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DRAFT 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

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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 Rule 52 of its Rules of Procedure,
- having regard to the report of the Committee on Industry, Research and Energy (A8-0000/2015),

Benefits of interconnection

1. Acknowledges that renewable energy and increased energy efficiency leading to energy savings are critical means for a stable, secure, independent and democratic energy system for the EU, which generates high-quality jobs and wealth within a future-oriented sustainable economy; underlines that a higher degree of electricity interconnectivity and smart grids are necessary for developing such a system;
2. Recognises that electricity interconnection is a precondition for completing an integrated EU internal electricity market, which, if well designed, will help to achieve our climate objectives and improve the EU’s geopolitical position through greater energy security and independence, as well as reduce energy isolation; stresses that the electricity interconnectors also need to be tackled, planned and executed through strong coordinated regional cooperation;
3. Stresses that a fully integrated EU electricity market would facilitate the electricity trading and balancing services, and would 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 2030 by European consumers;
4. 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 for each euro invested in the network, electricity prices could be mitigated by EUR 2; notes that independent studies show that with similar investment in the

network infrastructure, Europe could cover a large share of its electric load with renewable energy sources¹;

The 10 % electricity interconnection target

5. Recognises the 10 % target – to be achieved by 2020 – as a valuable target and a step in the right direction; considers, however, that it does not always reflect the market situation and 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 the availability of the existing interconnection infrastructure or of the existing national infrastructure between the interconnectors; believes, therefore, that a one-size-fits-all interconnection target based on installed electricity generation capacity is not on its own appropriate for all Member States;

A holistic approach

6. Notes that the frequently congested transmission networks might be linked to cross-border lines but might also be due to weak internal grids; insists that a holistic approach should be taken when assessing the need for, and the priority of, reinforcement / extension, taking into account both cross-border and national connections, in particular the real use of the existing interconnection lines and the availability of existing national infrastructure;
7. Stresses the role of the Commission as guardian of a decentralised and accessible electricity system, in which Member States shall grant access to smaller suppliers to the grid in accordance with fair market rules;
8. Regrets the lack of a transparent decision-making process leading to the establishment of the projects of common interest (PCI) list; regrets further the predominant role of ENTSO-E, transmission system operators (TSOs) and project promoters 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 social and environmental impacts; calls on the Commission, the Agency for the Cooperation of Energy Regulators (ACER) and national regulators to play a more proactive role in order to develop a more neutral, transparent and democratic consultative process, including the effective participation of Parliament and giving voting status to civil society representatives; calls on the Commission to assess the situations in which the use of best available technology (BAT) could be established as a precondition for granting EU funds to projects;

Permit granting process

9. Stresses that the lengthy permit granting procedure is a major challenge for new high-voltage lines in Europe;

¹ ‘powE[R] 2030 – A European grid for ¾ renewable electricity by 2030’, Greenpeace, 2014.

10. 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);
11. Recognises that public awareness and support is essential to ensure fast implementation of interconnector projects; acknowledges that democratic processes and environmental standards must not be undermined when building new power lines; calls on the project promoters to use BAT for new interconnectors in order to reduce conflicts between project investments in the grids and environmental impact;
12. 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; believes that an interconnected electricity market needs a single 'one-stop shop' at EU level and asks the Commission to make a proposal, legislative if necessary, in this regard;

ACER's role

13. 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 the tasks assigned to it by legislation; calls for ACER's role to be strengthened, in particular in relation to ENTSO-E;
14. Notes the understaffing and/or lack of independence of a number of national energy regulators; 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;
15. 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;

Financial instruments

16. Supports the Commission's recommendation that the CEF be concentrated on a few key projects; considers that adequate EU financing should also be made available beyond 2020 to support the implementation of non-commercial electricity connection projects necessary to ensure the functioning of the internal energy market; stresses the importance of the EIB in supporting investors in commercially viable electricity infrastructure projects; notes the establishment of the European Fund for Strategic Investments and encourages the Commission to ensure that the fund effectively attracts investments in electricity interconnection projects;

17. Urges the Commission, furthermore, to: 1) encourage investments in the best available technology, which, while costlier, offers considerable financial advantages as well as time savings in the long run; 2) conduct a review of the financing rules with the aim of streamlining the existing mechanisms and highlighting the principle that wealthier Member States are responsible for projects involving their countries, while EU financial support should be used in countries facing greater challenges; and 3) strengthen incentives for further investments in the grid by, *inter alia*, introducing a requirement for profits made from transmission congestion rent to be reinvested in additional interconnectors;

Regional cooperation

Baltic region

18. Notes that planned interconnectors are expected to allow the Baltic States to reach the 10 % goal by 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 EU internal electricity market and a higher security of electricity supply; highlights the common Nordic power market as a best practice for cooperation between Member States; acknowledges the importance of higher interconnectivity between Poland and the Nordic electricity market in order for Poland to reach its 10 % target;

North Seas

19. Acknowledges that offshore wind in the North Seas 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 Seas 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 Member States for strong political support and endorsement of the North Seas 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;

South-Eastern Europe

20. Stresses that South-Eastern Europe (SEE) 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 SEE regional grid infrastructure 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 renewables-based 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 involvement of SEE's non-EU countries; acknowledges that the platform

would enable the Commission to provide leadership and political support;

Iberian Peninsula

21. Stresses the importance of more interconnection between Spain and France to support the renewables in the region, whilst minimising problems and delays by using the BAT in order to preserve the environment and still increase interconnectivity; notes the Madrid Declaration, signed on 4 March 2015, as an important step towards increasing the region's interconnectivity;

Beyond 2020

22. 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; questions in this context a 15 % target based on installed capacity for 2030; asks the Commission, therefore, to assess the setting of regional, complementary targets and to find better qualitative and quantitative benchmarks, such as peak flows and bottlenecks, that highlight how much interconnection is needed;
23. Stresses the need to derive a future electricity interconnection target from the EU's long-term climate goals as well as from a sustainable energy system that the EU is looking for; notes in this context that the degree of interconnection required will depend in particular on whether: a) the EU is serious in applying the 'energy efficiency first' principle and more demand-side response measures, b) decentralised renewables-based electricity and its correlated smart grids are further developed, c) energy storage technologies – at household or municipality levels – are developed, d) grids are optimised and use the best available technologies, e) people are given a higher role as prosumers in the energy system, and f) a clear incentive for investments in the grids is created;
24. Instructs its President to forward this resolution to the Council and the Commission.