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COMMISSION COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on Community guidelines on trans-European
energy networks

Proposal for a
EUROPEAN PARLIAMENT AND COUNCIL DECISION 94/0009 (COD)

laying down a series of guidelines on trans-European
energy networks

Proposal for a
COUNCIL DECISION 94/0010 (SYN)

laying down a series of measures aimed at creating a more
favourable context for the development of trans-European
networks in the energy sector

(presented by the Commission)

COMMUNITY GUIDELINES ON TRANS-EUROPEAN ENERGY NETWORKS

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PROPOSAL FOR A EUROPEAN PARLIAMENT AND COUNCIL DECISION LAYING DOWN A SERIES OF GUIDELINES ON TRANS-EUROPEAN ENERGY NETWORKS

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PROPOSAL FOR A COUNCIL DECISION LAYING DOWN A SERIES OF MEASURES AIMED AT CREATING A MORE FAVOURABLE CONTEXT FOR THE DEVELOPMENT OF TRANS-EUROPEAN NETWORKS IN THE ENERGY SECTOR

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ANNEX

Maps of the existing trans-European electricity and natural gas networks and of the projects of common interest

COMMUNITY GUIDELINES ON TRANS-EUROPEAN ENERGY NETWORKS

COMMUNITY GUIDELINES ON TRANS-EUROPEAN ENERGY NETWORKS

COMMISSION COMMUNICATION

I. INTRODUCTION

1. Over the last two years the Commission has continued its discussion on energy networks, based on two landmark documents adopted at the start of that period which were the fruit of earlier work on the subject⁽¹⁾. These two documents were:

- **The Treaty on European Union**

The agreement reached at Maastricht bears witness to the unanimous political will of the governments of the Member States to see the Community involved in developing trans-European networks, including energy networks, and in adapting them to the new conditions on the internal market. Details of these new activities by the Community are given in Article 129c of the new Treaty. They include:

- . the establishment of common guidelines;
- . any measures necessary to ensure interoperability and harmonization of technical standards;
- . the possibility of financial support for projects of common interest, particularly in the form of aid for feasibility studies, loan guarantees or interest-rate subsidies.

The provisions of the two proposals for Decisions on trans-European energy networks which accompany this Communication and which are submitted by the Commission comply with these requirements, as requested by the Council⁽²⁾.

- **The Communication submitted to the Council by the Commission in early 1992 on electricity and natural gas transmission infrastructures in the Community⁽³⁾.**

⁽¹⁾ See the communication from the Commission entitled "Towards trans-European networks: for a Community action programme" (COM(90) 585 final, 10 December 1990).

⁽²⁾ See the conclusions of the Council meeting on the internal market on 31 March 1992 concerning trans-European networks.

⁽³⁾ Communication from the Commission to the Council entitled "Electricity and natural gas transmission infrastructures in the Community" (SEC(92) 553 final, 27 March 1992).

This document analysed the existing networks and the development projects in progress or planned and, taking account of likely supply and demand trends for these two forms of energy, highlighted the need for:

- . consistent development of the major energy networks in the Community and the rest of Europe;
 - . increased energy transmission capacity, including transmission to the peripheral regions of the Community;
 - . promotion of technical cooperation between the network operators.
2. Today's electricity and natural gas transmission networks reflect the significant developments in most Member States in recent years. These national developments have been accompanied by international cooperation which has led to the interconnection of the national electricity grids, for example in the UCPTTE network which extends to most Member States, and to the construction of trans-frontier gas pipelines, for example from the Netherlands and Russia.

However, network development is still shaped by the national dimension, with the objective of self-sufficiency at national level, which is no longer strictly compatible with the progress made towards integration within the Community, particularly with the completion of the internal market. Moreover, these developments have not been the same throughout the Community. Some Member States and many frontier or peripheral regions and islands have little or no access to the major European energy networks. For these less well endowed Member States and regions, development of their energy transmission infrastructure and connection to the trans-European networks are one of the preconditions for effective participation in the internal market and for strengthening economic and social cohesion within the Community.

3. Recent and foreseeable developments in energy supply and demand point to two trends:
- an increase in transfers of electricity between Member States and to and from non-Community countries to harness the complementary features of the different electricity systems or to cover any shortfalls in production, whether temporary, seasonal or permanent;
 - a rapid increase in natural gas imports from outside the Community.

These extra transfers and new imports will not be possible unless energy transmission networks designed and operated increasingly on a Community-wide or European scale and offering greater transmission capacity become available.

4. Completion of the internal market combined with energy supply and demand trends in the Community therefore pose a series of challenges to electricity and gas undertakings and to some extent to the public authorities, of which the most important, particularly as regards the major energy networks, are:

- bridging of the remaining discontinuities at the interfaces between the national networks;
- increase of the capacity of the interconnections between the electricity grids and of the natural gas supply lines;
- connection of isolated or underequipped countries and regions;
- the interoperability of the network at European level and maintenance of quality of service (continuity of supply, stability of voltage and frequency, etc.);
- utilization of the networks, as they become increasingly complex with the growing number of interconnections and the larger geographical areas connected.

5. Given the magnitude of these tasks, national operations alone are not enough.

It is therefore necessary for the Community to be able to take action by establishing guidelines on electricity and natural gas transmission networks with a view to encouraging development and full consideration of the Community dimension of these networks and of the challenges posed by their growing interdependence. In this context, the Commission proposes two lines of action:

- identification of projects of common interest to supplement and strengthen these networks;
- technical, administrative, legal and financial measures to contribute towards creating a favourable context for completing projects for the networks.

6. This action by the Community on trans-European energy networks fits into the context of a system which is moving towards open and competitive markets. It is therefore necessary that undertakings should direct their investment decisions according to their own economic forecasts and that they should themselves bear the economic risk. Consequently, the list of projects of common interest proposed will have no binding force on the economic operators concerned. Instead, the objective is for the Community to establish, taking due account of the subsidiarity principle, a reference framework enabling the economic circles concerned to take fuller account of the Community dimension in developing and operating energy transmission networks.

7. Alongside this reference framework on trans-European energy networks, the Commission has already submitted a proposal for a Council Regulation introducing a declaration of European interest for selected projects on the transmission of electricity and natural gas (COM(92) 15 final), followed by a proposal modifying it (COM(93) 115 final). This declaration is intended to help to mobilize the necessary funds and to promote cooperation between the public authorities concerned so as to ensure that projects are completed as rapidly as possible. It will be granted to clearly defined projects endorsed by feasibility studies and will complement the identification of projects of common interest provided for by the guidelines.

8. In preparing this Communication, the Commission also drew on the opinions given by experts from the Member States, by the trade organizations which it consulted, representing energy producers, transmitters and distributors⁽⁴⁾ and by consumers⁽⁵⁾. The Commission proposes to renew these consultations periodically, as regards the Member States' experts in the framework of the committee which it is proposed to set up, and as regards the trade associations and the economic operators on the occasion of drawing up the reports provided for in these proposals for Decisions.

II. SUBSIDIARITY

9. As regards subsidiarity, the reasons for the annexed proposals to the Council and the European Parliament for decisions defining the nature and scope of the action by the Community to establish guidelines on trans-European energy networks are explained below.

- (a) **What are the objectives of the proposed action by the Community in relation to the obligations incumbent upon the Community?**

In undertaking this action, the Community is fulfilling the obligations incumbent on it under Title XII of the Treaty on European Union.

The proposed action by the Community on trans-European energy networks will contribute towards attaining several of the Community's objectives. These include general objectives such as economic growth, the internal market and integration within the Community, the strengthening of economic and social cohesion and cooperation with the non-Community countries in Europe and in the Mediterranean region. More specifically, in the energy field, the action proposed will help to consolidate and strengthen the Community's security of supply and to set up energy systems more compatible with protection of the environment.

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- (4) UCPTÉ: Union for the coordination of the production and transport of electric power.
EURELECTRIC: Groupement européen des entreprises d'électricité - GEIE.
EUROGAS: Union européenne de l'industrie du gaz naturel.
E&P FORUM: The oil industry international exploration and production forum.
CEDEC: Confédération européenne des distributeurs publics communaux d'énergie.
GEODE: Groupement européen des entreprises et organismes de distribution d'énergie -GEIE.
ELECTRICITY ASSOCIATION (UK).
ENERGIENED: Netherlands union of energy distribution undertakings.
- (5) CEFIC: European Council of chemical manufacturers' federations.
IFIEC: International federation of industrial energy consumers.
BEUC: European bureau of consumers' unions.
UNICE: Union of industrial and employer's confederations of Europe.

- (b) Is the Community alone responsible for the action planned or does it share responsibility with the Member States?**

The Community and the Member States share responsibility for the action proposed.

- (c) What is the Community dimension of the problem (for example, how many Member States are concerned and which solution has been in force hitherto)?**

Development of these networks is of concern to every Member State:

- in the case of electricity, because of the expected increase in interchanges of electricity, as a result of completion of the internal market, of the growing interdependence of the Member States' electricity systems and of the objective of making increasingly economic use of these systems;
- in the case of natural gas, because of the growing share of energy consumption due to be covered by natural gas imported from non-Community countries and the sharp increase expected in the volume of gas transit across one or more Member States.

The Community dimension is also extremely important for the Member States and regions with energy systems currently isolated from or inadequately connected to the Community's main electricity and natural gas transmission networks. These are usually in the least developed areas in the Community.

- (d) Which is the most efficient solution, comparing the means available to the Community and to the Member States?**

The proposed action by the Community will raise to Community level plans and measures which already exist in the Member States but which can now be handled more efficiently at Community level, given the growing complexity and interdependence of the electricity and natural gas transmission networks in Europe.

The Community action proposed supplements the similar measures which the Member States are taking at their own level, particularly the master plans, guidelines or development plans for energy transmission infrastructure already adopted or in preparation.

- (e) Which specific added value will the proposed action by the Community offer and what would be the cost of inaction?**

The proposed action by the Community offers the added value of speeding up the process of study, preparation and investment regarding electricity and natural gas transmission networks by virtue of:

- the consensus reached by the Community and the Member States on the future development of these networks and on the accompanying measures which prove necessary;

- the targeting of the interests of undertakings in the industries concerned and of investors;
- guidance for the financial support from the Community, whether aid from the Structural Funds, specific measures to support trans-European networks or loans from, in particular, the EIB (see the new lending facility set up as part of the growth initiative).

The cost of inaction would be the sum total of:

- development of electricity and natural gas transmission networks lagging behind future needs and less consistent on a Community-wide scale;
- the adverse impact on operation of the internal market and cohesion.

(f) Which forms of action are open to the Community (recommendations, financial support, regulations, mutual recognition, etc.)?

Two forms of action are proposed:

- the adoption of the proposals for decisions submitted by the Commission to settle the nature and scope of the action by the Community with regard to guidelines on trans-European energy networks. These decisions would define:
 - . the broad guidelines for future development of these networks; and
 - . accompanying actions to create a favourable context for preparation and implementation of projects of common interest;
- within the framework of the budget procedures, where appropriate, the granting of financial aid from the funds specifically for trans-European networks to projects of common interest fitting into the series of guidelines.

(g) Are uniform rules necessary or would a directive setting the general objectives but leaving implementation to the Member States suffice?

At this juncture, uniform legislation, i.e. the Council Decision, is needed to define and delimit the action taken by the Community on trans-European energy networks.

At a later stage, in the light of the accompanying actions provided for, particularly of the analyses of the authorization procedures for projects and of the rules on environmental and health protection, approximation of certain rules in force in the Member States could be useful or necessary, given the transfrontier nature of most of the network development work proposed and the overriding need for undertakings to be able to complete projects within a manageable timescale commensurate with trends in energy supply and in demand on the market.

In these cases, the action by the Community could take the form of a recommendation or, if need be, a directive.

III. COMMUNITY GUIDELINES ON TRANS-EUROPEAN ENERGY NETWORKS

10. First, the Community guidelines proposed clearly define the Community objectives to which the trans-European energy networks are expected to contribute. Next they set the priorities for development of the networks to ensure that they make an effective contribution to attaining these objectives. Lastly, they clarify the broad lines of action envisaged for developing these networks, including identifying projects of common interest and creating a more favourable context for completing the projects for the networks.

Community objectives

11. The action taken by the Community to establish guidelines on trans-European energy networks by promoting the development, interconnection and interoperability of the networks as well as access to such networks will contribute to achieving the following objectives of the Community:
- strengthening the Community's security of energy supply:
 - . in the short to medium term, by improving the efficiency and reliability of all the Community's electricity and gas systems;
 - . in the long term, by diversifying supply sources and routes and strengthening ties with the non-Community countries supplying energy or transited;
 - allowing effective operation of the internal market in two ways:
 - . by providing infrastructure which allows supply to respond to the demand for natural gas and electricity throughout the Community, and thereby to ensure balanced operation of the internal energy market;
 - . by allowing the citizens of the Community, economic circles and regional and local authorities to reap the full benefits derived from the establishment of an area without internal borders;
 - promoting economic and social cohesion by reducing the isolation and facilitating the development of the less-favoured and peripheral regions and islands.

The priorities

12. To attain these objectives, the Commission proposes the following priorities for the action taken under the Community guidelines on trans-European energy networks:
- for electricity networks:
 - . connection of isolated networks, which are usually located in the less-developed regions of the Community;

- . development (establishment or improvement) of interconnections between Member States and of internal connections in so far as this is indispensable to the operation of these interconnections;
- . development (establishment or strengthening) of interconnections with non-Community countries in Europe and the Mediterranean region which contribute to improving the reliability and security of the Community's electricity supply networks or add to electricity supplies to the Community;
- for natural gas networks;
 - . introduction of natural gas to new regions;
 - . connection of isolated networks to the trans-European networks, including any improvements needed to the latter for that purpose and connection of the separate networks;
 - . increase in transmission (gas delivery pipeline), reception (LNG) and storage capacities needed to satisfy the demand and diversification of supply sources and routes for natural gas.

The priorities proposed set no chronological order but indicate the political and strategic importance of the measures. These priorities are to be set for the period between now and the year 2000 but by no means preclude projects planned to start after that date but to which a commitment is made by then. This date marks the maximum timescale for which reasonably valid forecasts can be made in connection with energy transmission networks.

Broad lines of action

13. The broad lines of action proposed for the Community guidelines on trans-European energy networks are:

- identification of projects of common interest;
- creation of a more favourable context for completion of the projects for trans-European energy networks, with the aid of technical, administrative, legal and financial measures.

A. Identification of projects of common interest

14. The Commission proposes a three-stage procedure for identification of projects of common interest:

- first, technical definition of the types of project which can be taken into consideration in this approach to trans-European energy networks;
- second, establishment of the criteria which must be met by all projects of common interest;

- third, identification of the currently discernible needs for strengthening of the networks.

These proposals take account of the information received during the Commission's consultations with experts from the Member States and from the industries concerned.

15. **Technical definition**

From the technical point of view, the proposal is to take into consideration, basically, very high voltage electricity lines (220 kV or more) and high-pressure gas pipelines. The definition will also include the equipment essential for operation of these lines and pipelines, including control centres.

16. **Criteria for establishing common interest**

The proposal is that projects will be considered of common interest if they satisfy all three of the following criteria:

- correspond to the technical definition;
- fit in with the objectives and priorities set by these Community guidelines;
- display potential economic viability.

The criterion of the economic viability of a project has regard in the first instance to financial profitability. Moreover, it also includes where appropriate other components of cost-benefit analyses which are not normally calculated by the markets, for example the benefits (or costs) arising from the environmental aspects, security of supply and the contribution to strengthening economic and social cohesion.

List of projects of common interest for trans-European energy networks identified in 1993

17. The proposed list of projects of common interest for electricity and gas networks is annexed to the proposal for the "guidelines" Decision. It indicates the projects currently regarded as satisfying the common interest criteria defined earlier.

Each project on the list corresponds to a need for capacity identified in the network. To simplify the format, the projects have been classified by type of need and, where appropriate, by link, region or country. It is possible that one or more projects or parts of specific projects could satisfy the same need. The types of needs identified in the list are described in points 18 and 19.

According to the second paragraph of Article 129d of the Treaty, guidelines and projects of common interest relating to the territory of a Member State require the approval of that Member State. Member States have been consulted and have given their agreement, in principle, to the projects on the list which concern their territories.

The list includes a number of less advanced projects of common interest which are presumed to be economically viable, although this will have to be confirmed by technical and economic feasibility studies.

In addition to the projects on the list, any project to improve the technical management of the trans-European electricity and natural gas networks will also be of common interest (see point 20).

18. In the case of electricity networks, the following types of need are identified on the list:

(a) connection of isolated electricity networks

The twin aims are to connect the national systems to the Community networks, as in the case of Greece and Ireland where the electricity networks are still isolated but will be connected to the UCPTE network via Italy and the United Kingdom respectively, and to extend the national networks in order to integrate areas not yet connected or inadequately connected, for example the eastern Länder or territory in the form of islands.

(b) improvement of the electrical interconnections between the Member States

The aim is to reinforce the international interconnections in order to increase security of supply throughout the interconnected system in Europe and to allow increased transfers of electricity on the more integrated internal market. These improvements are necessary given the virtual saturation of most of the existing interconnections.

(c) improvement of electricity networks within the Member States associated with improvement of the electrical interconnections between the Member States or with third countries

In grid networks power is transmitted indiscriminately from all generators to all users via the network. Bottlenecks can therefore arise both within the network of a single Member State and at the interfaces between the Member States. These weak spots can impair operation of the system and pose a risk of power cuts. They must therefore be removed.

(d) establishment or improvement of electrical interconnections with third countries

The objective is to establish or increase the capacity of interconnections between the Member States and their non-Community neighbours, i.e.:

- with Switzerland and Austria, both of which are on the UCPTE network and occupy a central position in intra-Community transfers;
- with the Scandinavian countries to harness the complementary features between the UCPTE/United Kingdom system (dominated by thermal power station capacity) and the Nordel network (with its abundant hydroelectricity resources);

- with the countries of Central and Eastern Europe, which plan interconnection with the UCPTE's synchronous system in the medium term. This will offer the Community the advantages of new opportunities for transfers and, in the long term, improvements to the electricity systems in its frontier regions;
- with non-Community Mediterranean countries to contribute to the Community's electricity supply (in the case of the Tunisia-Italy and Turkey-Greece links) or to promote integration of regional markets (in the case of the Morocco-Spain link).

19. In the case of gas networks, the following types of need are identified on the list:

(e) introduction of natural gas in new regions

Parts of the Community still have no natural gas network. Introduction of this fuel can make a major contribution to their competitiveness and economic development, to diversification of their energy supplies and to solving their environmental problems.

(f) connection of isolate or separate gas networks

Some Member States or regions of the Community with gas networks are not yet linked to the interconnected gas transmission pipeline system. Also, some neighbouring Member States which already have natural gas, or soon will, are not yet interconnected.

(g) increasing reception and storage capacities for LNG and underground storage capacity

Increased storage capacity is needed to cope with the growth in consumption and in the share of the Community's energy supplies accounted for by natural gas, also taking account of the growing dependence on natural gas supplies from outside the Community. It is therefore both a question of security of supply and of increased needs for storage capacity connected with the increase in volume of the market.

In addition to their storage capacity, the LNG stations forming part of the basic infrastructure of the natural gas transmission grids expand the potential supply, even from far-away distant sources.

(h) new gas delivery pipelines (and improvement of the existing systems)

To cope with the forecast developments on the market and in natural gas supplies, measures must be taken to develop the gas transmission pipeline capacity from the current suppliers (Algeria, Norway and Russia) and from potential suppliers (Libya and Iran). In addition, the completion of these projects will be in accordance with European Union policy towards the third countries concerned.

For certain gas delivery pipeline projects not yet finalized LNG could be an attractive alternative.

B. Creation of a more favourable technical, administrative, legal and financial context for the establishment of trans-European energy networks

Technical measures

20. The operators of the trans-European energy networks already cooperate closely on technical matters. However, with the steady increase in interconnections and the growing complexity of the systems, closer technical cooperation between the operators of trans-European networks is necessary to ensure maximum interoperability of the networks on a Community scale.

Closer technical cooperation could be achieved in particular by means of projects aiming at:

- setting up and making wide use of a system for the presentation and exchange of information between the system control centres of the trans-European networks;
- conducting research and development work on more effective, compatible simulation and trans-European network management models between the various operators and control centres.

As indicated in point 17, the Commission proposes that these too should be considered projects of common interest.

It is understood that this technical cooperation has to be carried out within the rules of the Treaty and in particular the rules relating to competition.

Administrative and legal measures

21. Authorization criteria and procedures

Development of these networks will require completion of a series of new projects. This raises two questions about the existing administrative and legal obligations. The first concerns access to the activity, specifically the right to construct an electricity line or gas pipeline. At the moment in most Member States this is restricted by de jure or de facto monopolies. The second concerns the complexity and, in some cases, slowness of the administrative procedures for obtaining building permission. In extreme cases, undertakings have had to wait for as long as ten years before being able to start work.

The proposals for Council directives concerning common rules for the internal market in electricity and natural gas (COM(91) 548 final), currently being discussed, introduce the principle of granting licences for the construction of electricity and natural gas transmission networks, thereby making it possible to harmonize the conditions applicable to investors, on the basis of objective and non-discriminatory criteria.

In addition, a detailed inventory of authorization procedures is being compiled, with a view to pinpointing ways of simplifying and speeding up these procedures. The proposal is to examine, on the basis of this inventory and in coordination with the Member States, possible ways of simplifying and speeding up authorization procedures for projects on trans-European networks.

22. Environmental impact of energy networks

Environmental considerations are often the central concern in debates on the acceptability of the siting and impact of projects connected with energy networks. Clarification of the rules applied by undertakings in order to mitigate the environmental impact of the projects and of the regulations and standards to be observed by the projects themselves should shorten these debates and thereby simplify the authorization procedures.

It will therefore be necessary to collect information on the existing rules and specifications on the environmental impact of energy networks (primarily the very high voltage electricity networks). Analysis of these data will provide a basis for coordinated action at Community level to study and, where appropriate, define a common basis for the technical aspects linked to environmental protection, applicable to energy networks, within the framework of existing Community rules (in particular Directive 85/337).

Financial measures

23. Investment in energy transmission infrastructure has to be financed with due regard for the rules of the market. Responsibility for the development and financing of energy networks lies with the economic circles concerned.
24. However, in order to speed up completion of the networks, the Community could support the efforts made by the Member States to finance projects of common interest identified in the Community guidelines on trans-European networks. Such support could take three forms:
- aid for financing feasibility studies;
 - loan guarantees;
 - interest-rate subsidies.
25. In the energy sector, the Community's financial support for specific action on trans-European networks should provide incentives for carrying out projects of common interest. It should consist principally of promoting the feasibility studies for these projects, where appropriate. In appropriate cases, more substantial support in the form of a loan guarantee or interest-rate subsidy could be considered. This financial support should also provide a stimulus for technical studies and projects covering the development and management of interconnected electricity and natural gas transmission systems (see point 20).
26. Where necessary, the Community will continue to provide funding for energy projects from its aid and loan mechanisms, particularly the Structural Funds (primarily the ERDF), the growth initiative (European Investment Fund and new lending facility), the European Investment Bank and the financial instruments and programmes set up for the benefit of third countries. These funds, instruments and programmes will likewise take account of the guidelines laid down for trans-European energy networks in their criteria for selecting the measures to receive support, within the terms of their own rules and finalities.

External aspects

27. These guidelines have been established primarily from the Community's point of view. However, they will have implications beyond the Community, particularly:

- recognition of the interest of a project by the non-Community countries concerned too;
- the possibility of financial support for networks outside the Community;
- extension of the concept of guidelines on energy networks to the non-Community countries in Central and Eastern Europe.

28. Accordingly, completion of a project of common interest - for example, construction of a gas delivery pipeline from a source outside the Community - depends on agreement to the work by the energy-producing country and any non-Community country or countries crossed.

Recognition that a project of common interest identified in the Community guidelines is in the mutual interest of the Community and of a non-Community country could be settled where appropriate by means of bilateral cooperation, association or other agreements between the Community and the non-Community country concerned and by the procedures for management of such agreements.

29. Another question is the possibility of allocation of the budget resources specifically for trans-European energy networks to parties to projects of common interest identified under the Community guidelines but sited outside the Community.

Given the technical conditions for electricity and natural gas transmission schemes, which preclude full use of a line or gas pipeline until completion of the whole link, the Commission considers that it should be possible to finance parts of projects of common interest outside the Community:

- in every case where the aid takes the form of a contribution towards feasibility studies;
- only if the project is concerned predominantly with supplying the Community, in the case of loan guarantees and interest-rate subsidies.

In addition to these possibilities, the Community could participate in the direct co-financing of certain investments for infrastructure networks in the countries of Central and Eastern Europe, within the limit of 15% of the overall budget for the PHARE programme (see Conclusions of the Presidency of the Copenhagen European Council, 21-22 June 1993).

30. As the non-Community countries in Central and Eastern Europe have expressed the wish for more effective interconnection with the Community networks and, therefore, need to be interconnected to one another more efficiently too, there will be a growing need for guidelines on energy networks for this part of Europe too. The Commission will support this action in the framework of the Community programmes in favour of those countries.

Definition of guidelines on trans-European energy networks for Central and Eastern Europe will call for the establishment of a cooperation procedure between the non-Community countries concerned and of concertation arrangements with the Community. The results of the studies conducted under the PHARE programme on electricity and gas interconnections in this part of Europe will be able to provide the basis for the establishment of reference guidelines for the development of energy networks in Central and Eastern Europe.

IV. IMPLEMENTATION OF THE GUIDELINES ON TRANS-EUROPEAN ENERGY NETWORKS

31. The proposals for implementation of the Community guidelines on trans-European energy networks are as follows:

- the Commission's tasks will be:
 - . to monitor implementation of the guidelines and submit a regular report on implementation thereof to the Council and the European Parliament;
 - . to update the list of projects of common interest;
 - . to formulate proposals so that projects of common interest situated on the territory of third countries may also be considered as of mutual interest by those countries;
 - . to coordinate the activities to create a more favourable technical, administrative and legal context;
 - . to adopt the measures granting financial support from the Community to projects of common interest, from the financial resources available for the specific measures on trans-European networks.
- the Member States will be called upon to give priority to projects of common interest and to take all the measures necessary at national, regional and local level to facilitate completion thereof.

32. For the purpose of implementing the abovementioned tasks, the Commission is to be assisted by an advisory committee consisting of experts on trans-European energy networks from the Member States, while the task of updating the list of projects of common interest will be entrusted to a management committee.

This advisory committee will also be the appropriate forum for discussing any matters relating to coordination of the Member States' policies with an impact on the development of trans-European energy networks.

V. CONCLUSIONS

33. For the foregoing reasons, the Commission hereby submits to the European Parliament and the Council the attached two proposals for Decisions:

the first, on a series of guidelines on trans-European networks in the energy sector, and

the second, on a series of actions aimed at creating a more favourable context for the development of trans-European networks in the energy sector.

These proposals from the Commission respond, for the energy sector at least, to the request by the European Council in Copenhagen, which "invited the Commission and the Council to complete by early 1994 the network plans in all the relevant sectors (transport, telecommunication and energy)."

34. These proposals are made on the basis of Articles 129b, 129c and 129d of the Treaty.

Article 129d, in particular, provides for different adoption procedures, as regards the role of the European Parliament, according to whether it is a question of guidelines in the sense of the Treaty (co-decision procedure under Article 189b) or other measures (procedure under Article 189c) concerning trans-European energy networks. It is for this reason that the material covered by this Communication is the subject of two different proposals.

It is also necessary to recall that Article 129d also stipulates that "guidelines and projects of common interest which relate to the territory of a Member State shall require the approval of the Member State concerned"; it thus introduces a supplementary condition into the adoption procedure for the first proposal.

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Proposal for a
EUROPEAN PARLIAMENT AND COUNCIL DECISION

laying down a series of guidelines on trans-European
energy networks

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the first paragraph of Article 129d thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the Economic and Social Committee⁽¹⁾,

Having regard to the opinion of the Committee of the Regions⁽²⁾,

Whereas the establishment and development of trans-European networks contribute towards attaining major objectives of the Community, such as completion of the internal market and the strengthening of economic and social cohesion;

Whereas the establishment and development of trans-European energy networks throughout the territory of the Community also have the specific objectives of increasing the reliability and security of the Community's energy supplies and of allowing balanced operation of the internal energy market within the framework of a system which is moving towards open and competitive markets;

Whereas, in order to contribute towards attaining the said objectives, the development of interconnections and of electricity and natural gas transmission networks in the Community must be accelerated, particularly in the regions where improvements to the networks are necessary or in regions which are still isolated, and with the non-Community countries in Europe and in the Mediterranean region;

Whereas action by the Community to establish guidelines on trans-European energy networks is necessary in accordance with the principle of subsidiarity;

Whereas in order to develop these networks on a Community-wide scale, it is necessary to identify projects of common interest and to create a more favourable technical, administrative, legal and financial context for completion and operation of these networks;

(1)

(2)

Whereas the projects of common interest meet the said objectives and priorities; whereas only those projects should be considered which display potential economic viability; whereas, in this context, the concept of viability includes not only the financial profitability of the projects but also other considerations such as the reliability and security of energy supplies, the strengthening of economic and social cohesion and protection of the environment in the Community;

Whereas, for the implementation of this Decision, it is necessary to institute a Committee,

HAVE ADOPTED THIS DECISION:

Article 1

This Decision defines the nature and scope of the action by the Community on guidelines on trans-European energy networks. It establishes a series of guidelines covering the objectives, priorities and broad lines of action by the Community on the subject of trans-European energy networks. It identifies the projects of common interest on the trans-European electricity and natural gas networks.

Article 2

This Decision applies to:

1. in electricity networks:
 - all lines of 220 kV or more and submarine links, provided this infrastructure is used for interregional or international transmission;
 - the systems for operating the abovementioned facilities, i.e. the protection, monitoring and control systems, as well as any equipment or installations indispensable for the system in question to operate properly;
2. in natural gas networks:
 - high-pressure gas pipelines making it possible to supply regions of the Community from internal or external sources;
 - underground storage facilities connected to the abovementioned high-pressure gas pipelines;
 - the reception, storage and regasification facilities for liquefied natural gas (LNG);
 - the systems for operating the abovementioned facilities, i.e. the protection, monitoring and control systems, as well as any equipment or installations indispensable for the system in question to operate properly.

Article 3

The Community shall promote the interconnection, interoperability and development of trans-European energy networks and access to such networks with the objective of:

- allowing effective operation of the internal market in general and of the internal energy market in particular;
- facilitating the development and reducing the isolation of the less favoured regions of the Community, thereby contributing to strengthening economic and social cohesion;
- strengthening the security of the Community's energy supplies, including closer relations with non-Community countries in the energy field.

Article 4

The priorities for the action by the Community on trans-European energy networks shall be as follows:

1. for electricity networks:

- the connection of isolated electricity networks;
- the development of interconnections between Member States and of internal connections in so far as necessary in order to harness these interconnections;
- the development of interconnections with non-Community countries in Europe and the Mediterranean region which contribute to improving the reliability and security of the Community's electricity supply networks or to adding to electricity supplies to the Community;

2. for natural gas networks:

- the introduction of natural gas to new regions;
- the connection of isolated natural gas networks, including the improvements needed to the existing networks for this purpose and the connection of the separate natural gas networks;
- increasing the transmission (gas delivery pipeline), reception (LNG) and storage capacities needed to satisfy the demand and diversification of supply sources and routes for natural gas.

Article 5

The broad lines of action by the Community on trans-European energy networks shall be:

- the identification of projects of common interest;
- the creation of a more favourable technical, administrative, legal and financial context for development of the networks.

Article 6

1. Any energy network project which satisfies all the following criteria may be of common interest:
 - it falls within the scope of Article 2;
 - it corresponds to the objectives and priorities set out in Articles 3 and 4 respectively;
 - it responds to a need and displays potential economic viability to be confirmed.
2. The projects of common interest are those listed in the Annex.
3. Any application by a Member State or the Commission for amending the list of projects of common interest set out in the Annex shall be decided in accordance with the procedure laid down in Article 7. The criteria set out in paragraph 1 shall apply in deciding the application. A project may not be included in the list unless each Member State to whose territory the project relates has approved its inclusion.
4. Member States shall take all relevant measures at national, regional and local level to facilitate completion of projects of common interest. In particular the national authorisation procedures shall be completed as rapidly as possible.
5. Where parts of projects of common interest are situated on the territory of third countries, the Commission is to put forward adequate proposals, where appropriate, within the framework of the management of the agreements between the Community and those third countries, for the projects also to be recognized as of common interest reciprocally by the third countries concerned.
6. The evaluation of economic viability referred to in the third indent of paragraph 1 shall be based upon an overall cost-benefit analysis, which shall take account of all benefits such as environmental aspects, security of supply and the contribution to economic and social cohesion.

Article 7

1. A committee composed of the representatives of the Member States and chaired by the representative of the Commission is hereby instituted.

Any application for amendment of the list of projects of common interest made by the Commission or a Member State shall be submitted by the Commission to this Committee in accordance with the procedure laid down in paragraph 2.

2. The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the committee shall be weighted in the manner set out in that Article. The chairman shall not vote.

The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the opinion of the committee, they shall be communicated by the Commission to the Council forthwith. In that event, the Commission may defer application of the measures which it has decided for a period of not more than one month from the date of such communication.

The Council, acting by a qualified majority, may take a different decision within the time limit referred to in the previous paragraph.

Article 8

Every two years the Commission shall submit a report on the implementation of this Decision to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions.

Article 9

This Decision shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.

Article 10

This Decision is addressed to the Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

TRANS-EUROPEAN ENERGY NETWORKS**List of projects of common interest****ELECTRICITY NETWORKS****a. Connection of isolated electricity networks:**

- a1: Northern Ireland - Scotland
- a2: Ireland - United Kingdom
- a3: Germany: connections to the eastern Länder
- a4: Greece - Italy
- a5: Greece: connection of Crete
- a6: Spain: connection of the Balearic Islands

b. Improvement of the electrical interconnections between the Member States:

- b1: Germany - Denmark
- b2: Germany - The Netherlands
- b3: Germany - Belgium
- b4: France - Belgium
- b5: France - Germany
- b6: France - Italy
- b7: France - Spain
- b8: Belgium - The Netherlands
- b9: Belgium - Luxembourg
- b10: Spain - Portugal

c. Improvement of electricity networks within the Member States associated with improvement of the interconnections between the Member States or with third countries:

- c1: United Kingdom: Wales
- c2: Denmark: East-West link
- c3: The Netherlands: North-East zone
- c4: France: North-East zone
- c5: Italy: North-South and East-West routes
- c6: Spain: North-South route and along the coasts of the Mediterranean and the Bay of Biscay
- c7: Portugal: improvements to the interconnection with Spain
- c8: Greece: East-West route

d. Establishment or improvement of electrical interconnections with third countries:

- d1: Germany - Sweden
- d2: Germany - Poland
- d3: Germany - Norway
- d4: Germany - Austria
- d5: Italy - Switzerland
- d6: Italy - Austria
- d7: Italy - Tunisia
- d8: Greece - Balkan countries
- d9: Greece - Turkey
- d10: U.K. - Norway
- d11: The Netherlands - Norway
- d12: France - Switzerland
- d13: Spain - Morocco

GAS NETWORKS

e. Introduction of natural gas in new regions:

- e1: Northern Ireland
- e2: Germany: eastern Länder
- e3: Corsica and Sardinia
- e4: Spain: new regions
- e5: Portugal: whole country
- e6: Greece: whole country, including Crete

f. Connection of isolated or separate gas networks:

- f1: Ireland - Northern Ireland
- f2: Great Britain - the Continent
- f3: Germany - Luxembourg - Belgium: connection of networks to the system of gas pipelines from Zeebrugge
- f4: Germany: connections to the eastern Länder
- f5: Spain - France
- f6: Portugal - Spain

g. Increasing reception and storage capacities for LNG underground storage capacity

- g1: Ireland: construction of an LNG station
- g2: Germany: construction of an LNG station
- g3: France: extension of LNG stations
- g4: Italy: extension and construction of LNG stations
- g5: Spain: extension of LNG stations
- g6: Germany: creation of underground storage facilities
- g7: France: creation of underground storage facilities
- g8: Spain: creation of underground storage facilities
- g9: Portugal: creation of underground storage facilities

h. New gas delivery pipelines

- h1: Norway - Belgium or Netherlands: new project considered
- h2: Norway - Germany (Emden): EUROPIPE project
- h3: Norway - Denmark - Sweden: SCANPIPE project
- h4: Algeria - Morocco - Spain - France (Toulouse/Fos)
- h5: Algeria - Tunisia - Italy: increase in capacity
- h6: Russia - Ukraine - EC: upgrading of the existing system of gas pipelines
- h7: Russia - Belarus - Poland - EC
- h8: Russia - Scandinavian countries - EC
- h9: Libya - Italy
- h10: Iran - Turkey - EC
- h11: Bulgaria - Greece

N.B.: For certain gas delivery pipeline projects not yet finalized LNG could be an attractive alternative.

TECHNICAL COOPERATION

- i.** Projects to improve technical cooperation on operation of the trans-European electricity networks and of the interconnected natural gas networks are also considered projects of common interest.

* * *

Proposal for a
COUNCIL DECISION

laying down a series of measures aimed at creating a more favourable context
for the development of trans-European networks in the energy sector

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the third paragraph of Article 129d thereof,

Having regard to the proposal from the Commission,

In cooperation with the European Parliament⁽¹⁾,

Having regard to the opinion of the Economic and Social Committee⁽²⁾,

Having regard to the opinion of the Committee of the Regions⁽³⁾,

Whereas the creation of a more favourable context at the technical, administrative, legal and financial levels for the development of trans-European energy networks is part of the lines of action within the meaning of Article 129c(1) of the Treaty and provided for in European Parliament and Council Decision ... of 1994 [laying down a series of guidelines on trans-European energy networks]⁽⁴⁾;

Whereas the creation of a more favourable context at the technical, administrative and legal levels must be aimed mainly at providing a stimulus for technical cooperation between the operators of the networks, at simplifying and speeding up the existing authorization procedures for projects on the networks in the Member States in order to reduce delays and at seeking a common approach for technical aspects applicable to these projects;

Whereas, in order to speed up completion of projects of common interest identified by Decision ... [guidelines on trans-European energy networks], it is necessary to provide the Community with the possibility of supporting, from the financial resources allocated specifically to trans-European networks, the financial efforts made by the Member States in favour of such projects, particularly in the form of aid for feasibility studies and, where appropriate, loan guarantees or interest-rate subsidies;

(1)

(2)

(3)

(4) OJ No L

Whereas the other financial instruments at the disposal of the Community, such as the structural Funds, the European Investment Fund and the support from the European Investment Bank and programmes in favour of third countries could make a contribution, in some cases decisive, to the realization of projects of common interest identified by Decision ... [guidelines on trans-European energy networks],

HAS ADOPTED THIS DECISION:

Article 1

This Decision lays down the action to be taken with a view to creating a more favourable technical, administrative, legal and financial context for completion of the projects of common interest in connection with trans-European energy networks and for operation of such networks on a Community-wide scale.

Article 2

1. In order to contribute to creating a more favourable technical, administrative and legal context for the development of trans-European networks, the Community shall promote:
 - technical cooperation projects between the operators responsible for the management, monitoring and control of the trans-European networks;
 - cooperation between Member States with a view to simplifying and speeding up authorization procedures for projects on trans-European energy networks in order to reduce delays;
 - the definition of a common approach for technical aspects applicable to trans-European energy networks.
2. The Commission shall, in close collaboration with the Member States, take all useful initiatives for promoting the coordination of the activities referred to in paragraph 1.

Article 3

In order to contribute to creating a more favourable financial context for trans-European energy networks, the Community:

1. may, within the framework of its specific action on trans-European energy networks, provide financial support for projects of common interest financed by Member States:
 - for feasibility studies on projects of common interest identified by Decision ... [guidelines on trans-European energy networks] and for the implementation stage of these projects, in the form of interest-rate subsidies or loan guarantees;
 - for studies and projects aimed at improving technical cooperation on the operation of trans-European networks referred to in the first indent of point 1 of Article 2.

The financial support measures taken as part of the specific action on trans-European energy networks shall be adopted by the Commission in accordance with the procedure provided for by Article 4(2) and in accordance with the provisions of the Council Regulation [defining general rules for the financing of trans-European networks]⁽⁵⁾.

2. shall take account of the projects of common interest identified in Decision ... [guidelines on trans-European energy networks] in interventions by its Funds, instruments and financial programmes applicable to these networks, within the terms of their own rules and finalities.

Article 4

1. In the implementation of the actions referred to in Article 2, the Commission shall be assisted by the committee established by Article 7(1) of Decision 94/.../E [guidelines on trans-European energy networks].

The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft, within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.

2. In the implementation of the actions referred to in point 1 of Article 3, the Commission shall be assisted by the committee established by Article 7(1) of Decision 94/.../E [guidelines on trans-European energy networks] in accordance with the procedure laid down in Article 7(2) of that Decision.

⁽⁵⁾ OJ No L

Article 5

The amounts to be granted pursuant to this Decision shall be entered annually in the general budget of the European Communities. They shall cover the financial support referred to in point 1 of Article 3.

Article 6

Every two years the Commission shall submit a report on the implementation of this Decision to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions.

Article 7

This Decision is addressed to the Member States.

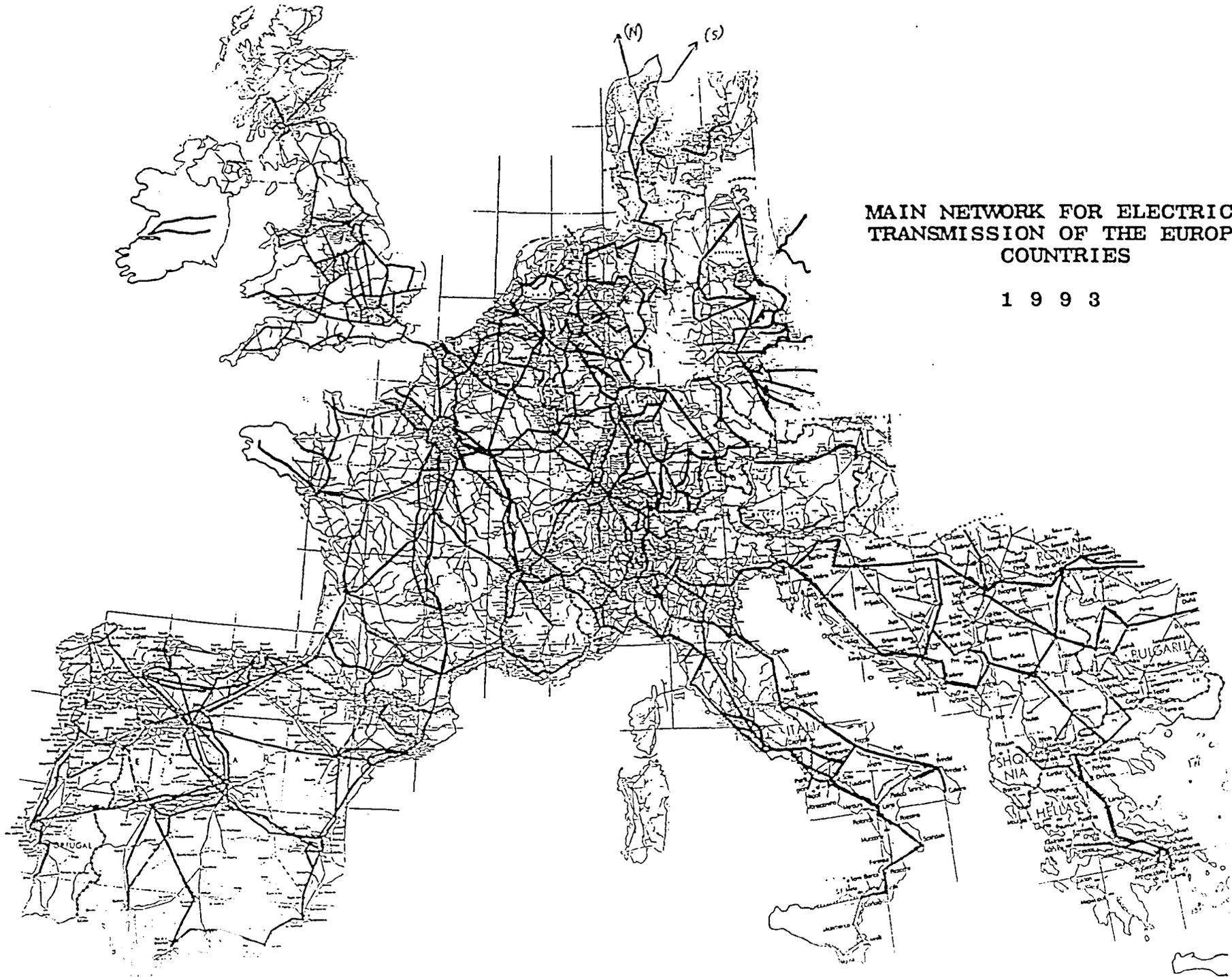
Done at Brussels,

For the Council
The President

TRANS-EUROPEAN ELECTRICITY NETWORKS

- PROJECTS OF COMMON INTEREST -





**MAIN NETWORK FOR ELECTRICITY
TRANSMISSION OF THE EUROPEAN
COUNTRIES**

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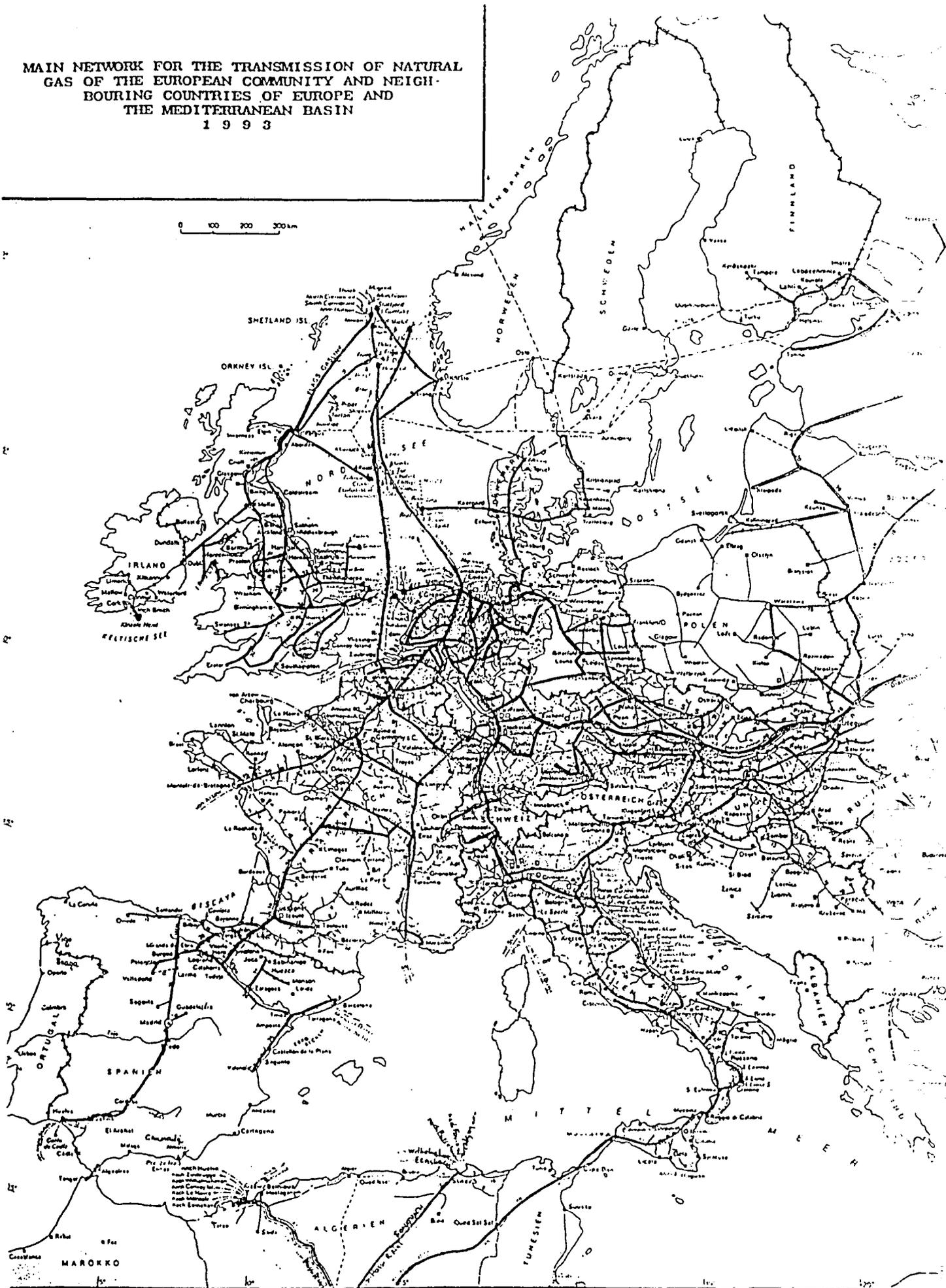
TRANS-EUROPEAN GAS NETWORKS

- PROJECTS OF COMMON INTEREST -



MAIN NETWORK FOR THE TRANSMISSION OF NATURAL GAS OF THE EUROPEAN COMMUNITY AND NEIGHBOURING COUNTRIES OF EUROPE AND THE MEDITERRANEAN BASIN
1993

0 100 200 300 km



FINANCIAL STATEMENT

1. TITLE OF OPERATION: Financial support for trans-European networks

2. BUDGET HEADING INVOLVED: B5-710 - Energy networks

3. LEGAL BASIS:

- Articles 129b, 129c and 129d of the Treaty establishing the European Community.
- Proposal for a European Parliament and Council Decision, presented by the Commission on ..., laying down a series of guidelines on trans-European energy networks.
- Proposal for a Council Decision, presented by the Commission on ..., laying down a series of measures aimed at creating a more favourable context for the development of trans-European networks in the energy sector.
- Council Directive No 90/547/EEC of 29 October 1990 on the transit of electricity through transmission grids (OJ No L 313/30, 13.11.1990).
- Council Directive No 91/296/EEC of 31 May 1991 on the transit of natural gas through grids (OJ No L 147/37, 12.6.1991).
- Council Resolution of 22 January 1990 concerning trans-European networks (OJ No C 27/8, 6.2.1990).
- Proposal for a Council Directive concerning common rules for the internal market in electricity and in natural gas (COM(91) 548 final, 21 February 1992 - OJ No C 65/4, 14.3.1992).
- Proposal for a Council Regulation introducing a declaration of European interest (COM(92) 15, 24 February 1992, as amended by COM(93) 115, 19 .4.1993).

4. DESCRIPTION OF OPERATION

4.1 Objectives of operation

To contribute to the establishment and development of trans-European energy networks by promoting the interconnection and interoperability of the national networks as well as access to such networks.

The aim is to facilitate the emergence, development and optimum operation of the natural gas and electricity transmission projects of common interest identified in the guidelines on trans-European energy networks.

The operation consists of promoting projects on electricity and gas interconnections not only in the Community, particularly in areas where improvements to the networks are needed or which are still isolated, but also with non-Community countries in Europe and the Mediterranean region in order to contribute to attaining the objectives of completing the internal market, strengthening economic and social cohesion and improving the security and reliability of the Community's energy supplies.

The financial support from the Community will be granted primarily for defining and starting projects of common interest, by promoting feasibility studies on such projects, and, where appropriate, offering interest-rate subsidies during the implementation phase.

Financial support could also be granted to promote studies to improve technical cooperation on operation of the interconnected trans-European electricity and natural gas networks.

4.2 Period covered by the operation and method provided for its renewal or continuation.

Duration: 1994-1998. The advisability of continuing the operation beyond this period will be considered on the basis of the results of the evaluation.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 - Non-compulsory expenditure.

5.2 - Differentiated appropriations.

5.3 - Type of revenue provided - nil.

6. TYPE OF EXPENDITURE

- Financial contribution (grants) to feasibility studies on projects of common interest.

- Financial contribution to studies and projects on technical cooperation, in the form of grants covering up to 50% of the total cost.
- Interest-rate subsidies for projects of common interest which have demonstrated potential economic viability and possibly the granting of loan guarantees.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (definition of unit costs)

The total investment needed throughout the Community between 1994 and 1999 on the trans-European electricity and natural gas transmission network projects of common interest identified so far will be in the order of ECU 13 billion. Some 70 projects are concerned.

One half of these projects could qualify for support for feasibility studies in the period 1994-1998. These normally cost between ECU 2 and 4 million, depending on the project. Assuming an average Community contribution of 50%, the total budget for part-funding these studies would be in the order of ECU 50 million.

Approximately ECU 10 million would be allocated to promoting technical cooperation between the networks.

In the order of ECU 30 million would be earmarked for interest-rate subsidies, which will be granted only to projects with a favourable cost/benefit analysis and for which the subsidy would be a decisive factor in proceeding with the investment considered. By way of illustration, a 1% reduction (for example, from 10% to 9%) in the interest rate on a loan of ECU 1 000 million repayable over 10 years is worth in the order of ECU 7 million a year. The estimated budget of ECU 30 million would allow interest-rate cuts of 1% on loans totalling ECU 1 000 million over 4 years.

Consequently, the total cost of the operation would be ECU 90 million, which is considered the minimum for credible, effective action by the Community. A bigger budget could prove necessary from 1999, which would be the subject of evaluation by the Commission in the reports provided for in the draft decisions accompanying this communication.

In 1994, the first year of the operation, the entire amount requested will be used exclusively to promote feasibility studies. In 1995 feasibility studies will still be the priority, but a start will also be made on technical cooperation projects. In 1996 interest-rate subsidies will be introduced, in addition to the support for feasibility studies and for technical cooperation.

Based on the closest estimates available at the moment, around 40% of the aid should go to the electricity sector and the other 60% to the gas industry. However, the cost-benefit analyses and the accelerator effect of the contributions by the Community will decide the final breakdown of the aid between these two sectors.

7.2 Itemized breakdown of cost of operation

BREAKDOWN	1993 BUDGET	1994 DRAFT BUDGET	INDICATIVE PLAN				TOTAL
			1995	1996	1997	1998	
Feasibility studies		7	12	12	12	7	50
Promotion technical cooperation			3	3	2	2	10
Interest rate subsidies				5	10	15	30
TOTAL	p.m.	7	15	20	24	24	90

7.3 Indicative schedule of appropriations

million ECU

1993 Budget	1994 Draft budget	INDICATIVE PLAN				T O T A L
		1995	1996	1997	1998	
p.m.	7	15	20	24	24	90

8. FRAUD PREVENTION MEASURES PLANNED (AND RESULTS OF THEIR IMPLEMENTATION)

Fraud prevention measures (inspections, reporting, etc.) are included in all the agreements or contracts between the Commission and the parties which it pays.

The Commission departments concerned verify the subsidies or receipt of the services, feasibility studies or assessments ordered before payment, taking account of the contractual obligations and the principles of economy and sound financial or general management.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantifiable objectives, target population

Closer integration of natural gas and electricity transmission infrastructure is one of the chief ways of implementing the internal energy market, by improving the flexibility and security of the Community's energy supplies and, in the long term, strengthening economic and social cohesion in the Community.

In particular, adjustment of electricity and natural gas transmission infrastructure to the Community dimension is essential for effective implementation of the Council Directive of 29 October 1990 on the transit of electricity (OJ No L 313, 13.11.1990) and of the Council Directive of 31 May 1991 on the transit of natural gas (OJ No L 147, 12.6.1991).

The greater competition foreshadowed by the proposals for Council Directive concerning common rules for the internal market in electricity and in natural gas (COM(91) 548 final, 21 February 1992) will in turn demand an extra effort in the energy infrastructure field to allow these markets to operate properly.

Further Community-wide integration of electricity and natural gas transmission infrastructure is also needed to support the growth in transfers of energy to and from non-Community countries. This, in turn, is one of the mainstays of the Community's security of supply. It is hard to quantify these factors in a cost-effectiveness analysis.

Nevertheless, simply taking account of the Community dimension when managing the electricity system, based on interconnected networks, should allow further savings in addition to those already made principally as a result of the transfers provided for by bilateral supply contracts. Based on the current configuration of the electricity transmission networks, including the ongoing projects, experts from the electricity industry estimate that these further savings could be worth in the order of ECU 1 billion per year, or approximately 3% of electricity generating costs, attributable primarily to the reduction in the cost of the primary energy sources burned in power stations. Similar savings could be expected for natural gas.

The target population for the operation is the whole of the Community and neighbouring countries involved in interconnection projects.

9.2 Grounds for the operation

To provide energy networks tailored to the internal energy market and to the needs of European industry, encouragement is needed at Community level, together with coordination of the measures taken by the Member States and the private sector. These objectives could not be attained at any alternative level.

The Community dimension of the issue makes action by the Community essential to promote implementation of projects offering benefits extending beyond the State or Member States in which they are carried out.

The main spin-offs, beyond completion of the internal energy market, concern the security of the Community's supplies in this strategic field and the strengthening of economic and social cohesion, plus the benefits for the Community's external relations policy, particularly vis-à-vis the countries of Eastern Europe and in the Mediterranean region.

The multiplier effects, particularly the ability to mobilize other sources of funding, are being assessed. However, it is already clear that projects of this type mobilize substantial public and private capital, as proved by the financial mechanisms for the Structural Funds, where energy projects have attracted four to five times the Community contribution.

9.3 Monitoring and evaluation of the operation

- The proposal for a Council Decision on a series of actions aimed at creating a more favourable context for the development of trans-European energy networks provides for the establishment of a committee of representatives of the Member States to assist the Commission with monitoring and assessing those actions.
- The proposal also provides for the preparation of a report which the Commission is to submit to the European Parliament, the Council, the Economic and Social Committee and the Committee for the Regions every two years.

9.4 Coherence with financial programming

This operation is incorporated in the DG's financial programming for the relevant years.

The objective of the proposed operation fits in with the broader objective of establishing trans-European energy networks.

* * *