

WindEurope feedback to the inception impact assessment on the revision of the guidelines for trans-European energy infrastructure (TEN-E).

June 2020

WindEurope welcomes the European Commission's feedback period on the inception impact assessment for the revision of the guidelines for trans-European energy infrastructure (TEN-E). Our 8 key recommendations are the following:

Long-term vision

1. **Revise the TEN-E regulation making sure that it is fully in line with the EU's 2030 and 2050 decarbonisation commitments;**
2. **Align the TEN-E revision with a revised Ten-Year Network Development Plan (TYNDP) governance;**

Scope

3. **Include a category for offshore hybrid projects;**
4. **Increase the deployment of smart grids and smart sector integration;**
5. **Ensure the TEN-E revision includes clear eligibility criteria for renewable gases and gas infrastructure repurposing/retrofitting;**

Implementation

6. **Further simplify permitting procedures;**
7. **Ensure ex-post monitoring of selected projects;**

Financing

8. **Align the TEN-E revision with EU financing mechanisms.**

Long-term vision

1. **Revise the TEN-E regulation making sure that it is fully in line with the EU's 2030 and 2050 decarbonisation commitments**

A revised TEN-E regulation will need to reflect the EU's energy and climate targets for 2030 and the 2050 decarbonisation goals outlined in the European Green Deal. Getting energy infrastructure regulation right is crucial to reach the energy transition objectives.

Key elements of the energy transition such as the deployment of renewable energy technologies and grid infrastructures follow long investment cycles and need ambitious long-term investment signals¹.

The priority corridors and areas as well as the eligibility criteria set out in the TEN-E regulation were defined in 2013 with security of supply as the ultimate goal. The approach outlined in the document is no longer in line with the evolution of the energy system over the past years and with the new policy priorities. Sustainability, for example, is currently just one of the criteria which Project of Common Interest (PCI) projects need to meet. In the future, PCI status should only be given to project that score high on sustainability.

Renewables-based electrification is key and the most cost-efficient way to decarbonise Europe's energy system. If EU policymakers make a clear choice for renewables-based electrification, Europe will hold the key to a successful decarbonisation strategy while ensuring it retains its competitive edge in key climate mitigation technologies².

Around 54,400 kms of new high voltage (HV) and extra high voltage (EHV) power lines³ will be needed by 2030 to meet Europe's energy and climate targets according to an aggregated assessment of both the draft list of projects admitted by ENTSO-E in the Ten-Year Network Development Plan (TYNDP) for 2020 and the Grid Development Plans of TSOs all across Europe. Furthermore, an estimated average of 12,000 GW-km/year of additional power lines would be needed to 2050⁴. The overall need for grid capacity would be driven by the total increase of demand from electrification and the need to optimise system operations at regional level.

The new TEN-E regulation should support the development of the infrastructure of the future and allow for more electricity projects to be eligible for Union funding under the Connecting Europe Facility.

2. Align the TEN-E revision with a revised Ten-Year Network Development Plan (TYNDP) governance

Energy Infrastructure needs are currently identified by supply-side stakeholders in electricity and gas – the Transmission System Operators (TSOs).

For a changing energy system, new expertise is required in infrastructure planning. The following elements should be considered:

- The role of a more active demand side, storage and the transformation of distribution systems. The European Commission should support the drafting of a dedicated Ten-Year Network Development Plan (TYNDP) for power distribution to be elaborated by the new EU DSO Entity and to complement the current TYNDP at transmission level. Such mapping process will provide a clear and precise understanding of both the infrastructure and investment needs for Europe's power distribution networks;
- The further and more efficient integration of sectors and networks to harvest the benefits and synergies between sectors.

The European Commission, ACER, NRAs and Members States should ensure a close oversight of the PCI selection process. ENTSOs should proactively consult stakeholders at an early stage notably when assumptions on demand and supply are being defined.

Furthermore, the governance of PCI selection could benefit of the following:

¹ WindEurope (2020). 2030 Climate Target Plan. Response to the Consultation on the inception impact assessment.

² WindEurope (2018). Breaking new ground. Wind energy and the electrification of Europe's energy system.

³ Total route length of HV and EHV cable systems for new power lines to be deployed by 2030

⁴ WindEurope (2018). Breaking new ground. Wind energy and the electrification of Europe's energy system.

- An independent technical expert body which would provide an independent, evidence-based opinion and guidance on energy scenarios;
- A more flexible structure around priority corridors enabling the TEN-E regulation to respond to recent learning. Priority corridors, for example, could be updated regularly in line with recommendations by the independent technical expert body on critical investment needs across the EU;
- Improvements in terms of legitimacy and accountability with a stronger oversight of the Parliament on the final PCI list. Currently the Parliament only has a “yes-or-no” vote on the project list. The parliament should have the possibility to reject specific projects if those fail to meet the overarching long-term goals of sustainability and climate change, without jeopardizing the entire process/PCI list.

Scope

3. Include a category for offshore hybrid projects.

The TEN-E regulation should be fully in line with the EU’s long-term decarbonisation commitment. More types of electricity projects should be included in the regulation and, therefore, be eligible for funding under the Connecting Europe Facility.

Offshore wind hybrid projects combine generation and transmission elements, linking two or more countries and providing a platform for coordination between them⁵. The links between countries mean that power can be used where it is most needed. This makes the energy system more efficient, allowing to trade energy from where it is cheaper, increasing the utilization of the infrastructure and reducing the overall environmental footprint⁶. Today investors are not encouraged to develop wind farms and infrastructure that are ready for meshed grids. Instead, investors compete in auctions at the lowest price, a process that ensures that there will only be a single connection. If this does not change, offshore hybrid projects will remain too risky to be undertaken privately and merchant today.

Annex II of the TEN-E regulation on energy infrastructure categories should include a specific category for ‘hybrid offshore infrastructure’. Ideally it would be defined as offshore electricity infrastructure with dual functionality combining offshore wind energy generation and interconnectors.

4. Increase the deployment of smart grids and smart sector integration

To modernise and digitalise the energy system, smart distribution grids need more investments. Between 2014 and 2019 only 3 smart grid projects have been eligible as PCIs. This is due mainly to very narrow and strict selection criteria. Enhancing smart distribution grids will improve operating efficiency, increase security of supply and prepare the power system for the growing penetration of distributed renewable energy and flexibility sources. Therefore, the revision of the TEN-E should broaden eligibility criteria to the specificities of smaller, decentralised infrastructure projects.

The TEN-E revision should also promote a transversal approach between sectors similarly to other new regulations such as the Connecting Europe Facility featuring stronger synergies with the Trans-European Transport Network (TEN-T). Examples include charging infrastructure solutions for electric vehicles and trucks, district heating and ports.

As for ports specifically, these are growing their businesses to support offshore wind energy in increasingly sophisticated ways contributing to cost reduction and efficiency.

⁵ Roland Berger (2019). Hybrid projects: how to reduce costs and space of offshore developments.

⁶ WindEurope (2019). Our energy, our future. How offshore wind will help Europe go carbon-neutral.

As practices evolve, multi-port strategies mean that cooperation between ports will be stronger than ever. Electrification of port activities, powered by wind energy installed near the port facilities or offshore and electrification of transport such as hydrogen-powered vessels

5. Ensure the TEN-E revision includes clear eligibility criteria for renewable gases and gas infrastructure repurposing/retrofitting

Renewable gases like biogas, biomethane and hydrogen will have a role to play to decarbonise the energy system and they will be key in those harder to abate sectors (e.g. heavy-duty vehicles, some heavy industry processes, shipping, aviation). It is important to broaden eligibility criteria, indicators, thematic areas as well as the energy infrastructure categories to the specificities of smaller, decentralized infrastructure projects. For instance, a new category for hydrogen infrastructure (transport, storage and dedicated production) could be included in the revised regulation.

Repurposing and use of the existing gas infrastructure both for the transport of renewable hydrogen and other renewable gases but also as a storage medium could unlock a cost-efficient pathway towards the upgrading of renewable gases' role in the energy system. But it could also lead to stranded assets if not done carefully.

Implementation

6. Further simplify permitting procedures

In spite of the 'fast-track', permitting procedures granted to PCIs remain complex and lengthy, the average expected duration to complete PCIs is 10.5 years according to ACER, with the shortest duration of less than 3 years and the longest 19 years. In practice, the one-stop-shop solution has not yet proven successful in some Member States due to conflicting pre-existing procedures and/or their specific institutional context as well as to public opposition. In particular, the need for new power infrastructure is often poorly explained to those affected, which fuels resistance. This is why there is need for dedicated policy frameworks for electricity infrastructure deployment which would encourage timely infrastructure deployment, considering all available transmission technologies. Doing so will prevent and reduce delays across the different permitting, planning and construction phases and by involving civil society would facilitate obtaining public support and enhance public acceptance.

So far, for example, only one PCI has been completed in the North Seas, the COBRA Cable. There are 18 more PCI interconnectors in the 2019 list for the North Seas Offshore Grid, but only three considering the connection to offshore wind farms. So, while PCIs may benefit from investment funds and some form of risk hedging provided by the EU, their long lead time would be a nonstarter for most private developers of offshore wind farms and offshore transmission assets

A solution could be to further simplify procedures to decrease the administrative burden for project developers. As PCIs have to undergo the selection process every two years, for example, they risk losing their 'priority' status during implementation as well as losing further financial support. This is especially important for projects in the permitting or even construction phase, so that no additional risks come up⁷.

⁷ Trinomics (2018). Evaluation of the TEN-E regulation and assessing the impacts of alternative policy scenarios.

7. Ensure ex-post monitoring of selected projects

Besides the overall governance architecture, the reviewed TEN-E proposal should set up a clear methodology on ex-post monitoring of selected projects. For instance, electricity projects which get EU funding should be able to demonstrate their contribution to an increased share of renewables integration and reduction of CO2 emissions.

Nevertheless, additional work in the implementation phase should be examined from the perspective of administrative burden. Monitoring and assistance for PCI implementation should be done by an independent body, like ACER. This would allow avoiding potential conflicts of interest⁸.

Financing

8. Align the TEN-E revision with EU financing mechanisms

The European Commission estimates the average investment needed for power grids in the period 2021-2030 is between 60 and 110 billion euros per year⁹. The new TEN-E should, therefore, provide project promoters and Member States with a long-term certainty of what types of energy infrastructure projects are important to financially support in consistency with the existing EU financing tools and future mechanisms supporting decarbonisation in Europe.

For example, following the latest strategic decision on the EIB lending policy, the EU should no longer financially support the deployment of fossil fuel infrastructure. Exemptions could include the retrofitting of such infrastructure if it enables the transport and storage of alternative carbon-free fuels (e.g. renewable hydrogen).

Another example is the new Connecting Europe Facility (CEF) 2021-2027 plans of including a new funding window on cross-border renewable energy projects. The new funding window aims at promoting cooperation between members states through the joint planning, development and cost effective exploitation of renewables and it will represent an additional pot of money to the traditional CEF budget dedicated solely to infrastructure/grids.

These important change in EU funding instruments should be reflected also in the TEN-E regulation revision by broadening its scope to renewable generation as explained in point 3 on offshore hybrid projects which combine both generation and transmission elements.

⁸ Ibid.

⁹ EC long term strategy 2018