FIEC Contribution to the European Commission consultation on energy networks

FIEC is the European Construction Industry Federation, representing via its 33 national Member Federations in 28 countries (26 EU & EFTA, Croatia and Turkey) construction enterprises of all sizes, i.e. small and medium-sized enterprises as well as "global players", carrying out all forms of building and civil engineering activities.

FIEC welcomes the European Commission's Second Strategic Energy Review presented on 13 November 2008. This Review tackles the EU energy challenges of security of supply, competitiveness, and climate change, and puts forwards many solutions of interest.

FIEC supports the Commission in its emphasis on EU needs in energy infrastructure and networks, underlined by the Green Paper "Towards secure, sustainable and competitive European energy networks", and demonstrated throughout the analyses of the issues affecting different sources of energy (nuclear, off-shore wind, oil and gas, etc.). As the International Energy Agency estimates, investment needs in energy output, transport and distribution by 2030 amount to €1.8 trillion according to a reference scenario.

FIEC would like to underscore that energy networks are not only a subject of long-term issues. The gas crisis many EU countries were confronted with this winter, as well as repeated disruptions in national electrical grids, highlighted the urgent need to develop and adapt our energy infrastructure and networks. Adapting the grid to short and long term challenges is a considerable and complex task, but it has the potential of making a noteworthy contribution to job creation in the EU. For these reasons, FIEC encourages the EU to develop an ambitious policy for energy networks that would be able to meet these challenges.

(1) What do you consider to be the main barriers to the development of a European grid and gas network? How far can they be addressed at national/regional level, and when should the EU act?

- **Lack of network planning.** Could be improved through a European timetable provided for by new ENTSOs for gas and electricity. Besides, a strong timetable setting achievement deadlines is necessary at EU level for strategic projects. ENTSO and EU timetables should be included in national, EIB and ERDB plans.

- **Slow authorisation process.** Need to reduce time taken for authorisation of cross-border projects.
- **Lack of optimal project coordination in case of cross-border projects.** Need for strengthened role of project coordinator and more systematic resort to single project managers.
- **Lack of sufficient European co-financing thus failing to provide an incentive.**
- **Need to improve European political support for projects. The matter should take a higher profile in EU decision making.**
- **Lack of national responsibility in meeting project deadlines.**
- **Risks in implementation phase.** The European Investment Bank may have a role to play in providing bank guarantees.

(2) **<u>What circumstances justify an EU intervention in local planning disputes related to energy infrastructure? In those circumstances, what should the EU do?</u>**

May be justified in some cases:

- When the project is blocked in the authorisation phase;
- When project specifications resulting from the consultation phase make it technically or financially unfeasible, or substantially weaken its cost-benefit balance.

In such cases the Commission should first seek arbitration through a nominated coordinator and failing that adopt a formal recommendation.

(3) **<u>Is a more focussed and structured approach to research and demonstration relating to European networks needed? How should it look?</u>**

Research needs to focus on the consideration of environmental constraints on projects such as those related to the laying of underground cables and the management of waste.

(4) **<u>What do you think is the most important activity for the EU in network development?</u>**

The provision of sufficient financial resources.

(5) **<u>Should the EU be more involved in facilitating infrastructure projects in third countries? If so, in what way?</u>**

Yes

Through external policy instruments such as European Neighbourhood Policy and development aid money from the EIB and EBRD.

TEN-E

(6) **<u>What sort of support should the EU provide to developers of new energy networks to have the greatest impact, considering that resources are limited? Is the approach of TEN-E still relevant? How can the EU help improve the conditions for investment?</u>**

- **Increase the TEN-E budget** and political priority given to it as factor in European energy security.
- **Encourage the speeding up of consultation and authorisation procedures** for permits, or consider single simplified procedure in the case of cross-border projects.
- **Coordinator of project, intergovernmental commissions, and single project managers** could be nominated to overcome difficulties and bottlenecks in procedure for cross-border projects.

(7) **<u>In view of the proposed revision to the TEN-E guidelines, how can the EU improve the focus, effectiveness and impact of the TEN-E policy within its existing budget?</u>**

The budget is insufficient but giving the TEN-E a higher political profile and placing more pressure on Member States to work to remove unnecessary delays due to red-tape would be a start.

(8) **<u>Should TEN-E be extended to oil infrastructure? Should it also be extended to new networks for CO2, biogas or other networks?</u>**

Funding through the TEN-E should be concentrated on infrastructure which will create an economy of scale and that will help bring about increased energy security for the EU.

Strategic local projects (biogas networks, networks for reducing CO2, urban heating and cooling networks) should benefit from EU co-financing mainly through structural funds and research programmes.

(9) **<u>Do you have views on, or suggestions for new priority projects which the EU should give backing to?</u>**

The following three approaches should be borne in mind in designating priority projects:

- An approach focused on interconnections between national networks, with the aim of creating a reliable and competitive energy market
- The regional supply security approach, and sharing of resources between Member States,
- The energy and climate issues approach.

<u>Priority projects should include:</u>

- Development of transportation capacity.
- Adaptation of electrical supply networks to "smart grid" technology to avoid blackouts and anticipate peak use. Adaptation of the grid to the supply of renewable energy is also needed.
- Diversification of gas supply through the development of LNG capacities.

The selection of priority projects should rely on a credible cost-benefit analysis and should target realistic projects. **Besides, the list of priority projects should include an appropriate geographical spread in those projects financed**.

(10) **<u>Would it help TEN-E/EU to gain more impact and visibility if it was turned into an operational security of supply and solidarity instrument?</u>**

Yes

Energy security is paramount in any change of focus for the TEN-E.

(11) **<u>What additional EU measures beyond those mentioned in this Green Paper would help secure a sustainable infrastructure for the EU?</u>**

It is important for the EU to speak with one voice in dealing with third countries on questions of energy. This is crucial for Europe's future energy supply.

Exchange of best practice as regards sustainable network development from network companies and stakeholders. The ENTSOs should spearhead this work.