

POSITION PAPER

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Delivering the Green Deal: the role of energy infrastructure

The European Green Deal aims to make Europe the first climate-neutral continent by 2050. That means a future energy system that is more electric, more sector-coupled, more renewable-based and energy efficient, significantly more local but interconnected and digitally enabled. A key to delivering such a power system will be a modern, future-proof, secure and smart energy infrastructure. Europe's technology industries, represented by Orgalim, provide innovative technologies for the generation, transmission, distribution and end use of energy. At the same time, our industries rely on continuous energy supply for their manufacturing activities in the European Union, which provide innovative jobs for more than 11 million Europeans. Orgalim is particularly committed to contribute to evolving, upgrading, interconnecting and an overall modernising of Europe's energy infrastructure to ensure reliable access to affordable, secure, safe and sustainable energy for all Europeans and to set a global energy technology leadership standard.

In November 2018, the European Commission published eight energy scenarios for 2050¹, outlining different emission-cutting pathways to make Europe's economy compliant with the Paris Agreement. The scenarios include average annual investments in the power grid of €80 billion to €110 billion between 2031 and 2050.

The push for clean energy depends on sustainable investment from both the public and private sectors. The Trans-European Networks for Energy (TEN-E) regulation, the Connecting Europe Facility and the system of network fees and charges are three key elements to unlock the necessary investments. Grid investments are for the long-term and should therefore also be considered as such. Rather than focusing on short-term return on investment parameters, it should consider the cost of an electricity network that is not future-proof.

We welcome the revision of the TEN-E regulation as an opportunity to make the regulatory framework fit for purpose to support the ongoing fundamental clean energy and digital transformations. The TEN-E regulation sets the infrastructure priorities for the EU via the identification of Projects of Common Interest

¹ COM (2018) 773 final

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(PCIs), but it does not consider the Paris Agreement, the Clean Energy Package and EU 2050 climate neutrality strategy - significant political and policy developments that have happened since its adoption.

The TEN-E regulation mainly focuses on transmission projects, which are necessary but do not sufficiently depict the entirety of the future energy system. Innovative electricity infrastructure is needed at both transmission and distribution level as energy transition is mainly taking place at the distribution level where 90-95% of renewable energy sources are, and most likely will continue to be, connected. However, the scale and scope requirements for smart grids in Annex IV of the TEN-E regulation make it very difficult for these projects to be eligible. This is well illustrated by the fourth PCI list which contains 149 projects, among which there are only six smart grid deployment projects, with the *Smart Border Initiative* project being at the distribution level – the first and only one of its kind since 2013.

The Commission should identify the right legislative instrument to further promote the simultaneous deployment of more smart distribution grids, preferably through the adoption of a new distribution gridspecific legislative proposal, which addresses the current shortcomings of the TEN-E regulation in this area and its insufficient focus on the combined deployment of smart grids, renewables and energy efficiency. For a successful Clean Energy Package implementation and to ensure consistency with Europe’s climate neutrality objective and the Green Deal ambition, we recommend addressing the following shortcomings of the TEN-E regulation:

- Reviewing the **eligibility criteria for smart grids projects**: the threshold of 10kV and the current “cross border impact” criterion remain important barriers for more smart grid projects at distribution level;
- Making the **energy efficiency first** principle a priority for the selection of PCIs;
- Setting up a Union-wide **distribution network development plan** to complement the existing Ten-Year Network Development Plan (TYNDP) for transmission level. Such a plan should:
 - set out planned investments for the medium term;
 - focus on the infrastructure required to connect distributed generation and new loads, including recharging points for electric vehicles;
 - provide transparency on the flexibility services needed;
 - include the use of demand response, energy efficiency, and energy storage facilities as an alternative to system expansion.

The revision process of the TEN-E regulation should result in support for investments in projects serving the sustainable expansion and modernisation of both transmission and distribution networks. Europe enjoys the benefits of a reliable energy infrastructure. A modern, smart, efficient and connected infrastructure is the backbone of the green and digital transformations that Europe has embarked on – and as such the TEN-E regulation revision will be essential for successfully implementing the Clean Energy Package, the Energy Union, the EU’s 2050 long-term strategy and the Paris Agreement. Europe’s technology industries stand ready to play their part.

For more information, please contact:

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