isolation and the possibility of perturbations in the energy system; stresses that the electricity interconnectors also need to be addressed, planned and constructed through strong, coordinated regional cooperation that respects the competences of national authorities to determine the energy mix while respecting the EU's long-term climate and energy goals;
4. Underlines the fact that the benefits of a substantially increased interconnectivity of the European network go way beyond the economic and geopolitical dimensions; it is a strategic principle that should lead to a more resilient and robust network, better prepared to deal with all kinds of alterations and disruptions; and it allows the growing share of power from renewable sources to blend efficiently into the European network;
5. Recalls that as ICT plays an increasing role in the electricity networks, electricity system security is more vulnerable as regards cyber threats; asks the Commission to evaluate electricity system security risks and, if needed, to formulate an action plan to combat it;
6. Stresses that a fully integrated internal electricity market would facilitate the electricity trading and balancing services, and increase security and lower the volatility of electricity prices to the benefit of citizens and the competitiveness of Europe's industry and business in a global economy, as it is estimated that EUR 12-40 billion could be saved annually by European consumers by 2030;
7. Notes that, according to the European Network of Transmission System Operators for Electricity (ENTSO-E), investments in the necessary interconnection projects of pan-European significance could be as high as EUR 150 billion by 2030, and notes with interest that, through such an investment in interconnectivity, electricity prices could be reduced by a minimum of EUR 2 /MWh, and that these investments would allow Europe to cover a large share of its electric load with renewable energy sources; recalls that the internal electricity market must benefit all EU consumers; requests that the relevant institutions monitor that households, SMEs and other retail consumers reap an actual benefit, which should not remain limited to wholesale prices alone;
8. Stresses that the phasing out of regulated energy prices for consumers should take into account the real level of market competition; notes, furthermore, that the Energy Union Strategy should insure that consumers have access to affordable, safe and sustainable energy prices;

The 10 % electricity interconnection target

9. Recognises the 10 % target – to be achieved by 2020 – as a valuable target and an important step in the right direction; regrets that twelve Member States, mainly in the periphery of the EU, remain below the 10 % electricity interconnection target and are thus largely isolated from the internal electricity market; stresses, therefore, that more should be done to assist those Member States whose low level of connectivity hinders the completion of the internal electricity market to meet the target; considers, however,

that, on its own, the 10 % target does not always reflect the market situation, and that it has not been established on the basis of scientific evidence; recalls that the 10 % target was first set in 2002 on the basis of the installed electricity generation capacity that existed at that time; acknowledges that, although the 10 % target is important, it describes neither the quantity of electricity flowing between countries nor the quality, such as regards the availability of the existing interconnection infrastructure or of the existing national infrastructure between the interconnectors; believes, therefore, that a single interconnection target based on installed electricity generation capacity is not, on its own, appropriate for all Member States; is therefore convinced that there is a need in the mid-term, and certainly within the 2030 horizon, to agree upon ambitious and evidence-based complementary interconnection targets, agreed by the regions; considers that such targets should be established on the basis of a variety of parameters; calls on the Commission to launch, as soon as possible, the technical discussion on such parameters; stresses that, in addition to the quantitative target, open access and the availability of interconnectors is also imperative if the remaining barriers for the functioning of the European electricity market are to be overcome; urges the Commission, the Agency for the Cooperation of Energy Regulators (ACER) and national regulators to ensure transparency and close monitoring of the accessibility of the interconnectors in order to prevent bottlenecks that hinder the functioning of the electricity market and to secure the operation of electricity systems;

10. Observes that the limited transmission capacity in, for example, the North Pole operating area gives rise to regional price differences, despite the fact that the interconnection target between countries is exceeded by a significant margin;

A holistic approach

11. Notes that the frequent congestion of transmission networks might be linked to cross-border lines, but might also be the result of weak, outdated internal grids and limited availability on national networks; emphasises that reinforcements of national grids are imperative if interconnections are to be used to full capacity; insists that a holistic approach should be taken when assessing the need for reinforcement / extension of cross-border and national connections, with the aim of making the best possible use of the existing interconnection lines and the capacity of existing national infrastructure;
12. Stresses the role of the Commission under the third energy package as guardian of an unbundled and accessible electricity market and facilitator of a decentralised energy system, in which Member States shall enable smaller suppliers, in particular prosumers who use renewable energy resources, to access the grid in accordance with fair market rules and with best practices for self-consumption;
13. Notes that our energy landscape is becoming more decentralised, given the growing importance of energy prosumers; notes, therefore, the importance of a well-designed transmission and distribution smart grid; stresses the increasing and crucial role of distribution system operators (DSOs) as market facilitators, since a large majority of renewable energy installations are connected to the distribution networks; stresses, in this respect, that, when trying to solve a bottleneck in the grid, a thorough assessment is needed to define which combination of actions – including building new transmission lines, developing local smart grids, and integrating efficiency and flexibility in the

system – is the most optimal, given the specific situation;

14. Stresses that the benefits of raising the interconnection level cannot be accomplished without a high level of coupling of markets and transmission system operators (TSOs); calls on the Commission to make all efforts to prevent that coupling is established at Member States grouping level and to promote coupling at EU level that includes all Member States and neighbours, in particular the countries taking part in the European Neighbourhood Policy (ENP);
15. Recalls that projects of common interest (PCIs) are evaluated by Regional Groups, set up by the Commission and comprising of representatives from the Member States, national regulatory authorities (NRAs), electricity transmission system operators and project promoters, ENTSO-E, ACER, the Commission and other key stakeholders;
16. Underlines the fact that the list of PCIs must be developed in a more transparent and accountable way; notes that ENTSO-E, TSOs and project promoters play the predominant role in the development of a harmonised cost-benefit analysis methodology, in preparing the ten-year network development plans and the network codes, and in evaluating the costs and benefits of each project; recalls the need to provide complete assessments, including economic, social and environmental impacts; asks, in this context, the Commission to ensure that these assessments are conducted by qualified experts that are fully independent from the project promoters; stresses the need to optimise the overall process by promoting more engagement of Parliament and other stakeholders, including civil society representatives; calls on the Commission, ACER and national regulators to play a more proactive role in order to ensure a more neutral, transparent, traceable and inclusive consultative process; calls on the Commission to assess the situations in which the use of best available technology (BAT) could be established as a significant parameter for granting EU funds to projects;
17. Calls on the Commission to explain better the ranking process for the PCIs; recalls that in order to be considered, PCIs should be included in the ENTSO-E's ten year network development plans but that the final decision for funding lies with the Commission, on the basis of its own assessment criteria for the selection of projects; asks the Commission to account explicitly for these criteria;
18. Invites the Commission to report annually to Parliament on the implementation of PCIs and on progress to reach the 10 % target, as part of the annual stocktaking foreseen in the Strategic Framework for the Energy Union;

Permit granting process

19. Stresses that the lengthy permit granting procedure is a major challenge for new high-voltage lines in Europe; calls on the Member States to facilitate speedier processes whilst maintaining an adequate level of guarantees for the public interest, including effective public consultations;
20. Recalls that projects on the PCI list benefit from preferential regulatory treatment, fast-track planning, a binding time limit of 3.5 years for the granting of a permit, and faster environmental assessment procedures, and may also be eligible for extra funding under the Connecting Europe Facility (CEF) and the European Fund for Strategic Investments

(EFSI); asks the Commission to make an assessment on how this fast-track planning is implemented and complied with in all Member States;

21. Recognises that public awareness and support is essential to ensure fast implementation of interconnector projects; acknowledges that transparent and inclusive processes, and highest environmental standards, must not be undermined when building new power lines; calls on the project promoters to use BAT for new interconnectors aiming to enhance coherence between project investments in the grids, environmental sustainability and local acceptance;
22. Stresses that the implementation of a ‘one-stop shop’ approach contributes to shortening the permit granting procedures; recalls that the TEN-E Regulation requires each Member State to designate a National Competent Authority responsible for facilitating, shortening and coordinating the permit process at national level; welcomes, in this regard, the evaluation of the ‘one-stop-shop’-approach by the Commission to take place in 2017, and encourages the Commission, in this framework, to assess the potential of a single ‘one-stop shop’ at EU level;

ACER’s role

23. Notes the understaffing and lack of resources of ACER; asks the EU budgetary authority to provide the agency with the necessary resources, in particular sufficient own staff, in order to allow the agency to fulfil, adequately and in a timely manner, the tasks assigned to it by legislation; calls for ACER’s role to be strengthened, in particular in relation to ENTSO-E and with regards to enhancing coordination and arbitration among NRAs as well as coordination of cross-border regulatory matters;
24. Stresses the importance of qualified staffing of national energy regulators, with the required expertise and specialisation and independence; calls on the Commission to carry out an independent audit, by the end of 2016 at the latest, on the resources available to, and the degree of independence achieved so far by, all national energy regulators, including the identification of recommendations on how to improve the situation;
25. Notes that there is still a lack of transparency with regard to the calculation of cross-border capacities made available to the market and the frequency, magnitude and reasons of curtailment on interconnectors; doubts, in this context, that most of the significant curtailments are fully addressed; asks the Commission to provide ACER with the adequate competences and powers to gather the necessary information on each individual cross-border transmission capacity so as to allow ACER to fulfil its monitoring responsibilities effectively; requests that such information be supplied to ACER, together with the necessary contextual information about the design and functioning of the national network; welcomes, in this respect, the swift conclusion of the network codes for electricity; notes the Commission’s intentions of expanding the mandate, purview and powers of ACER, and its reflections on what this might entail, as presented in its recent communication ‘Delivering a New Deal for Energy Consumers’; calls on the Commission to come forward with concrete suggestions in this regard, to further the realisation of a true internal energy market; notes that any new responsibilities assigned to ACER should be matched by adequate resources;

Financial instruments

26. Notes the Commission's estimate that EUR 35 billion of financing is necessary to reach the 10 % target by 2020 across all Member States; recalls that, according to the CEF Regulation (No 1316/2013), the major part of the financial assistance within the CEF energy envelope should be made available for electricity projects, and insists that the Commission give due consideration to that fact; supports the Commission's recommendation that the CEF be concentrated on a few key projects; stresses that special attention must be given to projects that address the most significant gaps in the integrated EU electricity market and the lack of sufficient interconnectivity; considers that adequate EU financing should continue to be made available also beyond 2020 to support the construction of non-commercially viable electricity connection projects necessary to ensure the functioning of the internal energy market and security of the operation of electricity systems; stresses the importance of the EIB in supporting investors in commercially viable electricity infrastructure projects; notes the establishment of the EFSI, and encourages the Commission to ensure that the fund effectively attracts investments in electricity interconnection;
27. Urges the Commission, furthermore, to: 1) encourage investments in the best available technology, which can be costlier but offers considerable life-cycle financial advantages as well as time savings and technology leadership advantages in the long run; 2) conduct a review of the financing rules with the aim of streamlining the existing mechanisms; and 3) strengthen incentives for further investments in the grid by, inter alia, encouraging profits made from transmission congestion rent to be reinvested in network-reinforcing infrastructures and technologies, including additional interconnectors;

Regional cooperation

Baltic region

28. Notes that planned interconnectors are expected to allow the Baltic States to reach the 10 % goal by the end of 2015; is concerned that the Baltic states' networks are still synchronised with, and dependent on, the Russian electricity system, which is an impediment for a truly integrated and properly functioning European electricity market; calls for a rapid synchronisation of the Baltic States' electricity networks with the Continental European Network in order to ensure full integration in the internal electricity market, a higher security of electricity supply and secure system operation; asks the concerned Member States to take the necessary steps to initiate, and ENTSO-E to launch, a formal procedure for the extension of the synchronous Continental European Network towards the Baltic states; invites the Commission to support and monitor the implementation of this project; highlights the common Nordic power market as a best practice for cooperation among Member States in creating and developing the internal electricity market; acknowledges the importance of higher interconnectivity between Poland and the Nordic electricity market if Poland is to reach its 10 % target; welcomes the signature of the Memorandum of Understanding on reinforced Baltic Energy Market Interconnection Plan (BEMIP); underlines that regional cooperation through BEMIP shall continue and that solidarity between Member States in implementing PCIs is further enhanced;

North Sea region

29. Acknowledges that offshore wind in the North Sea region has the potential to generate over 8 % of Europe's power supply by 2030; notes further that coordination of the planning and building of a regional offshore grid infrastructure, market access and reserve sharing in the North Sea region could lead to cost savings of EUR 5-13 billion per year by 2030 through a better integrated regional market; calls on the Commission and the relevant Member States to endorse these potentials when developing the 2030 governance structure and the subsequent planning; calls on the Commission and the Member States for strong political support and endorsement of the North Sea Offshore Grid as a key step in building an effective Energy Union; urges the upcoming Presidencies of the Council of the EU to prepare and agree on a legal framework during the 2016 Dutch Presidency in the form of an Intergovernmental Agreement between the relevant Member States that defines a shared North Seas electricity strategy;

Central-Western Europe

30. Highlights that the shared electricity market between Austria and Germany is furthering the implementation of an integrated European energy market; acknowledges that the common bidding zone – which was introduced in 2002 – means that the wholesale electricity prices in these two countries are the same, and ensures unlimited electricity trading and security of supply of almost 100 %; notes that the Austrian-German bidding zone is the only relatively large zone in Europe shared by two countries; notes that larger bidding zones support the necessary characteristics of a well-functioning and liquid electricity market, qualified to reduce trading costs, to provide resilient price signals for investment decisions and to foster more competition; calls for a rapid development of grids to allow the integration of renewable energy in the electricity market, and to guarantee grid stability, especially in southern Germany; calls for the retention of this success model and an enlargement of the bidding zone;

Central and South-Eastern Europe

31. Stresses that Central and South-Eastern Europe (CSEE) is endowed with a vast – and largely untapped – potential in terms of renewables; notes that cooperation and coordination on long-term planning and building of a regional grid infrastructure in Central and South-Eastern Europe must go beyond the EU in order to include non-EU Western Balkan countries and Turkey; calls for the establishment of a new platform where all key stakeholders in the region could discuss and provide political backing to joint projects designed to fully exploit the region's electricity potential; recognises that the EU's Central East South Europe Gas Connectivity High Level Group, established in February 2015, could become such a platform, provided its mandate is expanded to include the electricity domain and the involvement of CSEE's non-EU countries; acknowledges that the platform would enable the Commission to provide leadership and political support;
32. Notes that the high dependence of Central and South-Eastern Europe on energy imports means that it is vital to increase cross-border electricity capacity, which would help ensure the region's security of supply and, in the long term, help reduce people's electricity bills;

33. Recommends that the Commission thoroughly assesses the prospects of new electricity interconnections in the Mediterranean region and between South European and North African markets in view of increasing security of supply and developing renewables in both regions;

Iberian Peninsula

34. Stresses the importance of significantly increasing interconnection between Spain and France to support the renewables in the region and to enable the Iberian Peninsula to participate fully in the internal electricity market; considers the Madrid Declaration, signed on 4 March 2015, and the establishment of a High Level Group on Interconnections for South-West Europe, as important steps towards increasing the region's interconnectivity; acknowledges that the current interconnection capacity between the Iberian Peninsula and mainland Europe is too low, and that the projects included in the current PCI list are not sufficient to achieve the interconnection target in 2020; calls on the countries of the region to support the development of their considerable renewable energy potential and to facilitate the access of the sector to the integrated European market;
35. Welcomes the initiative of the Commission to carry out a study of the benefits of the interconnection of the Iberian Peninsula with France, the United Kingdom, Italy and countries of the south bank of the Mediterranean;

Beyond 2020

36. Notes that Europe's energy system has evolved since 2002, when the 10 % electricity interconnection target was originally set – in particular, renewable energy sources have been developed across the continent; recommends, in this context, that the 15 % target, based on installed capacity for 2030, should not stand alone, and that it should be assessed carefully and thoroughly to ensure that it is fit for purpose and is pertinent and feasible; asks the Commission, therefore, to assess the setting of regional, complementary targets and to find better qualitative and quantitative benchmarks, such as trade flows, peak flows and bottlenecks, that highlight how much interconnection is needed;
37. Stresses the need to derive a future electricity interconnection target on the basis of the EU's long-term climate goals, and of the sustainable energy system that the EU is looking for; notes, in this context, that the degree of interconnection required will depend on several parameters, including: a) the application in national and EU policy of the 'energy efficiency first' principle and more demand-side response measures; b) the development of decentralised renewables-based electricity and its correlated smart grids c) national decisions on the energy mix, taking into account the EU's long-term climate and energy goals; d) the development of energy storage technologies – including at household and municipality levels; e) the use of the best available technologies where appropriate; f) the recognition of people as prosumers in the energy system; and g) the creation of clear incentives for investments in the grids;
38. Instructs its President to forward this resolution to the Council and the Commission.

RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

Date adopted	10.11.2015
Result of final vote	+: 56 -: 3 0: 5
Members present for the final vote	Zigmantas Balčytis, Bendt Bendtsen, Reinhard Bütikofer, Jerzy Buzek, Philippe De Backer, Pilar del Castillo Vera, Christian Ehler, Peter Eriksson, Fredrick Federley, Ashley Fox, Adam Gierek, Juan Carlos Girauta Vidal, Theresa Griffin, Marek Józef Gróbarczyk, Roger Helmer, Hans-Olaf Henkel, Kaja Kallas, Barbara Kappel, Krišjānis Kariņš, Seán Kelly, Jeppe Kofod, Miapetra Kumpula-Natri, Janusz Lewandowski, Paloma López Bermejo, Ernest Maragall, Edouard Martin, Angelika Mlinar, Nadine Morano, Dan Nica, Angelika Niebler, Morten Helveg Petersen, Miroslav Poche, Michel Reimon, Herbert Reul, Paul Rübig, Algirdas Saudargas, Jean-Luc Schaffhauser, Neoklis Sylikiotis, Antonio Tajani, Dario Tamburrano, Patrizia Toia, Evžen Tošenovský, Claude Turmes, Miguel Urbán Crespo, Vladimir Urutchev, Adina-Ioana Vălean, Kathleen Van Brempt, Henna Virkkunen, Martina Werner, Anna Záborská, Flavio Zanonato
Substitutes present for the final vote	Soledad Cabezón Ruiz, David Coburn, Ian Duncan, Cornelia Ernst, Jude Kirton-Darling, Werner Langen, Olle Ludvigsson, Marian-Jean Marinescu, Clare Moody, Massimiliano Salini
Substitutes under Rule 200(2) present for the final vote	Isabella Adinolfi, Edward Czesak, Jonás Fernández

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

56	+
ALDE	Philippe De Backer, Fredrick Federley, Juan Carlos Girauta Vidal, Kaja Kallas, Angelika Mlinar, Morten Helveg Petersen
ECR	Ian Duncan, Ashley Fox, Evžen Tošenovský
EFDD	Isabella Adinolfi, Dario Tamburrano
ENF	Barbara Kappel, Jean-Luc Schaffhauser
GUE/NGL	Cornelia Ernst, Neoklis Sylikiotis, Miguel Urbán Crespo
PPE	Bendt Bendtsen, Jerzy Buzek, Christian Ehler, Krišjānis Kariņš, Seán Kelly, Werner Langen, Janusz Lewandowski, Marian-Jean Marinescu, Nadine Morano, Angelika Niebler, Herbert Reul, Paul Rübig, Massimiliano Salini, Algirdas Saudargas, Antonio Tajani, Vladimir Urutchev, Henna Virkkunen, Adina-Ioana Vălean, Anna Záborská, Pilar del Castillo Vera
S&D	Zigmantas Balčytis, Adam Gierek, Theresa Griffin, Jude Kirton-Darling, Jeppe Kofod, Miapetra Kumpula-Natri, Olle Ludvigsson, Edouard Martin, Clare Moody, Dan Nica, Miroslav Poche, Patrizia Toia, Kathleen Van Brempt, Martina Werner, Flavio Zanonato
Vers/ALE	Reinhard Bütikofer, Peter Eriksson, Ernest Maragall, Michel Reimon, Claude Turmes

3	-
ECR	Edward Czesak, Marek Józef Gróbarczyk, Hans-Olaf Henkel

5	0
EFDD	David Coburn, Roger Helmer
GUE/NGL	Paloma López Bermejo
S&D	Soledad Cabezón Ruiz, Jonás Fernández

Key to symbols:

+ : in favour

- : against

0 : abstention