

Committee on Industry, Research and Energy

Thursday 17 October 2019, 9.00 – 12.30

Exchange of views with the Commission on the preparation
of the delegated act setting the Union list of Projects of Common Interest (PCI)

Summary: DDG Borchardt presented the 4th PCI list and policy context to the ITRE committee. The members welcomed the Commission's availability but there were nonetheless a number of MEPs (notably from S&D, Greens, GUE) who were critical of what they perceived as insufficient involvement of the EP in the PCI process and decision-making. The Greens, S&D and RE and also some others were also favouring a further shift away from fossil fuel (and in particular gas) assets and did not find the reduction in the number of gas PCIs sufficient. EPC and EPP members from Central and Eastern European countries in particular emphasized the importance of security of supply and the central role of gas as a transition fuel and enabler for more renewables. There were calls for the climate assessment of gas PCI projects (Mr Petersen, RE/DK) and to prove their compatibility with the Green Deal priorities.

1. OPENING THE DISCUSSION BY THE CHAIR: ADINA-IOANA VĂLEAN (EPP/RO)

Introduced the PCIs and briefly described the procedure for adoption of the delegated act. Explained that this is the first exchange focusing on the state of play of the preparation in view of adoption by the Commission.

2. INTRODUCTION FROM KLAUS-DIETER BORCHARDT, DEPUTY DIRECTOR-GENERAL DG ENER

- **Importance of the infrastructure** as the backbone of the energy system. It has to serve all 3 general objectives of our energy policy: sustainability, competitiveness (affordability) and security of supply.
- **Advantages of being on the PCI list:** a) accelerated permit of procedure, and the whole permit granting have to be delivered within 3.5 years; b) PCIs are under special regulatory framework that facilitates the pre-requisite of hosting countries; c) EU financial assistance via the CEF.
- **The selection process** relies on a clear bottom-up approach:
 - TEN-E Regulation criteria on how to select in a first place project: market integration, enhancing competition, security of supply and sustainability.
 - MS discuss their projects into regional groups; then a decision-making body composed by a group of Director Generals from the ministries of the MS.
 - The regional group has to agree by consensus. This is something that we should reflect on, since some projects have clear political hints and maybe one critical project that is highly disputed can lead to the refusal to continue with the project). However, on the discussions of the 4th PCI list, they succeeded to agree on all the projects.
 - Over this process, from the cooperation platforms to the decision-making body there is a quite transparent process. Since the last discussions on the 3rd list they also have participation of the EP.
- **Highlight on the 4th PCI list:**
 - 4th list (151 projects) -13% reduction in comparison with the 3rd list (173). Why? Since for the first time the EC insisted that all the projects that haven't seen any progress or very little progress over the last 2 years, should be taken off the list. Slight reduction of electricity projects/ big number of gas projects out (40%)/ an increase of smart grids (although very little)/ increase of CO2 network.
 - A fit for purpose list that balances decarbonisation and energy security goals.

3. MEPS INTERVENTIONS

After Klaus-Dieter Borchardt's intervention, political coordinators were invited to take the floor.

List of MEPs' intervention

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|-------------------------------------------------------|--------------------------------------------|
| 1) Maria Da Graça Carvalho (EPP vice-coordinator/PT) | 8) Tom Berendsen (EPP/NL) |
| 2) Nicolás González Casares (S&D/ES) | 9) Jens Geier (S&D/DE) |
| 3) Morten Helveg Petersen (RE energy spokesperson/DK) | 10) Mauri Pekkarinen (RE/FI) |
| 4) Michael Bloss (Greens/DE) | 11) Andrius Kubilius (EPP/LT) |
| 5) Paolo Borchia (ID coordinator/IT): | 12) Ville Niinistö (Greens coordinator/FI) |
| 6) Zdzisław Krasnodębski (ECR coordinator/PL) | 13) Josianne Cutajar (S&D/MT) |
| 7) Cornelia Ernst (GUE/DE) | 14) Izabelle-Helena Kloc (ECR/PL) |
| | 15) Ciarán Cuffe (Greens/IE) |
| | 16) Damien Carême (Greens/FR) |
| | 17) Jutta Paulus (Greens/DE) |

First round of MEPs speaking on behalf of the groups

- 1) **Maria Da Graça Carvalho (EPP vice-coordinator/PT):** 1) Regrets the reduced role of the EP in this procedure and asked to be more involved and informed; 2) Distribution of these projects: smart grids and CO2 network projects are negligible compared to electricity and gas projects, the changes of the EC are not enough.
- 2) **Nicolás González Casares (S&D/ES):** 1) Read the letter from current Commissioner Miguel Arias Cañete on the political commitments to reduce CO2 and claimed that these commitments are not respected in the 4th PCI list (there is still a lack of transparency and involvement of EP); 2) Asked on the balance between financing electricity projects vs gas projects from the list and the financing repartition; 3) Asked about the interconnection objectives of the Vizcaya Bay and how the Iberian Peninsula is going to reach the 10% interconnection level before 2030.
- 3) **Morten Helveg Petersen (RE energy spokesperson/DK):** 1) What is the process to revise the guidelines of the PCI list and how will it affect, hypothetically, what we discussed today?; 2) We all wait for what is coming out of the EC's first 100 days, has the EC done climate impact assessment on this portfolio of projects? How do we ensure that it complies with our commitments?
- 4) **Michael Bloss (Greens/DE):** 1) The IEA said in 2018 that "we have no room to build anything that emits CO2", so how do the EC justify the number of gas projects?; 2) Although ratios shows a decrease of gas projects, there is a parity between electricity and gas in financing (1.5bn€ for each); how is it possible, given that the TEN-E Regulation asked the majority of the money to be spent on the electricity projects?/ 3) Will the review of the TEN-E Regulation be in time for the next PCI list? Will you take into account methane leakages? How is this PCI list in line with what is needed in terms of climate change? In Croatia (Krk LNG terminal), there was not a sufficient stakeholder consultation. Can we make sure that on the next regulation, such projects does not end up in the PCI list?
- 5) **Paolo Borchia (ID coordinator/IT):** "What do you think about the financial previsions, do you think actually enough money is going to the TEN-E projects?"
- 6) **Zdzisław Krasnodębski (ECR coordinator/PL):** 1) recalled that the idea behind these gas projects is security of supply and that building infrastructure take time; 2) Gas and electricity are not mutually exclusive, since in many countries, we can replace the coal plants with gas infrastructure to implement the climate protection goals. Are the projects of the last five years going to be implemented?
- 7) **Cornelia Ernst (GUE/DE):** 1) criticism on receiving the PCI list in the last minute during last night; 2) criticism over the content of the of the list: it "hampers the fight against climate change; we need more investment in RES".

Second round of interventions

- 8) **Tom Berendsen (EPP/NL):** ‘Energy infrastructure should also look at RES, network capacity is important, so what about the cross-border projects, otherwise ambitions for the energy transition would never be feasible’.
- 9) **Jens Geier (S&D/DE):** 1) Criticism for the short time period of consultation; 2) we all expect steps for the decarbonisation, so how do we end up in a carbon neutrality? In what extent gas infrastructure could be used for other gases such as hydrogen? (to avoid a carbon lock-in). Are oil pipelines still needed? They are not eligible for CEF but are they to other EU funds?
- 10) **Mauri Pekkarinen (RE/FI):** How do we address the CO2 intensity of cars via pipeline used to convey biogas?
- 11) **Andrius Kubilius (EPP/LT):** 1) Recalled that energy is a geopolitical issue (e.g. Ukrainian issue), so talking about RES, there is a need to have baseloads of electricity, which by the time being is not existing yet. 2) Asked about the role of the EC in the implementation of the projects (e.g. Baltic synchronisation project): is there a role of facilitator when a project involves 3 countries in a region?
- 12) **Ville Niinistö (Greens coordinator/FI):** 1) recalled the importance of using the existing gas infrastructure first and to allow any new gas infrastructure to switch to green gases afterwards; 2) are these guidelines to define the projects initiative and especially the decrease in gas projects from the EC or are they proposals from MS?
- 13) **Josianne Cutajar (S&D/MT):** raised the point of overcoming isolations, especially for Malta, which is not connected to the European gas market and emphasized the need that no MS is left behind. Criticism for not financing MT-IT gas pipeline.
- 14) **Izabelle-Helena Kloc (ECR/PL):** new energy objectives are a huge pressure for some regions in PL and in other countries. They are unable to change their energy system at the rhythm that the EC is suggesting. Environment vs poor people and security of supply. West-East Europe different rhythms. So is gas a transition fuel to enable more RES. “If you want us to phase out fossil fuels, you are basically pushing us in the arms of Russia.”
- 15) **Ciarán Cuffe (Greens/IE):** 3 pillars of the presentation, but the PCI list says otherwise. Expressed his concern about the Shannon LNG terminal project that will enable LNG importation from US fracked gas (higher carbon content than natural gas). 1) Who can remove these projects (the MS such as Ireland), or the EC, or the EP? 2) What has been the assessment of the carbon footprint of this project?
- 16) **Damien Carême (Greens/FR):** Call for financing only projects that are compliant with Paris Agreements. The PCI have to protect our commons and we should revise the TEN-E Regulation to avoid having fossil fuels projects.
- 17) **Jutta Paulus (Greens/DE):** 1) raised the point of security of generation: summer 2018 in Germany, there was not enough cooling water to produce; 2) concerned by the merge among several projects to decrease artificially the numbers; 3) worried about methane leakage: in that extent, gas is not low carbon.

4. ANSWERS FROM KLAUS-DIETER BORCHARDT (GROUPED BY TOPICS)

- **Sustainability vs security of supply:** the role of the Commission is balance the three overarching objectives in the light of our climate policy objectives. Aligning this trilemma with the Green Deal will be part of the new Commission’s challenge.
- **Number of gas projects:** we should distinguish 2 situations: an existing and a future situation. This draft list is an **existing situation**, where most of the gas projects have been there since the first PCI list for security of supply reasons. 3-4 years ago, we had a big discussion on security of supply and dependency to Russia. It was decided to diversify sources, develop the infrastructure, and gas projects

answer to this concern. **The future situation:** now that we have a focus on sustainability, we should not let these gas projects go, especially because natural gas allow countries to get out of coal in an accelerated way. It is clear that future gas projects has to be multi-purposed; it should be part of the requirements of these new infrastructure to be able to be used by green gases (biomethan, hydrogen...). Regarding the question whether the pipelines are fitted for hydrogen, the answer is no but we should open CEF for retrofitting pipelines. This has also to do with affordability: since the most cost-efficient infrastructure is the one combining power grid with the existing gas grid, this is doable but it takes time.

- **Sustainability assessment:** a missing link in our system is a real assessment of the climate policy compatibility. We are currently not doing a sustainability assessment and it should be added. We should have for future projects a real scrutiny and assessment of the climate compatibility of the projects. E.g. we should also intensify the digital smartening of existing grids.
- **Public consultation:** public consultation become a growing concern that promoters have to take into consideration by on-boarding people and civil society in earlier stage of the project (on Krk LNG terminal and trans-Pyrenean electric interconnection).
- **Gas interconnector between Malta-IT:** the sustainability criteria has been here taken into account since this project was refused from the financing. Why? Because it was not clear what was the future strategy: Malta have a power line, a LNG terminal... so all this together has led the EC to not finance this pipeline. Is it a locking? There is a danger here. If you put pipeline in the water, this stays for the next 50 years. Other projects were also taken off the list since they didn't fit, and even without the climate impact assessment they had to take one by one the projects.
- **Participation of the EP:** the PCI's selection process is already transparent (all is web-streamed and meetings are open to EP's members). Besides the scrutiny, the EP can take part to the consultation earlier in the process. EP's members are frequently invited to join, especially in regional working groups.
- **Question on interconnectivity target ES-FR:** 2.8 is not satisfactory. The Vizcaya Bay cable is an important project for the EC, but is not satisfactory: resistance of the population that lives in that area in the Pyrenees, they refused setting the cables over there so they should have communicated it with the local people at an earlier stage.
- **IR question and imports fracking gas:** the PCI list is bottom up from MS > Regional Groups > EC/ We have to follow some clear guidelines and we cannot keep a project on the list if there is no MS opposition. We do a CBA and if there is no opposition, we are obliged to take it.

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