

Brussels, 4 September 2017

COMMENTS ON THE EVALUATION OF REGULATION 347/2013 ON TRANS-EUROPEAN ENERGY INFRASTRUCTURE (“TEN-E”)

Executive Summary

The European Engineering Industries which Orgalime represents as a whole, are key technology providers for the generation, transmission, distribution and use of energy and energy related products, but also significant energy users, thus are particularly committed to contribute to upgrading and modernising energy infrastructure in Europe.

We support the Commission’s view that infrastructure is the backbone of the European Energy Union but emphasise that electricity infrastructures in both, **transmission and distribution** are needed for a successful implementation of the Clean Energy Package, Energy Union, EU 2030 Energy and Climate Framework, and the Paris Agreement.

The modernisation of Europe’s energy infrastructure, in particular the electricity networks **at all voltage levels**, is a prerequisite to deliver the EU’s 2020 and 2030 energy and climate targets. It is especially in low and medium voltage distribution grids where most of the benefits of smart grids will arise for consumers. However, the Trans-European Networks (TEN-E) Regulation falls short in tapping into this today: **only three Smart Grid PCIs are on the second Union PCI list**. There is therefore a clear need for improvement on this in the light of the Clean Energy Package, which we widely support.

The second area of improvement in TEN-E Regulation, in our view, is the identification of **more innovative projects of common interest** in the spirit of the TEN-E Regulation. **Sustainability and energy efficiency** should be binding parameters in selecting PCIs and actions considering their positive direct and indirect benefits in terms of energy savings, emission reduction, industrial competitiveness, EU job creation, energy security, overall health and well-being.

European technologies are available and ready for use – now is the time to exploit them and bring their benefits to European citizens, its economy, wider society and environment. We are committed to work together with all other actors and stakeholders in the interest of achieving smart, sustainable, cost-efficient and inclusive growth solutions.

1. RELEVANCE AND COHERENCE

A major increase in the scale and pace of investment is needed in electricity interconnections and highways to cost-efficiently reach the renewable energy sources (RES) targets and enable market integration and, in the area of gas, interconnections and corridor reinforcements to enhance diversification and security of gas supply. Nevertheless, an even greater increase in the scale and pace of **investment is necessary in smart (distribution) grids to reach the EU’s energy and climate targets in a cost-efficient manner.**

Orgalime, the European Engineering Industries Association, speaks for 41 trade federations representing the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs nearly 11 million people in the EU and in 2016 accounted for some €2,000 billion of output. The industry represents over a quarter of the output of manufactured products and over a third of the manufactured exports of the European Union.

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We would like to point out several inconsistencies with the objectives of the TEN-E Regulation and the proposals from the Clean Energy for all Europeans package:

- An increased **RES target** will require smart grids, and smart distribution grids in particular, as 90-95% are coming onto the grid at that level. The TEN-E is not focused today on effectively promoting smart distribution grids. As a consequence, more focus needs to be given on the combined deployment of smart grids, renewables and energy efficiency to implement the Clean Energy Package and its objectives.
- As far as concerns **market design**, the Clean Energy Package promotes smart grids at the distribution level with empowered consumers. The present TEN-E Regulation however falls short in Smart Grid PCIs. In our view, the threshold of 10kV of Annex IV.1(e) of the TEN-E (in combination with Article 4.1.c(iii) and Annex II.1.(e)) is one reason why the TEN-E is not the best mechanism to support smart grids projects across Europe today.
- **Energy efficiency** has not been considered when selecting PCIs and corresponding actions. In compliance with the “energy efficiency first” principle, also oil/gas pipelines should be conceived in a way that they are modern, climate-friendly and rely on the most efficient technologies. As the energy infrastructure once built stays for the decades to come, it is important to ensure that EU public funding is spent in the most effective way.
- On governance proposals, Member States’ National Energy and Climate Plans include TEN-E relevant aspects and thus should also be considering TEN-E needs to further work towards the implementation of the Clean Energy Package.

2. EFFECTIVENESS

Regarding electricity and gas network planning in relation to PCIs, Orgalime agrees that the TYNDP is a good starting point for planning trans-European infrastructure, however the PCI selection process and actions take too long and are not aligned with investment timing. This discourages potential stakeholders from submitting interesting proposals for actions on studies and works. Also, the TYNDP is focused on the transmission level.

Stakeholder involvement, including technology manufacturers, is important to support the identification and assessment of project proposals and to ensure the identification and selection process of PCIs is based on informed decisions about technological innovation capabilities. In our view, Annex III.5 of the TEN-E Regulation should be used for that purpose. For example, project promoters, national and EU decision makers and technology suppliers should be convened to exchange on best available technologies. “Technology manufacturers” should be explicitly mentioned in Annex III.5 of the TEN-E Regulation. Indeed, it is technology that will be the driver for change in what is a very conservative sector.

We want to point out that the current, second Union PCI list includes 195 energy infrastructure projects, among which there are 3 smart grid projects only. Out of these 3 projects, 2 have already been included in the first Union list of 2013. Such a low number of smart grid projects is in our view due to the inappropriate criteria. From our point of view, the following existing criteria require modification:

the threshold of 10 kV or more and the cross-border impact. The scope of eligible projects should be extended to all levels of voltage, including low voltage, as most of benefits can presently be achieved in low voltage networks, where the highest numbers of consumers and small power generation facilities connect.

3. FUTURE OPTIONS FOR TEN-E

Infrastructure, in Orgalime's view, is the backbone of the European Energy Union but we emphasise that for electricity infrastructure in both, **transmission and distribution** are needed for a successful implementation of the Energy Union, EU 2030 Energy and Climate Framework and the Paris Agreement.

The modernisation of Europe's energy infrastructure, in particular, the electricity networks **at all voltage levels**, is a prerequisite to deliver the EU's 2020 and 2030 energy and climate targets. It is especially in the area of low and medium voltage distribution grids where most of the benefits of smart grids will arise for consumers. The TEN-E Regulation must be designed to tap into this potential as of now.

Moreover, the methodology to assess the sustainability criteria in the cost-benefit analysis for selecting PCIs and corresponding actions should be clearly defined and communicated in a transparent way. Sustainability and energy efficiency have to be binding parameters in selecting PCIs and actions in the light of their positive direct and indirect benefits in terms of: energy savings, emission reduction, industrial competitiveness, EU job creation, energy security, overall health and well-being.

Finally, in our view, sustainability and energy efficiency should be promoted through:

- Consistently requiring and implementing the criteria of sustainability and energy efficiency throughout Article 4 and Annex IV of the TEN-E Regulation: making sustainable and energy efficiency measures a priority for the selection of PCIs and implementation of actions.
- Closing the gap in the area of smart grids PCIs: The present TEN-E Regulation falls short in Smart Grid PCIs. In our view, the threshold of 10kV of Annex IV.1(e) of the TEN-E (in combination with Article 4.1.c(iii) and Annex II.1.(e) is one reason why the TEN-E is not the best mechanism to support smart grids projects across Europe today. This shortcoming should be removed.
- Explicitly including energy efficiency measures, i.e. waste heat recovery to power generation, among the energy infrastructure categories concerning gas listed in Annex II of the TEN-E Regulation.
- Promoting the need of mutually reinforcing and modernised infrastructures at both – transmission and distribution level, also in the ongoing work on the implementation of the new 15% interconnection target and its follow up.
- Focusing the modernisation of Europe's energy infrastructure, in particular, the electricity networks at all voltage levels: Regarding electricity and gas network planning in relation to PCIs, Orgalime agrees that the TYNDP is a good starting point for planning trans-European infrastructure, however improving the PCI selection process and actions should be envisaged to better align it with investment timing. Also, the TYNDP to date remains limited to the transmission level while most future challenges will occur at the level of the distribution grid. The current investment gap at distribution level should be closed.
- Including the term "technology manufacturers" explicitly in Annex III.5 of the TEN-E Regulation.

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