

# Integration of the Iberian Peninsula into the internal energy market

## **1. What is the current state-of-play of the energy interconnection of the Iberian Peninsula with the rest of the EU energy market?**

With an interconnection capacity of 6000 MW, Spain and with it the Iberian Peninsula remains largely an energy island that can hardly participate in the European electricity market. This means a level of interconnection capacity of only 6%, far behind the 15% interconnection target contained in the new regulation on the governance of the Energy Union.

The French and Iberian markets are interconnected thanks to two gas pipelines crossing the border at Larrau and Biriadou. The two pipelines offer an exchange capacity of around 7 billion cubic meter/year. For gas, there is no interconnection target established at European level.

## **2. What was decided in Madrid in March 2015? What is the role of the High Level Group for Interconnections in South-West Europe? Since 2015, what progress has been achieved?**

The President of France, the President of Spain and Portugal and the President of the European Commission agreed in March 2015 in Madrid to complete the integration of the Iberian Peninsula into the Energy Union by giving priority to a number of electricity and gas infrastructure projects.

The European Commission put in place in June 2015 the High Level Group for Interconnections in South-West Europe to ensure the timely implementation of the Madrid political agreement. Since then, important progress has been achieved. The electricity interconnection capacity between France and Spain was doubled thanks to the commissioning of the Santa-Llogaia-Baixas power line in 2015. The completion in June 2017 of the transformer in Arkale, Spain enabled its full utilisation. These projects are examples of concrete achievements that bring concrete benefits to European citizens: their existence made it possible for Spain to help France and show solidarity during the winter of 2017.

Progress is not limited to electricity alone. In three months, the Val de Saône gas pipeline, supported once again by European funds, will be operational. It will make an important contribution to the unification of the French market while securing a better access for the Iberian Peninsula to the European gas market. In addition, the South Transit Eastern Pyrenees pipeline regulatory treatment is currently assessed by the national authorities.

## **3. What are the key elements of the Lisbon declaration signed today?**

The Lisbon declaration outlines the important progress achieved in the implementation of key priority projects to plug the Iberian Peninsula to the internal energy market. The Lisbon Declaration also underlines the contribution of these priority projects to energy security, competitiveness and sustainability as well as to the achievement of the EU commitments under the Paris agreement while accelerating investments, spur economic growth and jobs.

In addition, leaders agreed to strengthen the regional cooperation, notably in the field of renewables and energy efficiency cross-border projects which may bring benefits when developed at regional level.

**4. What are the ongoing key infrastructure projects to ensure the integration of the Iberian Peninsula into the internal energy market? When will they be completed?**

The Biscay Bay power line between France and Spain entered a decisive step in its development with the EU financial participation of 578 million euros. Once completed, by 2025, it will bring Spain closer to the to the 15% interconnection target contained in the new regulation on the governance of the Energy Union, and will integrate the whole Iberian Peninsula into the internal electricity market.

A link between Cantegrit in France and Navarra in Spain and another one between Marsillon in France and Aragón in Spain are currently being analysed by the project promoters. These two links are aimed at further increasing the electricity interconnection capacity between Spain and France.

The interconnection project between Spain and Portugal (Ponte Lima – Vila Nova Famalicão – Recarei and Beariz – Fontefría) will allow Portugal to attain the 10% level of interconnections by increasing the current interconnection capacity level to 3.2 GW. The commissioning date of the project is planned by 2021.

On the gas side, the Val de Saône pipeline in France which will contribute to Spanish and Portuguese access to the European Gas Market will be completed in October 2018.

The South Transit Eastern Pyrenees pipeline regulatory treatment is currently being assessed by the national regulators. The development of the third interconnection point between Spain and Portugal is connected to the increase of interconnection capacity between Spain and France.

**5. What other measures are being put in place, besides the construction of physical infrastructures?**

The implementation of the Madrid Declaration is ensured thanks to regional cooperation. Today, leaders agreed on ways to strengthen the regional cooperation between Spain, France and Portugal in the framework of the Energy Union, beyond infrastructures to cover renewables and energy efficiency, in the region and beyond, and in particular with our Euro Mediterranean

partners.

**6. What is the role and potential of renewable energy in the Iberian Peninsula?**

The Iberian Peninsula has a lot to offer for the success of the clean energy transition in the European Union and most notably in terms of renewables. Portugal is one of the EU leading countries in renewables, with a high penetration of hydro and wind. Since 2014 more than half of electricity consumption is supplied by renewable sources and recently Portugal broke a new record with renewable power production surpassing total electricity consumption. Spain and France also have a high potential for developing renewable energy sources in a cost-effective way.

**7. Are citizens and stakeholders being consulted in this process?**

**All priority projects identified in the Madrid Declaration are projects of common interest.**

The identification of Projects of Common Interest is governed by Regulation (EU) No 347/2013 on guidelines for trans-European energy infrastructure and conducted in an open and transparent manner, providing the opportunity for individuals and organized civil society to express their views throughout the process. The process is carried out, under the leadership of the Commission, by the regional Working Groups. These are composed of different members representing social, environmental and consumer stakeholders.

Article 9 of Regulation (EU) No 347/2013 imposes the obligation for project promoters to organize at least one public consultation with citizens and other stakeholders in the early stages of the planning process of their project, as well as setting up a webpage with clear and updated information on the technical aspects of the project, the stages of its implementation and the status and results of the environmental assessments that have to be carried out under EU Law.

---

**[State aid: Commission approves €500](#)**

# million in German public funding to promote energy efficiency in rail transport

Commissioner Margrethe **Vestager** in charge of competition policy, said: *“Electrically powered rail transport is one of the most environmentally friendly transport options. By promoting a shift from road to rail, the German scheme will contribute to meeting the EU’s environmental and transport objectives, without distorting competition”.*

In January 2018, Germany notified to the Commission a scheme to provide public support for investment in technologies to make rail transport more cost and energy efficient. The scheme has an overall budget of €500 million and will run from 2018 to 2022.

Under the scheme, companies providing electrically powered rail transport services may be compensated for up to 50% of expenses incurred from energy efficiency measures, such as acquisition of modern energy-saving rolling stock including hybrid locomotives or automated solutions. Such investments allow rail transport companies to increase their energy efficiency, i.e. the energy consumption per passenger or tonne kilometre.

To benefit from this public support, rail transport companies need to demonstrate a year on year improvement of 1.75% in their energy efficiency. From 2020, this energy efficiency must increase by at least 2% year on year for companies to be eligible for support.

The Commission found that the scheme is beneficial for the environment and for mobility because it supports and promotes rail transport, which is less polluting than road transport. The Commission also found that the measure is proportionate and necessary to achieve the objective pursued, namely to support the modal shift from road to rail. As a result, the Commission has concluded that the measure complies with EU State aid rules, in particular the 2008 Commission [Guidelines on State aid for railway undertakings](#).

## **Background**

The non-confidential version of the decision will be published under the case number SA.50165 in the [State aid register](#) on the Commission’s [competition website](#) once any confidentiality issues have been resolved. The [State Aid Weekly e-News](#) lists new publications of state aid decisions on the internet and in the EU Official Journal.

---

## First quarter of 2018 – Household real income per capita nearly stable in the euro area and in the EU28 – Real consumption per capita up in euro area and nearly stable in EU28

In the **euro area**, in real terms, household income per capita increased by 0.1% in the first quarter of 2018, after an increase of 0.3% in the previous quarter. Household real consumption per capita increased by 0.3% in the first quarter of 2018, after an increase of 0.1% in the fourth quarter of 2017.

[Full text available on EUROSTAT website](#)

---

## Nordic Credit Rating AS registered as Credit Rating Agency

The EFTA Surveillance Authority (EFTA SA) has [registered](#) today the Nordic Credit Rating AS (NCR) as a credit rating agency under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the CRA Regulation), as incorporated into the Agreement on the European Economic Area (EEA Agreement). This decision comes into effect on 3 August 2018. NCR is based in Oslo, Norway, with a branch in Stockholm, Sweden. NCR intends to issue corporate ratings.

The decision was adopted by the EFTA SA on the basis of a draft prepared by the European Securities and Markets Authority ([ESMA](#)), which is the EU's single supervisor for Credit Rating Agencies (CRAs).

The CRA Regulation seeks to ensure that credit ratings issued in the EU respect minimum standards of quality, transparency and independence by providing that only companies registered as CRAs may lawfully issue credit ratings which can be used for regulatory purposes by credit institutions, investment firms, insurance and reinsurance undertakings, institutions for occupational retirement provision, management companies, investment companies, alternative investment fund managers and central counterparties.

EFTA SA and ESMA will supervise NCR

In order to be registered as a CRA a company must be able to demonstrate that

it can comply with the requirements of the CRA Regulation, including on:

- the governance of CRAs and the management of conflicts of interest;
- the development and application of methodologies for assessing credit risk; and
- the disclosure of information to ESMA and to market participants.

Once registered, CRAs are subject to on-going supervision and monitoring. In this case, NCR will be subject to on-going supervision and monitoring by EFTA SA and ESMA respectively to make sure that the firm continues to meet the conditions for registration. EFTA SA, on the basis of drafts prepared by ESMA, can impose sanctions and/or penalties where it finds that a CRA has failed to meet its obligations under the CRA Regulation as incorporated in the EEA Agreement.

---

## [Statement by Michel Barnier at the press conference following his meeting with Dominic Raab, UK Secretary of State for Exiting the EU](#)

Ladies and gentlemen,

Dominic and I just had a second constructive meeting.

I agree with what Dominic said last week – we must bring new energy into these negotiations.

And we will need to sustain this energy over the coming weeks in order to reach an agreement.

We both want to conclude in October, with a deal.

We have two main challenges.

1. First, we need to finalise the outstanding issues of the Withdrawal Agreement, including a legally operative backstop for Ireland and Northern Ireland.
2. Second, we need to agree on a political declaration on our future relationship.

Ladies and gentlemen,

Let me focus first on the future relationship.

Last Friday, I made some initial comments on the UK's White Paper.

This week confirmed that the UK proposals on security mark a real step forward:

The UK has provided new guarantees on the protection of fundamental rights and the uniform application of law:

- The White Paper commits the UK to membership of the European Convention on Human Rights.
- It recognises the European Court of Justice as the only arbiter of EU law.

These are important safeguards. They enlarge the possibilities of what we can do together on internal security, in particular on data exchange.

Based on the protection of personal data, and based on reciprocity, the EU and the UK can explore the modalities for close cooperation on the following points:

- the exchange of DNA, fingerprints, and vehicle registration information (so called "Prüm"),
- the exchange of Passenger Name Records to better track and identify individuals involved in terrorism and crime,
- swift and effective extradition, based on the procedural rights for suspects.

Furthermore, I am particularly pleased with the progress in our talks on foreign policy and external security.

- We have a shared understanding on how to organise our future close cooperation, including on sanctions, defence capabilities and crisis management. The UK is a member of the UN Security Council, and an important player in security and defence. Our cooperation is even more important in today's geo-political context.
- I recall that this EU-UK cooperation in defence will be in addition to what we already do in NATO, and to bilateral agreements between the UK and certain Member States.

Ladies and gentlemen,

In contrast, on our future economic relationship, it comes as no surprise that finding common ground between the EU27 and the UK is more difficult.

But we have agreed already on a common denominator: we both want an ambitious Free Trade Agreement.

In March, EU leaders proposed an unprecedented Free Trade Agreement.

Another area of convergence between the EU and the UK is the need for ambitious customs arrangements.

We are also both committed to a level playing field between our economies.

But, to be frank, we are not at the end of the road yet.

There are major issues to be discussed and questions to be answered.

We share a clear understanding on a core principle that will define our future economic relationship: the UK and the EU will both preserve the autonomy of their decision-making.

Both will preserve their regulatory autonomy.

The UK wants to take back control of its money, law, and borders, as Dominic said in an article this morning.

We will respect that.

But the EU also wants to keep control of its money, law, and borders.

The UK should respect that.

So, we share an objective in that regard.

A clear example of what this means concerns our future relationship in financial services.

- We discussed financial services this week and agreed that future market access will be governed by autonomous decisions on both sides.
- We recognised the need for this autonomy, not only at the time of granting equivalence decisions, but also at the time of withdrawing such decisions.
- And we agreed to have close regulatory cooperation, which will also have to respect the autonomy of both parties.

Maintaining control of our money, law, and borders also applies to the EU's customs policy.

- The EU cannot – and will not – delegate the application of its customs policy and rules, VAT and excise duty collection to a non-member, who would not be subject to the EU's governance structures.
- Any customs arrangements or customs union – and I have always said that the EU is open to a customs union – must respect this principle.
- In any case, a customs union, which would help to reduce friction at the border, would come with our Common Commercial Policy for goods.
- President Juncker's visit to Washington yesterday shows the importance of our Common Commercial Policy. It shows that we are stronger together.
- Any customs arrangement will also have to be workable and must protect EU and national revenue, without imposing additional costs on businesses and customs authorities.

This is the framework within which we will work with the UK over the coming weeks.

Ladies and gentlemen,



This week, these customs discussions have also been the backdrop to the backstop.

We have a clear agreement between the EU and the UK that the Withdrawal Agreement must contain an all-weather insurance policy. We share the goal of avoiding a hard border on the island of Ireland.

Let me recall why.

Because, as we agreed in December, the absence of a hard border has to be guaranteed no matter what the future relationship will be.

Of course, we have always said that a better solution in the future EU-UK relationship could replace the backstop.

This explains the “unless and until” provision of the backstop to which the UK has agreed.

Continued uncertainty on this issue after the UK’s withdrawal would be unacceptable for Ireland, for Northern Ireland, for the UK as a whole, and obviously for the EU27.

Ladies and gentlemen,

We also had agreed in March on the scope of the issues to be solved in the backstop.

This week, we focused on the customs element of the backstop.

The UK wants this to be UK-wide.

As I said last week, we have no objection in principle to this.

But we have doubts that this can be done without putting at risk the integrity of our Customs Union, our Common Commercial Policy, our regulatory policy, and our fiscal revenue.

We have had an open and frank – and therefore useful – discussion with Dominic and his team on these issues.

I think that the UK has understood our concerns and respects our principles.

And the UK has promised to come back to us with concrete proposals on how to address our concerns.

Both teams will reflect on this in the coming weeks. The next time we meet will be mid-August. We must advance and agree on a legally operative backstop solution to conclude the Withdrawal Agreement.

Ladies and gentlemen,

Before giving the floor to Dominic and taking questions, let me just add one more point.

I have been focusing on all the open issues and the work that we have ahead of us over the next few weeks to conclude the Withdrawal Agreement.

Let's keep in mind that we have already agreed on a large part of this Withdrawal Agreement – more or less 80%.

This includes the very important issue of citizens' rights, which has been our priority since the beginning of this negotiation, as well as the priority of the European Parliament. It continues to be our priority.

But the job does not stop here. We will also have to work on making sure that citizens can easily avail themselves of the rights that will be guaranteed in the Withdrawal Agreement.

We are working with the Home Office as well as with the Member States on this point.

Thank you for your attention.