



PCI identification process

Latest developments and current state of play

Danube Region Strategy Priority Area 2

10th Steering Group Meeting

Brussels, 19 May 2015

Szolyák Ádám

Internal Market I: Networks and Regional initiatives

DG Energy

European Commission

EU Energy Policy objectives

Competitiveness

Smart infrastructure

Competitive markets

Diversified supply

Energy efficiency

Renewable sources

**Security of
supply**

Sustainability

Revision of the TEN-E policy

Process to identify projects of common European interest, with involvement of all stakeholders



Benefits

Accelerated permit
granting

3.5
years

One
stop
shop

Participa
tion

Improved
Regulatory
treatment

Incentives

Cost
allocation

Financial support

Financial
instru-
ments

Grants

Criteria as proposed in the Guidelines

General criteria

*Contributes to the
implementation of the
infrastructure priorities*

*Economic, social and
environmental viability*

*Involves at least two Member
States:*

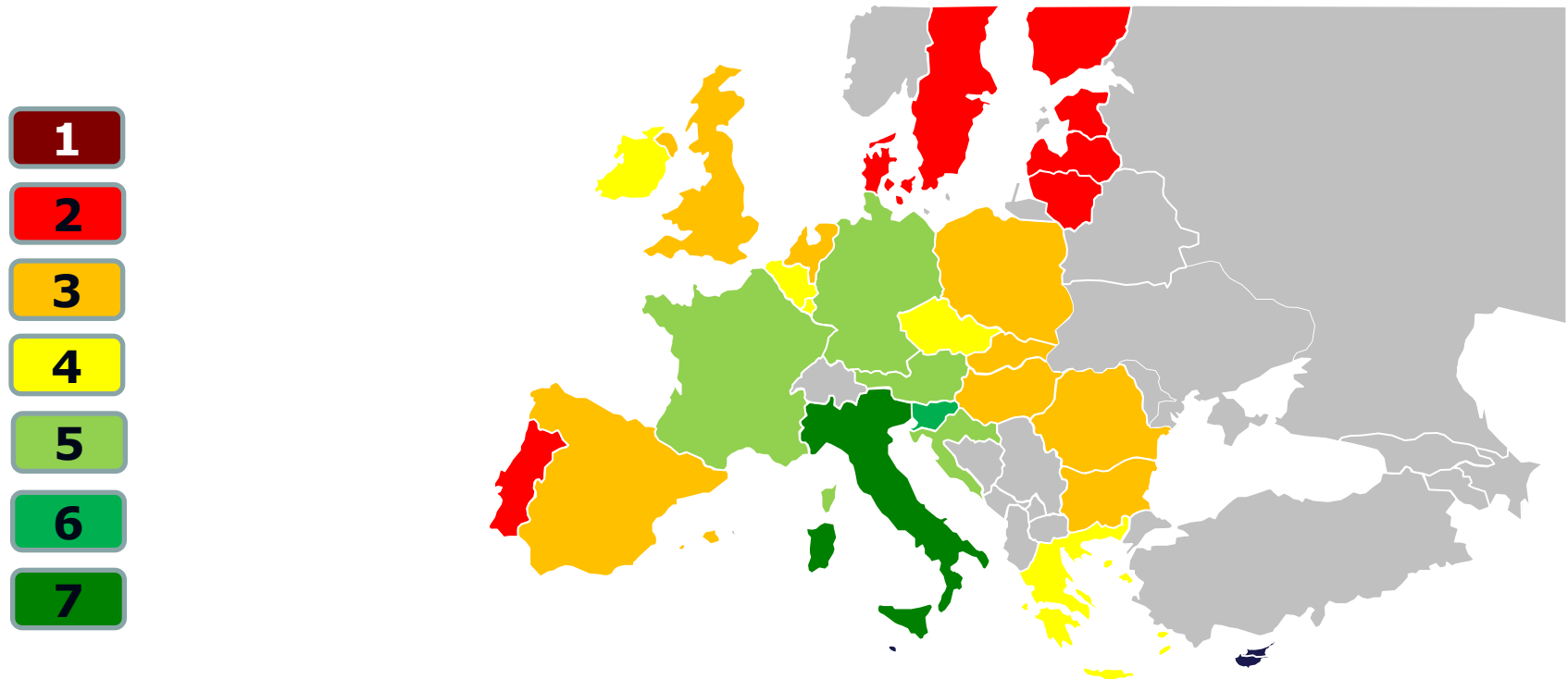
- **Cross-border infrastructures**
- **Infrastructure with significant cross-border impact**

Specific criteria

- **Gas**
 - Urgency
 - Security of supply, diversification
 - Competition
 - Market integration, system flexibility
 - Sustainability
 - Complementarity and territorial cohesion

Source diversification after 1st PCIs – 2022

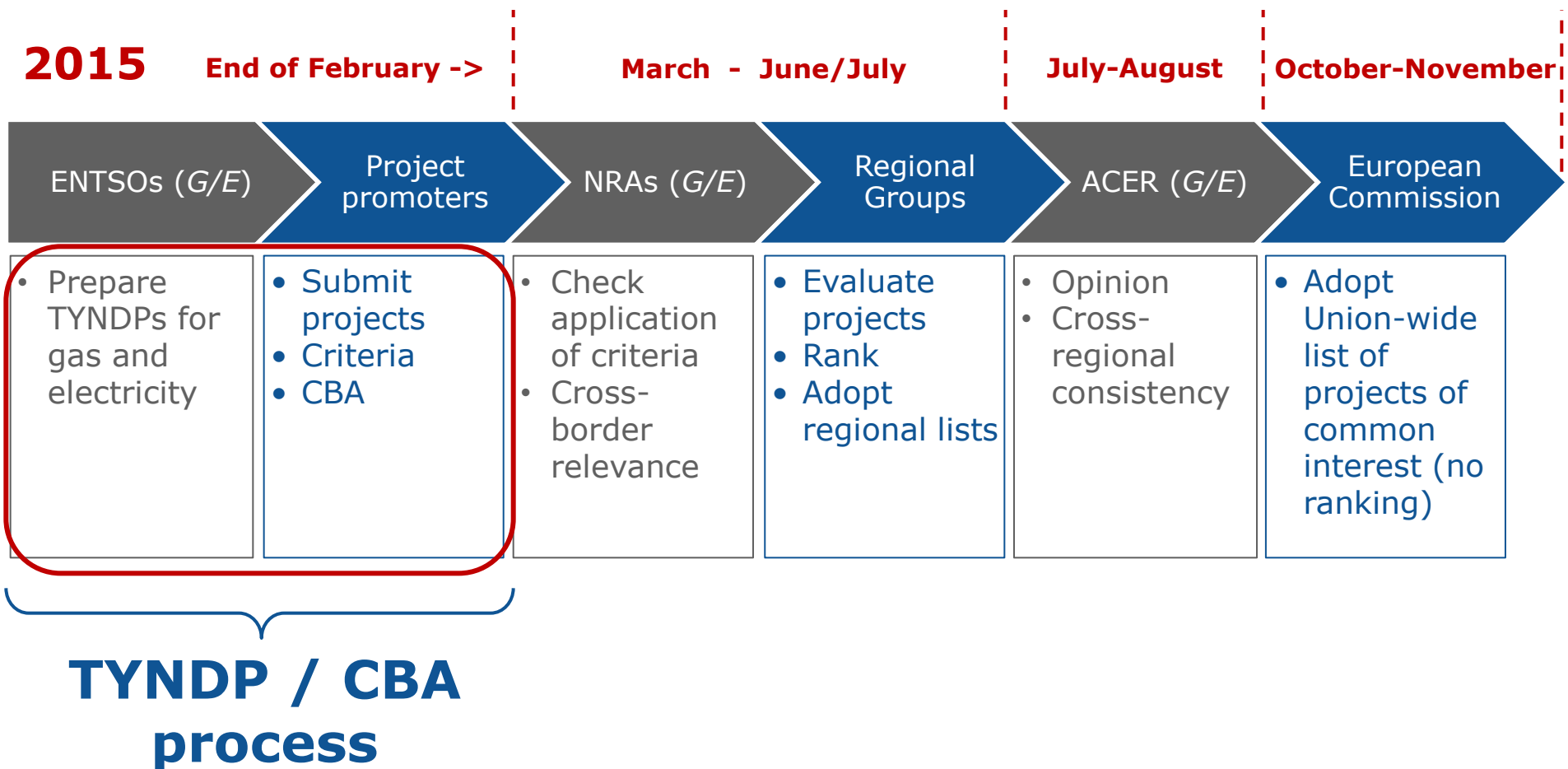
Number of supply sources a country may potentially access to through infrastructure (at least 5% share)



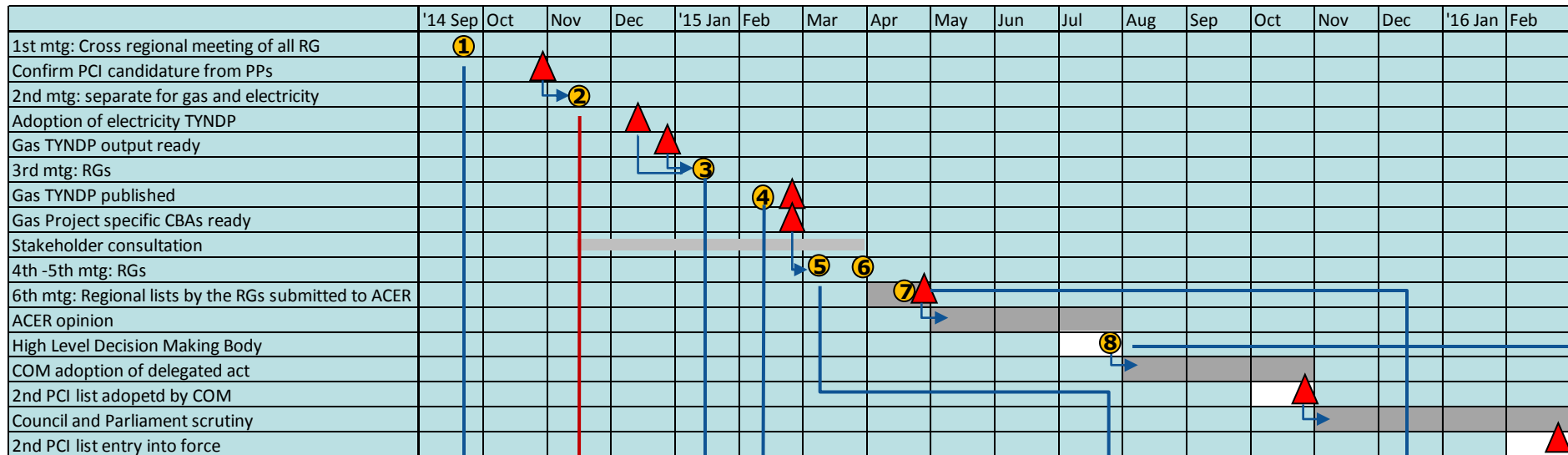
Supply Sources: Azerbaïdjan (new source), Algeria, Lybia, Norway, Russia, National Production, LNG (counts as one source) *do not prejudice any commercial contracts*

Source: ENTSO-G TYNDP 2013, European Commission

Process to identify projects of common interest



2nd round of PCI evaluation: PCI list 2015



1st mtg:

Objective: Launch the 2nd PCI process

2nd mtg:

Objective: PCI candidates and methodology

3rd & 4th mtg:

Objective: Methodology. System wide assessment

5th & 6th mtg:

Objective: Assessment

7th mtg:

Objective: Agree regional lists

8th mtg:

Objective: High Level DMB to approve PCI list

We are here

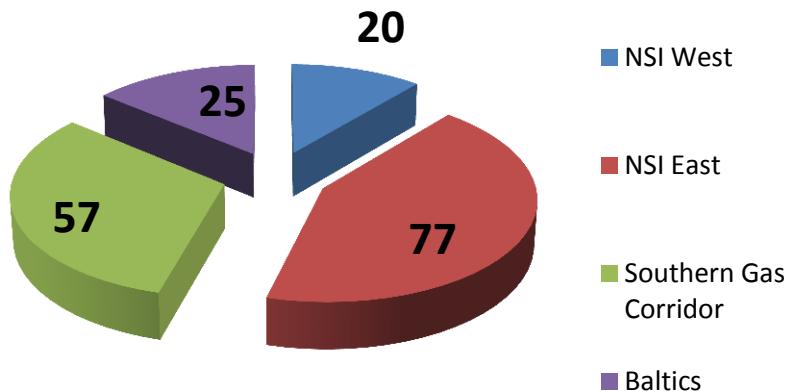
NSI East gas and Southern Gas Corridor



179* PCI candidates have been submitted

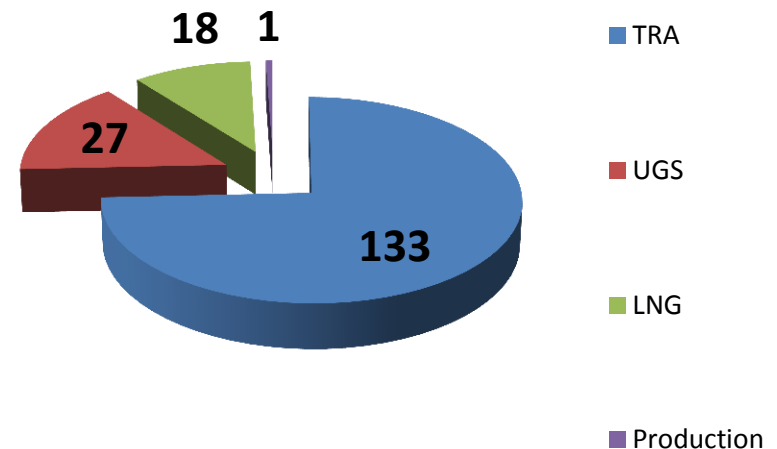
*Based on TYNDP project codes: it also includes separate applications for the same project

Submitted projects by priority corridor



Total: 179

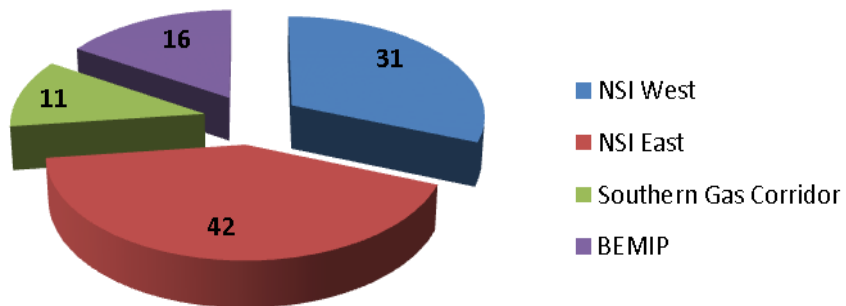
Applicants by Project Type



Total: 179

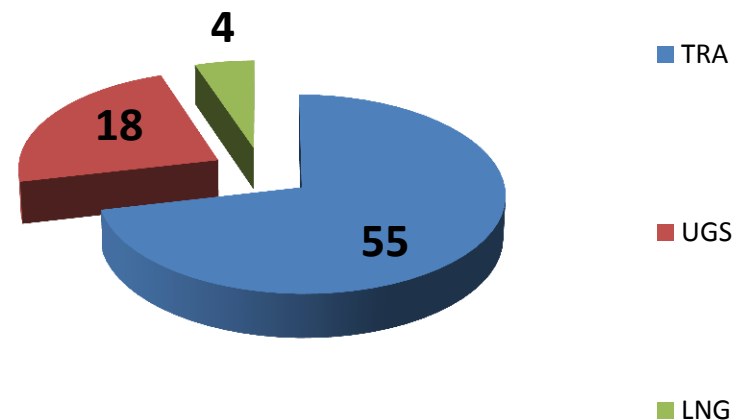
70 projects submitted for the NSI East gas – 42 groups

PCI candidates assessed per region (projects and clusters)



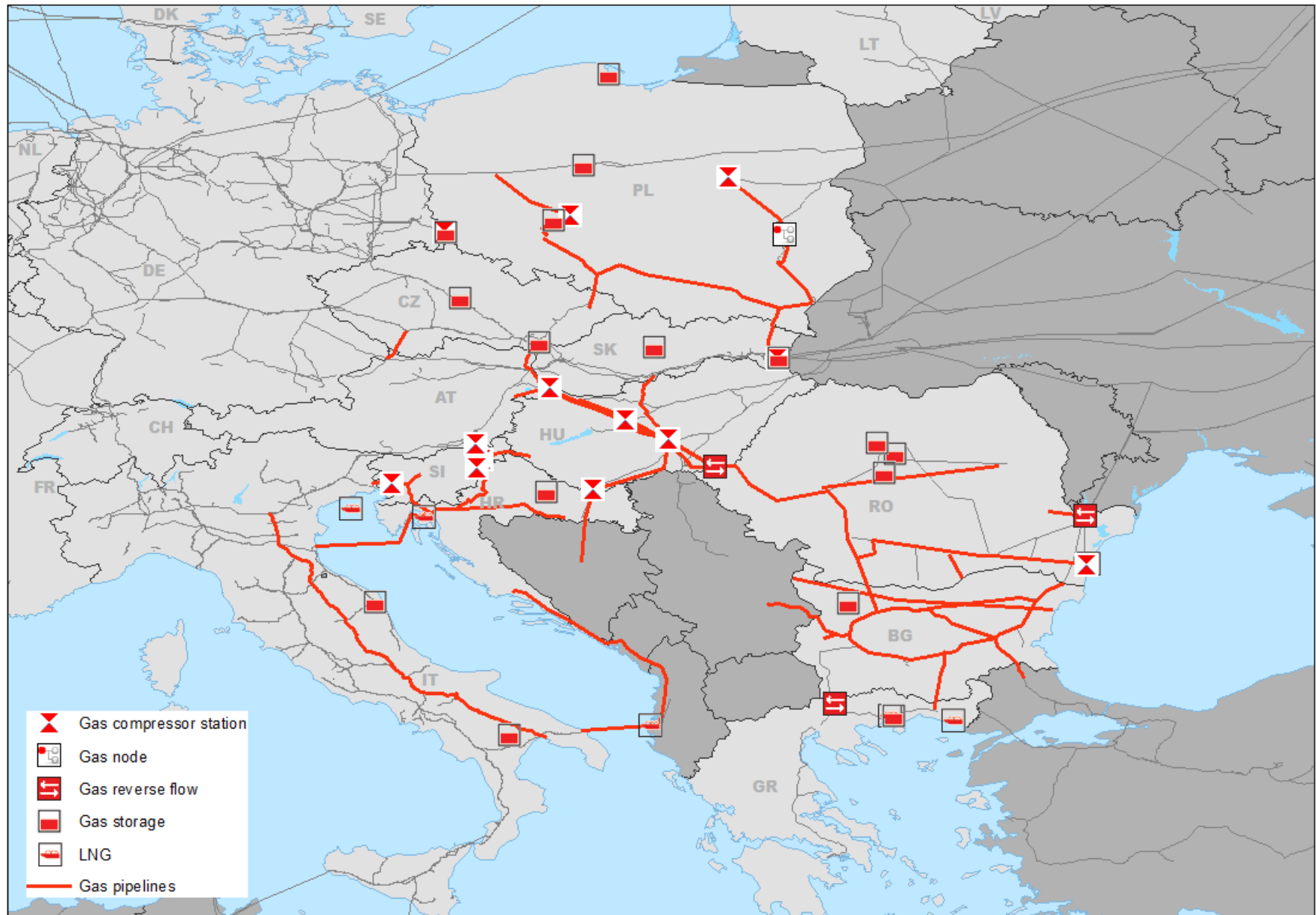
Total: 99

Applicants by Project Type (NSI East)



Total: 77

Candidate PCIs in the Danube region



Evaluation approach

Projects grouped into meaningful units

- Individual project
 - 'Mirror' projects:
 - *Two sides of the interconnector*
 - *e.g. interconnector + "enabler" project*
 - Project cluster – if strong interdependency and regional group so requests
- **Expert support to the Regional Groups: JRC**
 - Define and apply an evaluation approach: how to consider the complexity of results, qualitative assessment, etc.
 - How to evaluate non-mature projects

NRAs role: check consistency

Next steps in the PCI evaluation process

- **MS approval is required for the proposed projects on their territory**

- **Assessment of eligibility:**

Project should fall under the energy infrastructure categories set out in Annex II of the TEN-E Regulation

Etc

- **Evaluation based on JRC methodology**
- **Ranking**



Central East South Europe Connectivity - CESEC

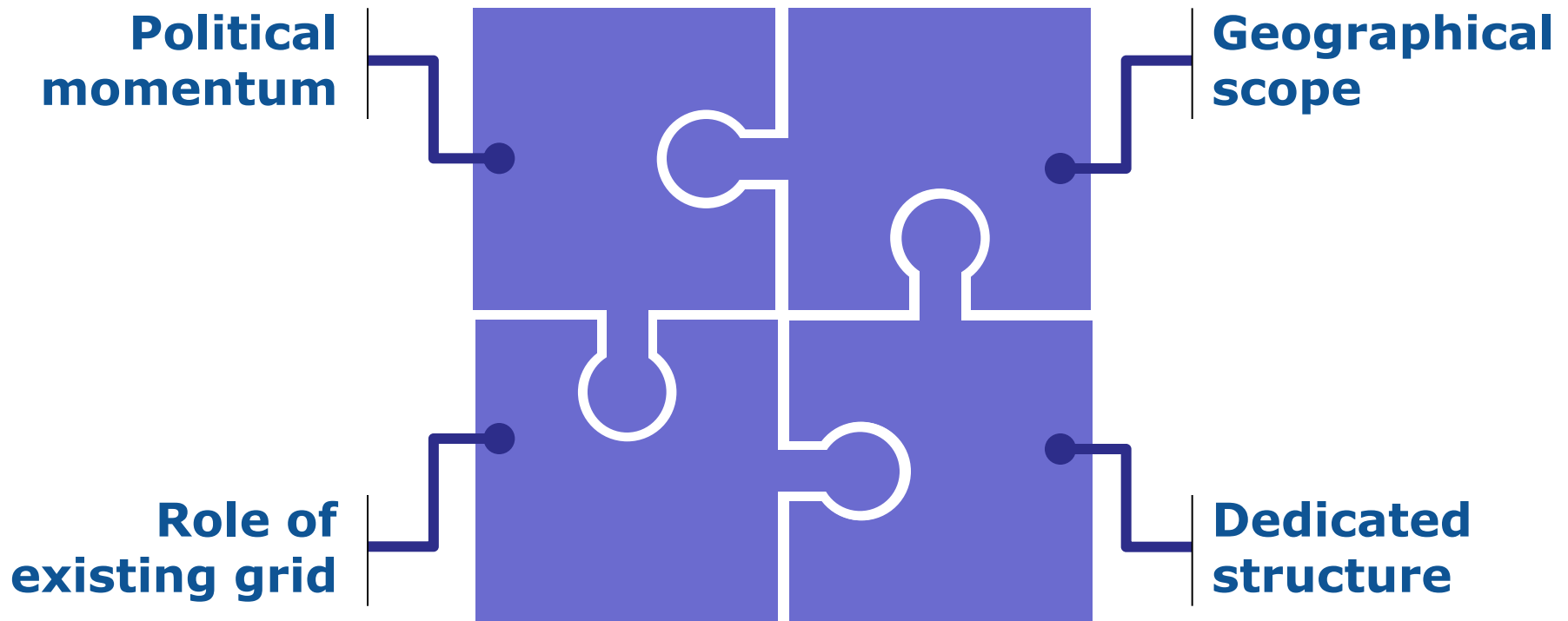
An Overall Plan

CESEC – Background

Gas market in Central East South Europe:

- Despite the progress that has been achieved over the last decade the supply diversification and the integration of national markets is far from being satisfactory
- Plans for major infrastructure trunk lines have raised expectations and led to disappointments
- Uncertainties around the delivery patterns and role of different gas sources
- Need to have a regional approach for the development of an integrated system based on the improvement of the existing network and the key missing links delivering benefits in all supply scenario

CESEC – Added Value of the HLG



CESEC – Terms of Reference

Objectives

- Identify and commit to a limited number of priority infrastructure projects beneficial whatever the gas supply scenario
- Determine all issues impeding the rapid development and/or completion of these infrastructures and the ones preventing the optimal use of the existing network
- Prepare an Action Plan detailing the measures to address the abovementioned issues

Organization

- HLG established in the framework of the Regional Group NSI East under the TEN-E guidelines (Regulation 347/2013)
- Chaired by the European Commission and composed of representatives of the competent Ministries from AT, BG, HR, EL, HU, IT, RO, SI, SK
- Participation of Contracting Parties of the Energy Community Treaty

Structure

- Steering Group at Ministerial level and high level senior officials level
- Three Technical Sub-Groups along three bi-directional gas flow corridors:
 - (1) South-East: between the Aegean and Ionian Seas and Ukraine
 - (2) Central-East: between the Black Sea and Central Europe
 - (3) Adriatic: between the Adriatic Sea and Ukraine

CESEC – Technical Sub-Groups

South-East



Connecting the Aegean and
Ionian Seas to Ukraine

Central-East



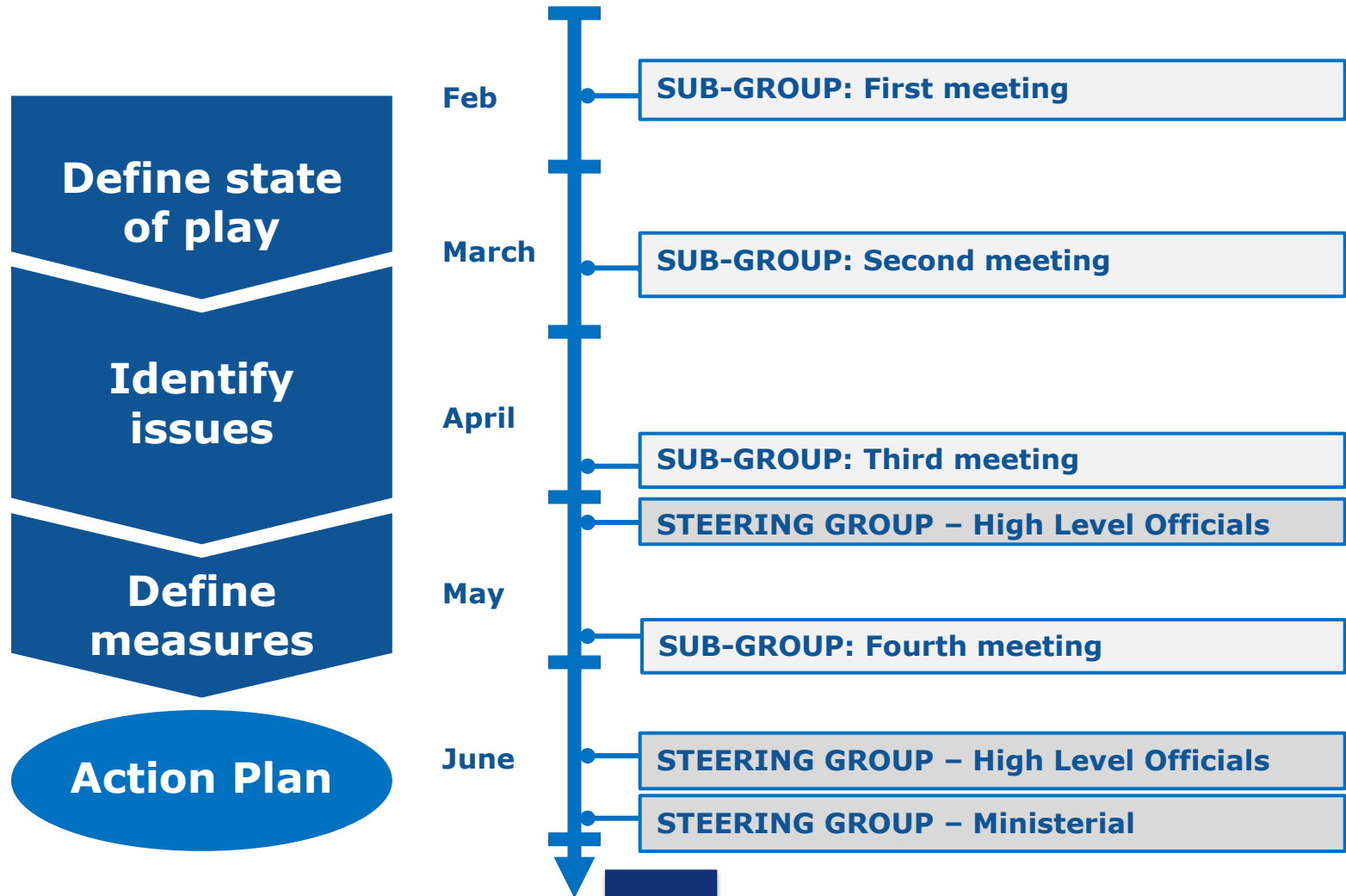
Connecting the Black Sea to
Central Europe

Adriatic



Connecting the Adriatic Sea to
Ukraine

CESEC – Steps towards the elaboration of an Action Plan



CESEC – Definition of the State of Play

Demand & National prod.

- ENTSO-G figures included in the TYNDP
- Covers EU Member States and some Contracting Parties to the Energy Community
- Sufficient time perspective (2024)

Supply

- ENTSO-G figures in the TYNDP
- Need to include supply routes
- Need to consider alternative supply patterns

Infrastructures modelling

- ENTSO-G
- JRC

CESEC – Key infrastructures delivering diversification and competition benefits in all supply scenario

- Very limited number of projects
- PCI, PEI, EEPs as a basis
- Assessment of contribution to diversification (3 sources) and market integration
- Corresponding indicators from CBA results



European Fund for Strategic Investment

an opportunity for energy



Juncker Investment Plan Plan for Growth & Jobs

€315bn additional investment over 2015-2017

Pillar 1 A new **European Fund** for Strategic Investments

Focus on strategic infrastructures: Energy networks, RES, EE, SMEs/Midcaps, RDI, broadband, education, transport...

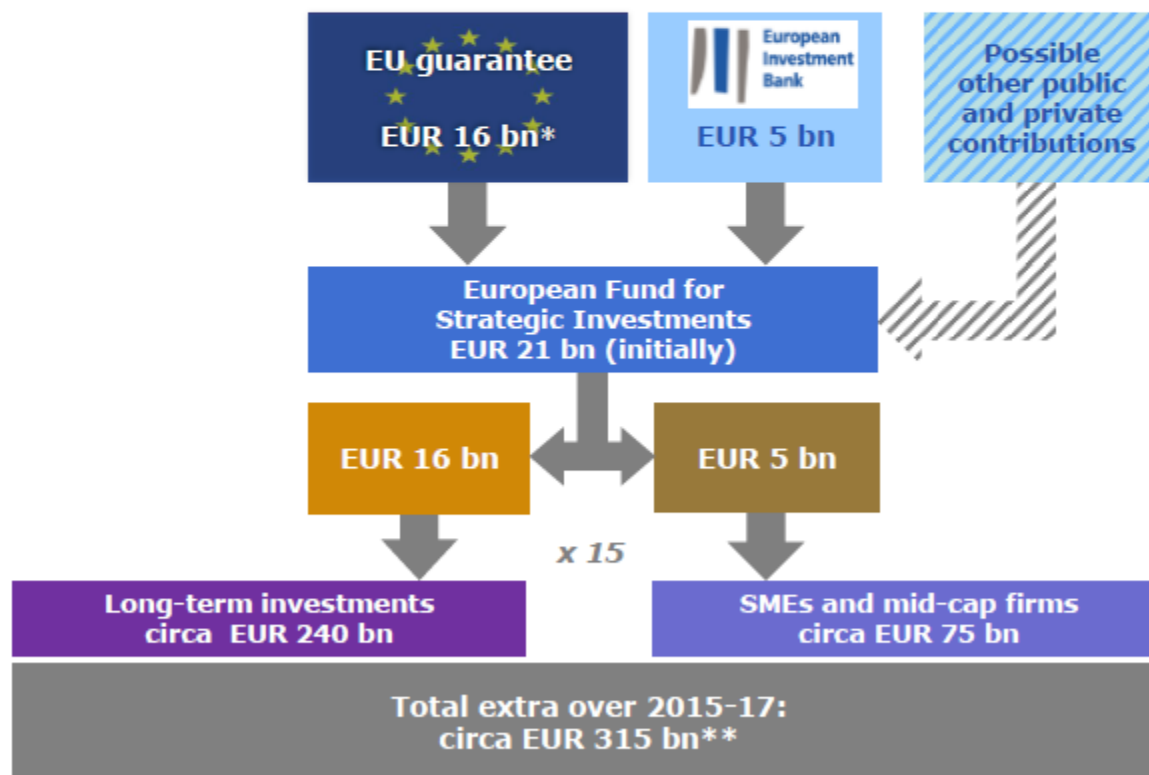
Pillar 2 A **credible & transparent project pipeline**

- *alignement with EU policies, economic viability, start next 3y*

Pillar 3 A Roadmap to **remove regulatory bottlenecks** (e.g. EU Semester exercise)

European Fund for Strategic Investment

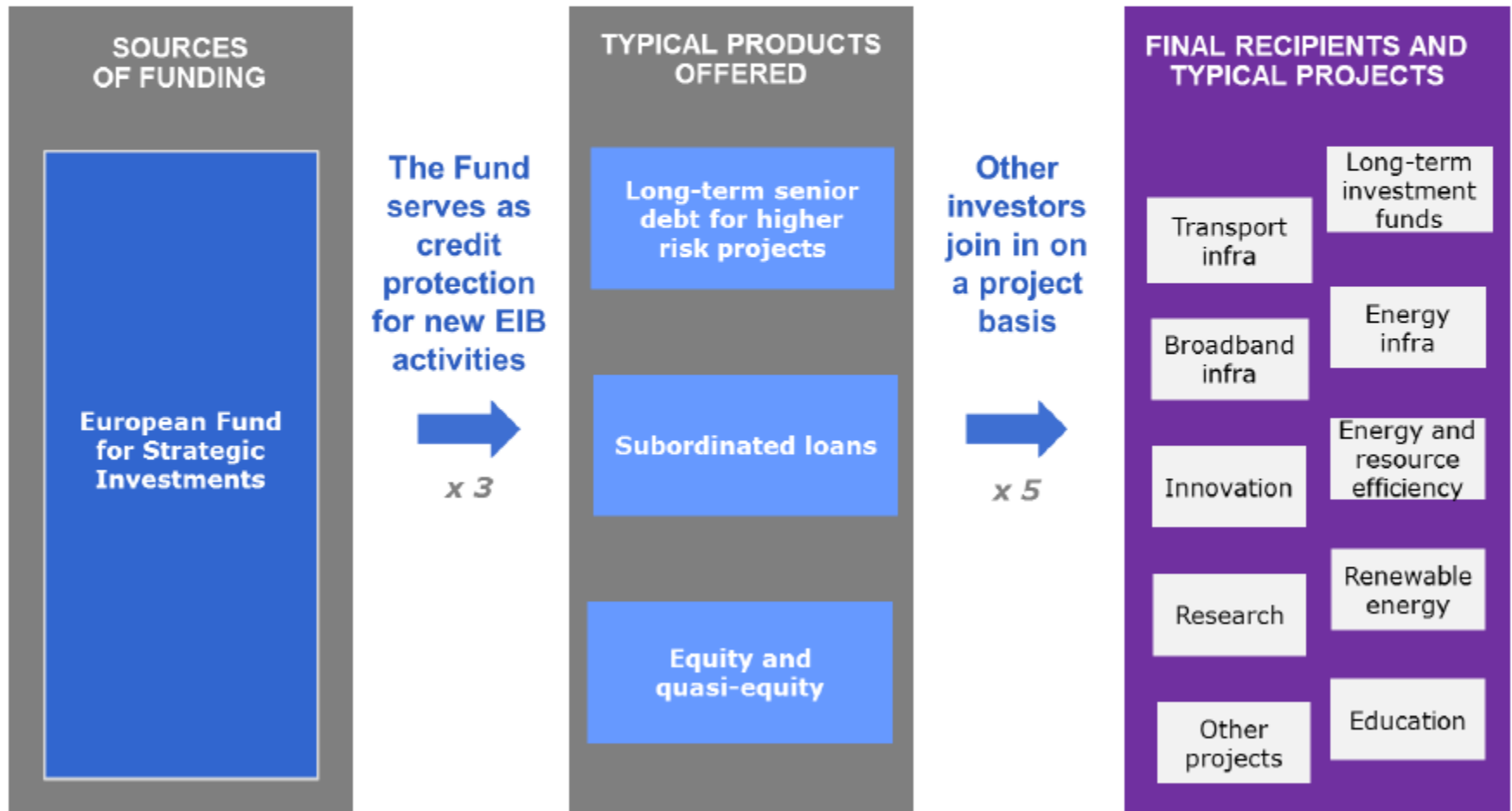
The mechanics



* 50% guarantee = EUR 8 bn from Connecting Europe Facility (3.3), Horizon 2020 (2.7) and budget margin (2)

** Net of the initial EU contributions used as guarantee: EUR 307 bn

Long-term investments



EUR 1 of public contribution => circa EUR 3 of financing => circa EUR 15 of total investment

EFSI key aspects

Leverage EU -> EIB - > total financing

- **Crowd-in NPBs and Private sector**
- **Risk-taking**

Operations with a **higher risk profile** than covered by existing instruments (incl. CEF DEBT)

= subordinated (riskier) tranches of projects

= projects/project promoters considered less creditworthy

Additionality

- **vs market**
- **vs EIB current activity and EU instruments (e.g. CEF DEBT)**

Governance

- **Independence**
- **Project selection criteria**

Speed of implementation

Financing of EFSI

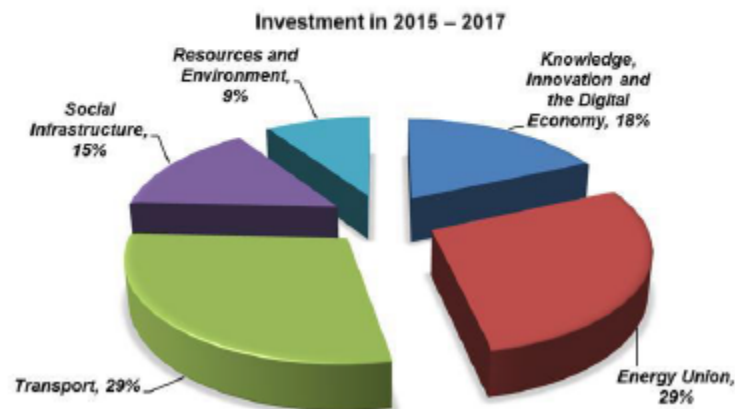
- **EFSI supported by a €16bn guarantee from the EU budget**
 - 50% of the guarantee provisioned in the EU budget
 - These are taken from CEF (€3.3bn), Horizon 2020 (€2.7bn) and unallocated margins (€2.0bn)
- **CEF contribution to EFSI: €3.3bn**
 - Energy: **€0.5bn** out of 5.85bn (8.55%)
 - Transport: €2.7bn out of €26.2bn (10.31%)
 - Telecom: €0.1bn out of €1.1bn (9.09%)

Easing the impact on grants

- EFSI contributions follow pattern of back-loading of CEF
- Smart design of the multi-annual work programmes

EFSI – a true opportunity for energy

- No earmarking for energy, but 29% of the €500bn of mature investments identified by the EIB/EC Task Force are in the energy sector
- [2,000 projects were identified in total = €1,300 billion]
- SPECIAL TASK FORCE (MEMBER STATES, COMMISSION, EIB) ON INVESTMENT IN THE EU FINAL TASK FORCE REPORT
- *Explicit mandate for energy interconnectors*





EFSI – a true opportunity for energy

- Adequately equipped **technical assistance HUB** (second pillar)
 - Upstream involvement -> Better structured projects (easier&cheaper to finance)
 - Avoiding delays
- Transparent **project pipeline** – increasing supply of capital to investment in the EU (second pillar)
- **EFSI Regulation still under negotiations but EIB's door already open (*warehousing*)**



European
Commission



Energy