



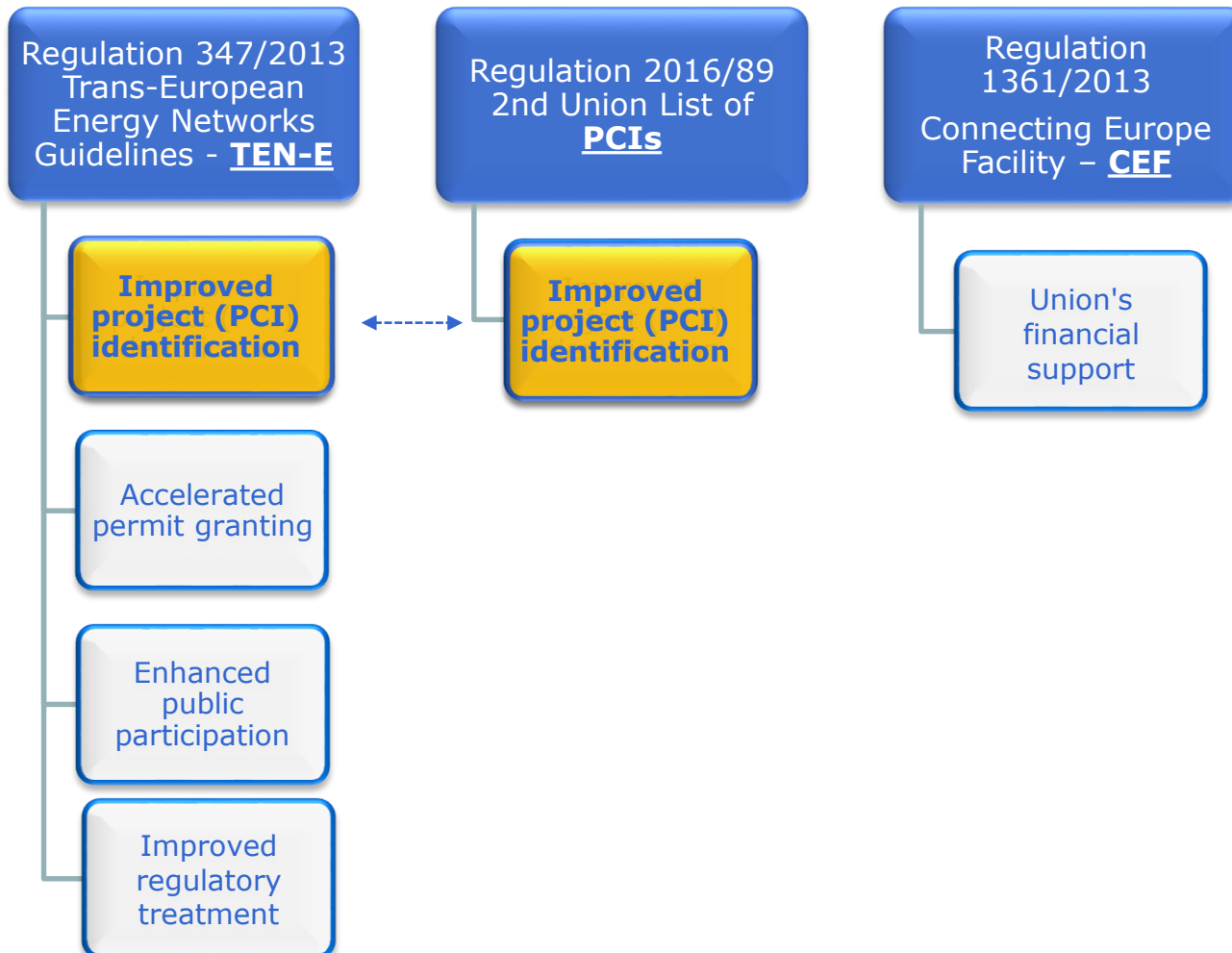
The EU's financial support Energy Infrastructure

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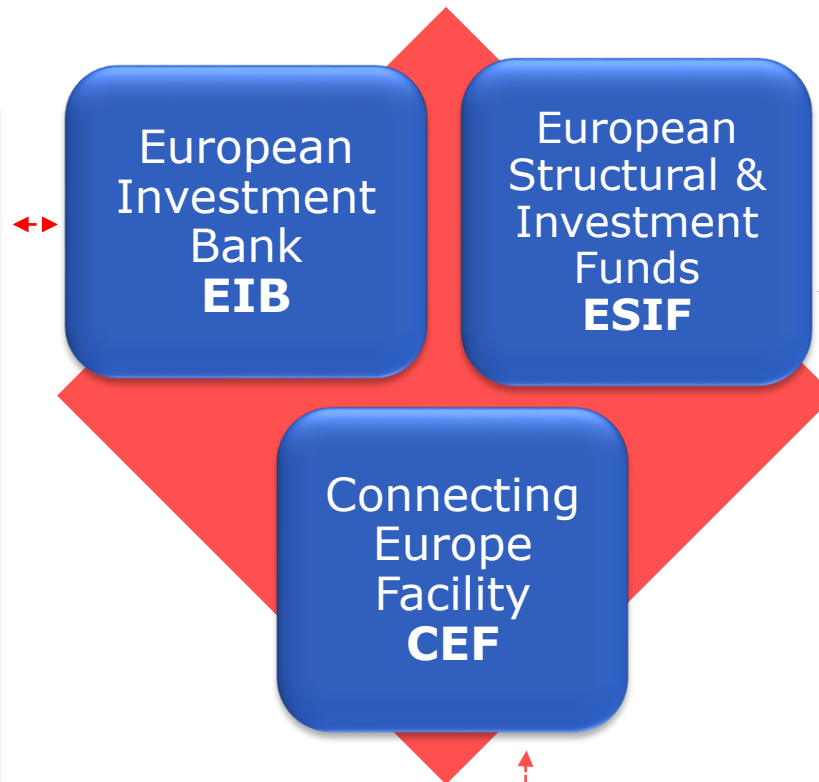
Energy Infrastructure Package



The Union's financial support

- Main EIB instruments:
 - + **project finance**
 - + **corporate finance**
- Source of money (CEF, European Fund for Strategic Investment) is of secondary importance
- Commission acts as a broker (trilaterals)

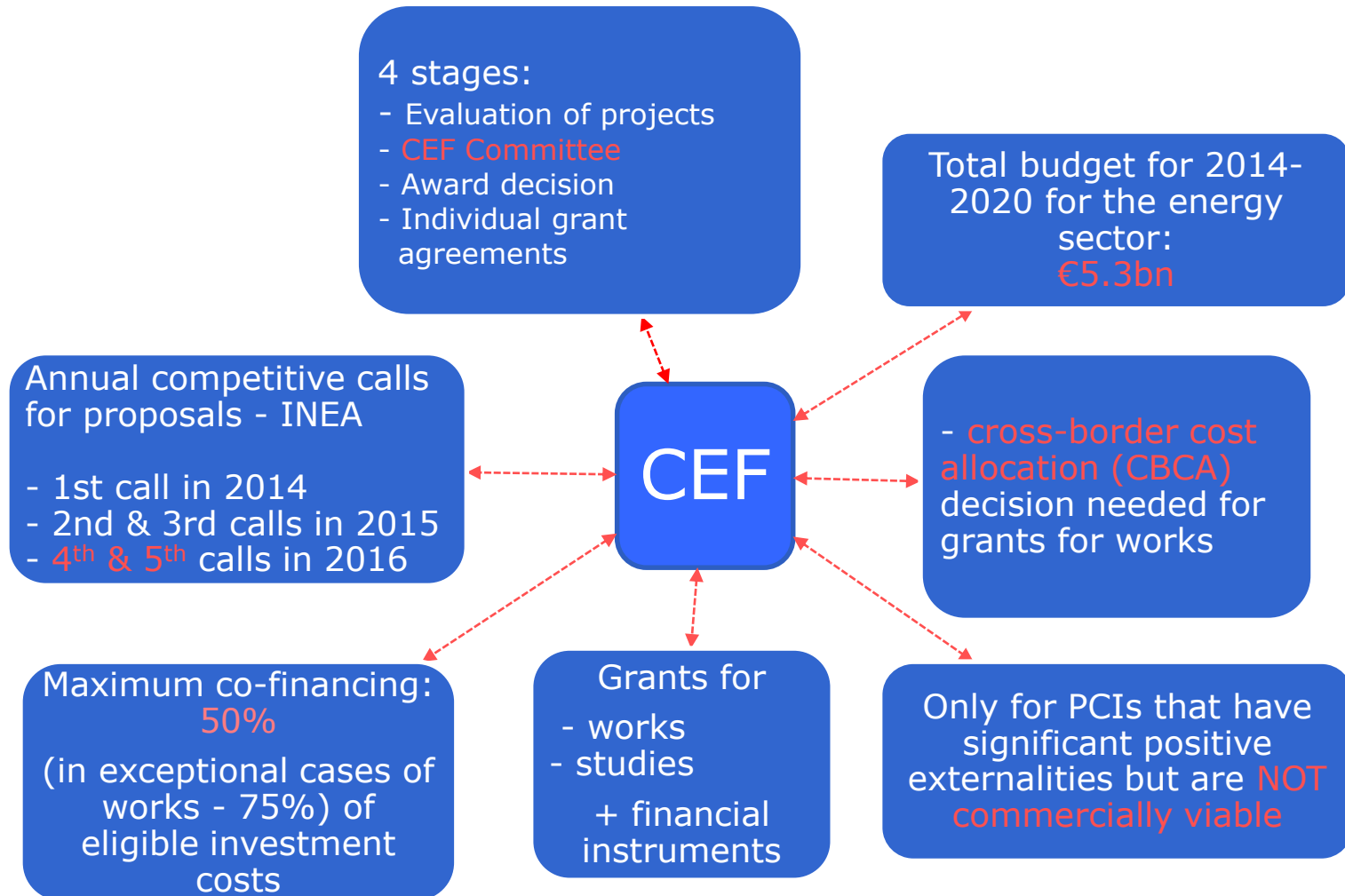
- EIB lending to energy projects 2010-2014:
€ 68 billions of which **€ 30 billion to electricity and gas networks**
- EIB signed loans worth **€ 3.5 billion** for 9 PCIs and approved loans worth € 750 million for 5 PCIs



- Negotiated by the MS & EC
- Partnership Agreements and Operational Programmes
- **€24bn for energy investment** (infrastructure, RES, energy efficiency) for years 2014-2020.

NEXT SLIDE

Connecting Europe Facility (CEF)



Rules (carrots&sticks)+ Wallet (more carrots)

TEN-E Regulation and CEF strongly interlinked

CEF (1361/2013) determines "How to spend it?"

- centrally managed by the Commission
- amounts (5.3 bn EUR)
- form (grant, financial instruments)
- co-funding rates
- eligibility of costs
- procedures
- responsibilities of all actors involved



TEN-E guidelines determine "On what?" and "Under what conditions?" CEF can be spent (PCI specific eligibility [*significant positive externalities, CBCA, Commercially not viable*])

CEF to ease the investment challenges



- Assist in better project preparation and minimising risk factors (**grants for studies**)
- Decrease the cost of and improve the access to long term financing (**financial instruments**)
- Help overcome the funding gap for commercially non-viable, but needed PCIs (**grants for works**)



Some practical considerations

Orientations in view of setting the award criteria

Article 17.6 – Part VII - CEF Regulation

- (a) maturity of the action in PCI development;
- (b) soundness of the implementation plan;
- (c) stimulating effect of Union support on public and private investment, when applicable;
- (d) need to overcome financial obstacles such as the lack of market finance;
- (e) when applicable, economic, social, climate and environmental impact, and accessibility;
- (f) cross-border dimension, when applicable.

Issuing a Cross-Border Cost-allocation decision



Regulatory framework under TEN-E

Enabling investments with cross-border impact:

- Cross-border cost allocation
- NRA joint decision on investments and cost allocation
- ACER decision if no agreement

Once a CBCA-decision has been obtained, projects which are not commercially viable are eligible to apply for grants for works under CEF



Rules governing the cross-border cost allocation

Recommendation No 5/2015 of the Agency for the Cooperation of Energy Regulators of 18 December 2015

Recommendation: *a minimum standard*: if a hosting MS is deemed to have a net negative impact (i.e. is a cost bearer), at least the net negative impact shall be compensated by the MS on which the project have a net positive impact (net beneficiaries).

Steps in preparing the CBCA decision (minimum standard)

1. *Verification if any of the Member States (MS) is a **net cost bearer**.*
(Which MS should be paid/compensated?)
2. *Calculation of the **total financial cross-border compensation**.*
(How much should the MS be paid/compensated?)
3. *Verification which of the MS are **net beneficiaries**.*
(Which of the Member States should pay/compensate?)
4. *Calculation of the **cross-border compensations to be paid by each of the Member States** that are net beneficiaries.*
(How much each of the Member States should pay/compensate)

Technical parameters of GIPL

- Promoters:
 - Polish TSO: Gaz-System S.A.
 - Lithuanian TSO: AB Amber Grid
- Length: 534 km long, including 357 km in Poland and 177 km in Lithuania.
- Capacity (1st stage):
 - up to 2.4 bcm/y Poland → Lithuania
 - up to 1.7 bcm/y Lithuania → Poland.
- Commissioning: by December 2019.

Detailed steps in preparing the CBCA decision

1. Calculation of the **socio-economic benefits** of the concerned Member States (MS).
2. Calculation of the **costs** of the concerned MS.
3. Calculation of the **net benefits** of the concerned MS (net-cost bearer or net-beneficiary).
- 4-5. Calculation of the **total financial cross-border compensation** by applying the net benefits and the expected revenues.
- 6-7. Calculation of the **cross-border compensations to be paid by each of the concerned MS** by applying the 10% threshold and the proportionality rule.

Key data used in the **CBCA** process

→ *The socio-economic benefits were calculated as follows:*

- **Poland: € 301,400,000**
- **Lithuania: € 723,200,000**
- **Latvia: € 359,600,000**
- **Estonia: € 118,500,000**

→ *The total costs were calculated as follows:*

- **Poland: € 528,100,000**
- **Lithuania: € 145,000,000**
- **Latvia: € 600,000**
- **Estonia: € 0**

→ *Value of financial revenues*:*

- **Poland: € 140,800,000**
- **Lithuania: € 31,600,000**

*Not included in the process of calculating the benefits.

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Values in € million, year 2018.

Country	Benefits	Costs	Net Benefits	Net Cost Bearer or Net Beneficiary
Poland	301.4	528.1	-226.7	Net cost bearer
Lithuania	723.2	145.0	578.2	Net beneficiary
Latvia	359.6	0.6	359.1	Net beneficiary
Estonia	118.5	0	118.5	Net beneficiary
Total	1502.7	673.7	829.1	

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Values in € million, year 2018

Country	Net benefit	Benefit over 10% threshold of 105.6	Compensation indicator	Required total financial compensation	Value of financial revenues ^{a)}	Total financial cross-border compensation due after financial revenues	Cross-border cost allocation
Poland	n/a (cost bearer)	n/a (cost bearer)	n/a (cost bearer)	226.7	140.8	85.8	0
Lithuania	578.2	472.6	64.0%	0	31.6	0	54.9
Latvia	359.1	253.5	34.3%	0	0	0	29.4
Estonia	118.5	12.9	1.7%	0	0	0	1.5
<u>GIPL Project Total</u>	<u>1055.8</u>	<u>739.0</u>	<u>100.0%</u>		<u>172.5</u>	<u>85.8</u>	<u>85.8</u>

a) Discounted by the Financial Discount Rate (FDR, 8%).

Values in € million, year 2018, rounded to the nearest 1/10 million.