

Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC’

COM(2011) 658 final — 2011/0300 (COD)

(2012/C 143/25)

Rapporteur: **Mr BIERMANN**

On 15 November and 29 November 2011 respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Articles 172 and 304 of the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC

COM(2011) 658 final – 2011/0300 (COD).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 131 votes to 1 with 2 abstentions.

This opinion is part of a five-opinion package prepared by the EESC on the **Connecting Europe Facility (CEF)** and its guidelines, which were issued by the European Commission in October 2011. This package contains opinions **TEN/468** on the **CEF** (rap. Mr HENCKS), **TEN/469** on the **Guidelines for Telecom Networks** (rap. Mr LONGO), **TEN/470** on the **Guidelines for Energy Infrastructure** (rap. Mr BIERMANN), **TEN/471** on the **Guidelines for Transport Infrastructure** (rap. Mr BACK) and **TEN/472** on the **Project Bond Initiative** (rap. Mr DUTTINE).

1. Conclusions and recommendations

1.1 The EESC supports the goal of modernising and comprehensively expanding Europe’s energy infrastructure. An efficient, secure and stable European energy supply infrastructure, together with diversified energy sources, supply sources and transit routes, constitutes the basis for a secure, stable energy supply for the EU.

1.2 The financial crisis has demonstrated that stable industry structures in particular, but also stable SME structures, create added value which can help Europe pull out of the crisis more quickly. For both sectors, a basic prerequisite is a stable energy infrastructure which guarantees solid security of supply.

1.3 Energy will in future have to be transported across great distances more frequently and in greater quantities than is feasible today. For this, as the European Commission proposal states, the right conditions have to be created and put in place.

1.4 Maximum voltage direct-current transmission has to be built up in a stable EU-wide network. Linear connections used to date are not fail-safe.

1.5 European border interconnections have to be created to avoid bottlenecks developing. Congestion management helps to secure a stable supply.

1.6 Only if there is a trans-European energy infrastructure can all the EU Member States make use of locational advantages in terms of national sources of energy. This applies to hydro-electric and wind power as well as solar power facilities in southern Europe. Such an infrastructure would also optimise the use of fossil energy sources like oil, gas and coal.

1.7 Only by having an extended energy infrastructure will it be possible to make the switch to sustainable, secure energy supplies producing low levels of carbon-dioxide.

1.8 The EESC supports the creation of a Connecting Europe facility. As yet there are only estimates of the amount of investment needed. However, implementation requires accurate identification of the real investment requirement, together with better framework conditions and resources for innovation in the expansion of Europe’s energy infrastructure. This should not be to the detriment of the equally necessary expansion of the distribution networks in Member States and the regions. At every level, what is needed are network tariffs that encourage private investment. Likewise necessary are effective public guarantee schemes and support programmes to create incentives for private investment.

1.9 The criteria for awarding projects are extremely important. They must be transparent for network operators, the general public, and energy producer and consumer businesses. The EESC welcomes the structures set out in the proposal for the participation of the public and the regions. The EESC therefore endorses the criteria for awarding contracts set out in the annex to the regulation.

1.10 Expansion of the electricity network is essential to optimise electricity load balancing and to make full use of efficiency potential. So that network expansion does not create a bottleneck for European growth, permit-granting procedures need to be speeded up significantly. Here too, the proposals contained in the draft regulation are to be welcomed. The EESC calls on the Member States to take the necessary steps to make the relevant adjustments to their national legislation.

1.11 Basically, the EESC feels that more acceptance and more dialogue are needed between all the parties involved in order to meet the challenges entailed in network expansion.

1.12 Further research efforts are needed to even out fluctuations in the flow of electricity generated from renewable sources by using smart networks, storage capacity and intelligent approaches to the energy mix. Implementation requires legal certainty throughout the EU.

1.13 Special attention should be given to the stability of the European electricity network against a background of changing circumstances where there is an increasing amount of volatile renewable energies being fed into the system. There must be no fluctuation in voltage control or frequency control.

1.14 A high degree of public acceptance is needed when trans-European energy infrastructures are to be created. The possibilities suggested for this in the draft regulation constitute an important step towards achieving this. These possibilities must be expanded in individual EU Member States where necessary.

1.15 A great deal will be expected of workers in both the building and operation of transnational energy networks. Appropriate skills and qualifications for such work, as well as further training, will be necessary for it to be carried out properly. The most highly-skilled staff, such as managers and engineers, need specific, continuous training in innovation, research and risk prevention in the field of power transmission between the different countries, and regarding relevant legislation, which is continually evolving. When awarding contracts, attention should be paid to compliance with social standards.

1.16 The EESC welcomes the fact that the idea of a comprehensive gas network has been retained. Security of supply will be boosted by linking up different gas-producing regions to such a network.

1.17 The research projects suggested by the EU for capturing and storing CO₂ are only advancing at a snail's pace. A network which links up research centres and potential storage sites, or which itself serves as storage, should indeed be planned for as of now. Yet from today's perspective, it is doubtful whether this is achievable by the year 2020. The EESC therefore suggests that accompanying measures be put in place which further investigate and test the applicability of this technology (see also opinion CESE 1203/2008 on the geological storage of carbon dioxide, rapporteur: Mr Wolf) ⁽¹⁾.

2. Introduction

2.1 Shaping Europe's energy future is a major challenge for Europe's politicians and European society. It can only be achieved with consistent, focused and realistic action, perhaps based on feasibility studies. Such action, going beyond the borders of the Member States, must incorporate a shared concept of Energy for Europe.

2.2 The direction to take in a shared European approach is set by the EU's three energy policy goals: security of supply, competitiveness and sustainability. These must be pursued, however, with social responsibility, i.e. ensuring that all EU citizens get access to affordable energy.

2.3 On 17 November 2010, the Commission published a communication entitled *Energy infrastructure priorities for 2020 and beyond*. It includes a call for a new policy on energy infrastructure in Europe, under which network development is to be coordinated across Europe in the future. This involves reworking and further elaborating the present strategies on, and approaches to, trans-European energy networks.

2.4 Finally, on 19 October 2011, the Commission published its *Proposal for a Regulation of the European Parliament and of the Council on Guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC*. The goal is to create a single energy infrastructure market which is to come into force on 1 January 2013. Thus, trans-European infrastructure is a part of the 2020 European approach to energy. The concept involves: incorporating all Member States into the European network, promoting sustainable energy generation, increasing energy efficiency, reducing greenhouse gas emissions and expanding renewable energies.

2.5 Energy infrastructure will take on far greater importance in the future, with the German government's Ethics Commission for a Safe Energy Supply calling it the "core of a high-tech economy" ⁽²⁾.

⁽¹⁾ OJ C 27, 3.2.2009, p. 75.

⁽²⁾ Germany's energy transition – A collective project for the future, produced by the Ethics Commission for a Safe Energy Supply, Berlin, 30 May 2011, p. 38.

2.5.1 For electric power transmission, this entails the expansion of an EU-wide extra-high voltage direct-current grid (electricity highways), including coupling points, the exploration and further development of electricity storage facilities, the extension of intelligent decentralised distribution systems ("smart grids") and the management of smart electricity use.

2.5.2 Natural gas will also play a key role in the future European energy mix to even out fluctuations in electricity generation and secure a core supply. The construction of high-pressure gas pipelines and corresponding storage capacities must be speeded up. Since the cost of storage is relatively high in today's terms, consideration should be given to whether natural gas storage might be replaceable at least in part by other forms of energy production.

2.5.3 In the medium term, oil will continue to play a central role, especially in road transport. For this reason, here too, transport structures should be expanded and optimised taking into account the need for a high level of security of supply.

2.5.4 Infrastructure for CO₂ transportation will also have to be built up; a discussion on the pros and cons of this technology is already under way. More research, development and measures to promote public acceptance are needed here; for this reason, implementation might well be delayed.

2.6 Member States' domestic energy sources must be integrated into the European energy infrastructure. There is a role, then, for ultra-modern oil- and coal-fired power stations, for instance, to contribute to the core supply and to even out fluctuations in electricity generation.

3. The Commission's Proposal for a Regulation of the European Parliament and of the Council

3.1 At the heart of the proposed European Parliament and Council Regulation on guidelines for trans-European energy infrastructure is the obligation on Member States to take part in trans-European infrastructure measures while at the same time creating more efficient transport structures. It is vital to establish links to create trans-European energy networks at a time of constantly increasing energy demand. It concerns all energy sectors.

3.2 The proposal sets out twelve priority energy infrastructure projects and areas. All Member States are to be integrated as appropriate into the individual projects, which are:

- four electricity corridors: this involves, inter alia, the creation of a Northern Seas offshore grid and a North-South electricity interconnection;

- four gas corridors: including an extension of the European gas network to guarantee security of supply; and

- one oil corridor, with security of supply again a prime concern; and

- three priority thematic areas: inter alia, creating smart networks, constructing electricity highways and cross-border CO₂ networks.

3.3 The Commission proposal sets out fifteen infrastructure categories for the four areas (inter alia for electricity highways, electricity storage facilities, gas pipelines, oil transportation and CO₂ pipelines). This is necessary to ensure that every party involved has the same starting point, accepted by all.

3.4 The same is true for the mandatory rules laid down in the Commission proposal for collaboration between groups responsible for regional implementation. These ground rules apply to all regional groups and are intended to optimise cooperation. All the various interests involved are to be represented in these groups. Such rules and guidelines are essential, since the projects have a sizeable impact on the sovereign territory of Member States and across borders.

3.5 Given that Member States have not only different electricity prices but also different network prices, a method for cost-benefit analysis will be devised in which scenarios for the different energy sectors can be worked out and compared. These will cover, for example, demand, pricing and generation capacities.

3.6 Finally, "Guidelines for transparency and public participation" will be established. These will address the need to create a single *modus operandi* given the different arrangements in the Member States. It is proposed that a manual of procedures be compiled, the aim being to secure widespread public participation. The binding rules proposed for this should apply across the whole of Europe. They allow the procedures to be aligned on one another (See Annex II of the proposal).

3.7 At the same time, this opens up opportunities for carrying out public participation pilot projects aimed at developing a culture of participation in Europe.

3.8 This brings a completely new dimension to the public participation of local and regional authorities, industry and the general public. People in all the Member States concerned – and

not just one country – participate. The result is near-transnational participation, which can and should lead to a European culture of involvement. This aspect was amply highlighted by the Committee of the Regions (CoR) in its opinion entitled Energy infrastructure priorities for 2020 and beyond ⁽³⁾ (see inter alia points 3 and 4).

3.9 The main legal basis for implementing a possible regulation is Article 171(1) TFEU. Its provisions are quite unambiguous, as are those of Article 172 regarding co-decision on procedural matters. The important thing is that the current Member State competence for the energy mix is safeguarded. EU competence for trans-European networks is helpful in this context and should be further extended.

3.10 The budget for expanding Europe's energy infrastructure by 2020 is estimated at approximately EUR 210 billion ⁽⁴⁾. Private investment is expected to make up 50 %. The Commission is currently discussing and developing funding instruments to arrive at this share. The proposals for establishing such instruments are being examined by the TEN "Europe 2020 Project Bond Initiative for infrastructure projects" study group ⁽⁵⁾.

3.11 The proposed regulation should enter into force on 1 January 2013. The funding principle for this is part of the EU's planned common financial framework for 2014–2020.

4. The Committee's comments

4.1 Securing an energy supply by means of a modern energy infrastructure is a prerequisite for European society to progress. The EESC therefore welcomes the Commission's proposal. It is an important step in implementing the 2020 energy policy goals.

4.2 The proposed approach steers a middle course between market transparency, necessary regulation and market freedom. This is a positive aspect. At present, regulation of energy markets varies between Member States and conflicts of interest could arise. This is why efforts are being made to align the energy markets in the different countries while respecting national requirements.

4.3 There is an opportunity here for joint, effective action, especially in the proposed plans for common indicators and rules that are to be binding on all parties. Conceptual differences will thus be minimised from the outset.

⁽³⁾ OJ C 259, 2.9.2011, pp. 48-53.

⁽⁴⁾ The Commission's proposal estimates about EUR 140 billion for high voltage electricity transmission systems, storage, and smart grid applications, EUR 70 billion for high-pressure gas transmission pipelines, and EUR 2,5 billion for CO₂ transport infrastructure.

⁽⁵⁾ See EESC Opinion on "Europe 2020 Project Bond Initiative for infrastructure projects" (See page 3 of this Official Journal).

4.4 The goal of building up an energy super-network and – further – creating decentralised smart networks has many beneficial knock-on effects:

- more and better jobs will be created, especially in Europe's peripheral areas;
- a secure energy supply will bolster Europe in global competition as a base for industry and services; this is particularly the case for SMEs;
- the modernisation and expansion of Europe's energy infrastructure will help improve energy efficiency;
- the creation of transnational infrastructure, coupled with a simultaneous expansion of regional networks, could help compensate for current energy shortages;
- the aim of greater competition on energy markets brings with it the opportunity for price stabilisation or even a fall in prices; this might be offset by the fact that in some areas there will be a considerable need for regulation, which can have a detrimental impact on prices; a political assessment process should be launched to work out in what direction to go from here.

4.5 The planned involvement of regional and local authorities should mean that the infrastructure changes they propose are better received. This aspect was particularly highlighted in the CoR's opinion on this subject.

4.6 Network regulation needs redirecting. A way must be found to replace the profit motivation of operators with broader concepts. One key issue here, however, is technical feasibility; others include economic, sustainable and social implementation.

4.7 One important component in a modern energy infrastructure is energy stocks, which have so far mostly involved gas and oil. Energy storage will now be extended to electricity. Generally speaking, the question is whether these are projects of common interest or national plans. As yet, there are no EU rules governing this and there are serious legal concerns. The Commission is therefore urged to put together a proposal that provides legal certainty on energy storage. This must go beyond currently envisaged possibilities for promoting energy storage and take on board all conceivable technical options, such as accumulators, steam technologies, hydrogen and methane. It would also be desirable for funded research projects to run in tandem with implementation.

4.8 Member States that have economic and social councils should consult them and give them an advisory role in planning and implementation.

4.9 National arrangements for workers' participation and involvement in decision-making must be incorporated into regional infrastructure projects. This is a precondition for shaping the social dimension of existing and new jobs in European infrastructure projects.

4.10 In order to ensure smooth implementation, workers in infrastructure projects must have the required skills and receive appropriate further training for these demanding tasks.

4.11 The EU public must be scrupulously informed about impending infrastructure projects. Implementation is impossible without broad public support.

4.12 Infrastructure costs are part of end-user energy prices. In practice, they are passed on to the consumer. There is a danger here that electricity will be placed beyond the reach of some people. The proposal addresses this only in passing. Ideas for averting energy poverty in Europe must also be developed as part of the entire package. One of the decisive issues here will ultimately be the extent to which we are successful in generating competition on the energy markets, which itself can counteract price increases.

4.13 Infrastructure costs will also be optimised if the right kind of energy is generated in the right place. Thus, wind energy

should be generated in windy regions and solar energy in sunny regions. This will optimise not only the generation of energy but also its transportation.

4.14 Industry and SMEs continue to be key players in creating value added in Europe. Here again, a stable energy supply at competitive prices on the global market is an important precondition.

4.15 One issue still to be resolved is the planned building of the CO₂ transportation infrastructure. The pros and cons of this technology are at present under discussion. However, in the medium term, fossil fuels such as oil, gas and coal will remain part of the energy mix in Europe, so flanking measures are therefore needed to kick-start this technology and create the corresponding infrastructure in order to be able to achieve the EU's long-term climate goals. Certainly at the moment there are hardly any pilot projects at all, and it is doubtful whether there will be any between now and 2020, or even thereafter.

4.16 Against this background, the EESC endorses the proposal for a regulation and, subject to the comments made here, supports its swift implementation.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON
