BUSINESSEUROPE

INFORMATION NOTE

9 May 2012

EUROPEAN ENERGY INFRASTRUCTURE: THE CRUCIAL ISSUE OF FINANCING

EU energy infrastructure package

Energy infrastructure investment has evolved as a common focus of energy policies proposed for the European Union. Several initiatives launched aiming to improve energy security, meet growing demand, or address sustainability and transform the structure of energy systems all anticipate major infrastructure investment.

On 19 October, the European Commission unveiled the regulation proposal "Guidelines for trans-European energy infrastructure" which aims to facilitate investments in energy infrastructures, as investments currently can be hampered by overly long permit-granting procedures and by a lack of commercial attractiveness.

The Commission proposes to select a number of "projects of common interest" that are of significant importance to achieve the EU climate and energy goals and that contribute to implementing some already identified priority corridors (e.g. North-South electricity interconnections) and thematic areas (e.g. electricity highways).

Required trans-European investments, obtaining the labeling as "projects of common interest" would benefit from a "fast track" permit-granting procedure and each Member State would be obliged to designate a single competent authority responsible – "a one stop shop" – for the completion of the entire permit-granting process. As proposed by the Commission, the whole permit-granting procedure should not exceed 3 years.

Moreover, "projects of common interest" would also be eligible for EU funding, whether in the form of grants, project bonds or guarantees. The Commission proposes to earmark € 9.1 billion in the period 2014-2020 under the "Connecting Europe Facility" (CEF) to finance energy infrastructures.

Well-functioning cross-border infrastructure is a key for Europe's competitiveness. BUSINESSUROPE has repeatedly asked for further action in this area and therefore welcomes the Connecting Europe Facility proposal from the Commission in respect of a balanced approach towards all three sectors concerned: transport, telecommunications and energy.

Financing the required investments in European energy infrastructure

The Commission estimates that Europe's energy system requires investments of about one trillion by 2020, out of which € 200 billion would be needed for electricity and gas networks alone: € 140 billion for high-voltage electricity transmission systems, storage and smart grid applications, € 70 billion for gas pipelines, storage, Liquefied Natural Gas (LNG) terminals and reverse flow infrastructure and € 2.5 billion for carbon dioxide transport infrastructure.

The energy infrastructure sector requires substantial investments but current trends suggest a significant risk of under-investment. Long project lead times and high investment costs seem to hamper the materialisation of urgently needed generation, transmission and distribution infrastructure projects.

Effective action on EU-level appears to be necessary for the provision of sufficient energy infrastructure, requesting for a long-term economic approach to transmission planning and funding in order to improve the security of the energy supply to and within the EU and to increase competition in the Union's energy markets. In order to achieve all the objectives of the Union, it is of crucial importance that public budgets at EU and national levels achieve leverage on private funding on a large scale. A well designed financial instruments developed by the Commission in coordination with the European Investment Bank (EIB) (e.g. EU project guarantees) can respond to the needs of companies, enhance the performance of projects and stimulate the will to thrive, reducing dependency on EU grants. The ultimate goal of any instrument should target to facilitate the development of the private market, making public support unnecessary.

Indeed, further developing the Tran-European Networks, building up missing links and removing bottlenecks to its infrastructure is of fundamental importance. It can improve the EU's overall competitiveness and provide a valuable contribution to achieving Europe 2020 and funding long term projects.

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