

## DISCUSSION PAPER

### ASSESSMENT OF EXISTING GAS INFRASTRUCTURE AND INFRASTRUCTURE NEEDS UNTIL 2030

*Note: The purpose of this document is to help to steer and structure the discussion to be held at the Gas Coordination Group meeting on 22 September, agenda point III. This paper has no legal value.*

#### ➤ *Planning of infrastructure*

The assessment of the Union's cross-border gas infrastructure (i.e. gas pipelines, LNG terminals and storages) and its contribution to the energy policy objectives (i.e. security of supply, market integration, competition and sustainability) are carried out by the Ten Year Network Development Plan (TYNDP). The TYNDP also identifies infrastructure gaps, i.e. areas where missing infrastructure prevents the EU from achieving the energy policy objectives and establishing the internal energy market.

The TYNDP is prepared on a biennial basis, within a transparent process providing for a broad involvement of stakeholders, by the European Network of the Transmission System Operators for Gas (ENTSOG).

The TYNDP also serves as basis in the process of identifying Projects of Common Interest (PCIs) under Regulation (EU) No 347/2013 on guidelines for Trans-European Energy Infrastructure (TEN-E Regulation)<sup>1</sup>. PCIs are infrastructure projects that are considered critical for the attainment of the Union's climate and energy policy objective. They benefit from numerous projects provided by the TEN-E Regulation, including accelerated and streamlined permit granting process, improved regulatory treatment, and - upon the compliance with the relevant criteria – co-funding under the Union's Connecting Europe Facility (CEF) programme.

The PCI identification process is also biennial, and it is carried out within dedicated Regional Groups<sup>2</sup> established under the TEN-E Regulation. Each Regional Group consists of the representatives of the European Commission, the relevant Member States, national regulatory authorities, transmission system operators, ACER, and ENTSOG, and its work is followed by stakeholders.

The work on the new (third) Union list of PCIs is currently well advanced and it is planned for adoption in late autumn of 2017.

#### ➤ *Assessment of the Union's gas infrastructure*

The TYNDP 2017<sup>3</sup> provides for a positive assessment of the Union's gas network.

The EU's gas system has (i) high import capacities (850 GW), (ii) high cross-border capacities (> 100% of EU demand), and (iii) high storage capacity (20% of annual demand). Furthermore, the EU's gas system allows for a wide range of supply mixes, is able to ensure day-to-day supply-and-demand balance even in the case of an extreme cold weather situation, and it is resilient to a number of disruption events.

According to the 2017 TYNDP, the cross-border network is also well equipped to face the challenges of the future, i.e. it can cope with the evolution that the gas demand will undergo in achieving the

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<sup>1</sup> Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009, OJ L115, 25.4.2013, p. 39.

<sup>2</sup> There are four gas Regional Groups: North-South gas interconnections in Western Europe ('NSI West Gas'), North-South gas interconnections in Central Eastern and South Eastern Europe ('NSI East Gas'), Southern Gas Corridor ('SGC'), Baltic Energy Market Interconnection Plan in gas ('BEMIP Gas').

<sup>3</sup> <http://www.entsog.eu/publications/tyndp#ENTSOG-TEN-YEAR-NETWORK-DEVELOPMENT-PLAN-2017>

climate and energy targets. Therefore, in principle, the achievement of the Union's energy and climate targets will not require any specific reinforcements of the gas infrastructure of cross-border relevance.

➤ *Union's infrastructure needs*

The TYNDP 2017 identifies *some (limited) elements of infrastructure that are still missing* to ensure that the internal energy market becomes a reality across all of Europe. In particular, some infrastructure is still needed in specific regions to allow for sufficient supply diversification, and to alleviate excessive dependence to the main supply source, therefore improving competition and mitigating risks in the case of crisis situations.

With regard to the infrastructure needs, the TYDNP analysis shows that - in addition to the existing infrastructure - upcoming *projects for which Final Investment Decisions (FID) have already been taken, and a limited selection of other advanced (non-FID yet) projects will allow to achieve at a satisfactory level all remaining infrastructure needs and problems.*

Similarly, within the process of establishing the third Union list of PCIs, the Regional Groups have also managed to identify (in the four gas priority corridors) a *limited number of infrastructure needs* that might justify building new infrastructure<sup>4</sup>.

➤ *Future Union's gas infrastructure*

Limited infrastructure needs, and likely decrease in gas demand resulting from the attainment of the agreed 2020, 2030 and 2050 energy and climate objectives, suggest applying a cautious approach in the process of planning and developing new gas infrastructure in Europe.

Priority should be given to using in a more efficient manner the existing infrastructure (particularly LNG terminals and gas storages), and to the market measures which can (often more effectively and at a lower cost) address many of the infrastructure-related needs. Both measures will allow avoiding (or at least limiting to the maximum) the risk of building stranded assets. New infrastructure should be considered (only as a last resort) if a given need cannot be addressed by the former measures, and it should be underpinned by cost-benefit analysis, particularly if two or more competing projects are proposed.

➤ **Questions**

- *Are the infrastructure needs correctly defined?*
- *Is the current process of identifying infrastructure needs fit for purpose? If not, in relation to which aspects should it be improved?*
- *To what extent should the Union (still) invest in new gas infrastructure?*
- *Should the Union explore to a larger extent the potential synergies with the electricity system?*

Annex: Presentation of the results of the TYNDP 2017

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