

Questions and answers on the projects of common interest (PCIs) in energy and the electricity interconnection target

I. Projects of common interest (PCIs) in energy

1. What are projects of common interest in energy?

Projects of common interest (PCIs) are key infrastructure projects aimed at completing the European energy market in order to help the EU achieve its energy policy and climate objectives: affordable, secure and sustainable energy for all citizens, as well as the long-term decarbonisation of the economy in accordance with the Paris Agreement.

2. Which projects are on the PCI list?

The 2017 list includes 173 projects, of which 110 are electricity and smart grids projects, 53 gas projects, and 6 oil projects. For the first time as well, the list of PCIs provides for four cross-border carbon dioxide network projects.

Electricity and smart grids projects will allow for the integration of renewable energy amounts and their transportation over long distances. They will also reinforce security of supply through increased grid resilience and flexibility, and will allow for involvement of demand response.

Gas PCIs are still needed to achieve diversification and to complete the integration of the energy markets in the EU and beyond, thus enhancing energy security and competitiveness.

The selected PCIs in the oil sector will also address the need to diversify oil supplies in the Central-Eastern EU region in order to improve energy security.

The full list of projects can be found here:

https://ec.europa.eu/energy/sites/ener/files/documents/annex_to_pci_list_final_2017_en.pdf

3. Which criteria does a project have to meet to be included on the PCI lists?

For a project to become a PCI, it should be an energy network infrastructure that:

a) has a significant impact on *at least* two EU Member States,

- b) enhances market integration and contributes to the integration of Member States' networks,
- c) increases competition on energy markets by offering alternatives to consumers,
- d) enhances security of supply,
- e) contributes to the sustainability objective, e.g. by supporting renewable generation.

Only those electricity and gas projects included in the latest Ten-Year-Network Development Plans prepared by the European Network of Transmission System Operators for gas and for electricity (ENTSO-G and ENTSO-E) are allowed to become PCIs, as these Plans highlight the projects' socio-economic benefits on the EU energy system.

4. What are the benefits of being on the list?

PCIs benefit from a number of advantages:

- a) streamlined permit granting procedures (a binding three-and-a-half-year time limit);
- b) improved, faster and better streamlined environmental assessment;
- c) a single national competent authority (one-stop-shop) coordinating all permit granting procedures;
- d) a procedure allowing for the allocation of investment (construction) costs among Member States benefiting from the PCI;
- e) under specific conditions, possibility of receiving financial assistance under the Connecting Europe Facility (CEF) in the form of grants and innovative financial instruments.

5. The 2015 PCI list contained 195 projects. Why are there fewer projects this year?

This list contains 22 fewer PCIs than the (second) list adopted in 2015, mainly because 30 projects (22 gas and 8 electricity) from the 1st and 2nd lists will have been completed by early 2018, but also because of a clearer focus on key priorities.

Thanks to recent progress made, gas infrastructure has become in general more resilient and better integrated in most parts of Europe. However, the Eastern Baltic Sea region and the Central South-Eastern part of Europe remain more vulnerable to potential supply shortages. This vulnerability can be effectively addressed by the selected projects as they will provide the necessary diversification and integration.

6. Will the projects on the list automatically get EU funds?

Projects selected as PCIs can automatically benefit from many advantages stemming from the Trans-European Network – Energy (TEN-E) Regulation, including an accelerated permit granting and improved regulatory treatment.

PCI status is a precondition for grants under the Connecting Europe Facility (CEF), but it does not guarantee the award of a CEF grant. In more precise terms, grants to support studies can be requested for all PCIs (except for oil projects). However, when it comes to grants for works, only some projects included on the PCI list will need – and will be eligible for – financial assistance; many of them can be implemented on a commercial basis without EU funds – or other public subsidies.

Projects selected as PCIs, upon meeting specific additional criteria, will be able to apply for the CEF support in a separate procedure.

Oil projects are not eligible for any funding under the CEF.

7. When will PCIs be able to apply for EU funding?

The next call for proposals to receive grants under the Connecting Europe Facility (CEF) is scheduled for spring 2018. Project promoters will be able to apply for grants for studies and grants for construction works.

Grants for works, however, will be available only to those PCIs that are not commercially viable despite their positive impacts, such as ending the energy isolation of Member State(s), solidarity, security of supply or technological innovation. Objective cost-benefit analysis will be used to determine these parameters.

In addition to CEF funding, PCIs can also apply for support under other EU's programmes, such as the European Fund for Strategic Investment (EFSI), and the European Structural & Investment Funds (ESIF) – in particular the European Regional Development Fund (ERDF).

8. Which projects have received co-funding under CEF?

In the 2014-2016 period, 74 PCIs have benefited from the CEF programme. The allocated grants for works and studies are worth € 1.6 billion in total (out of the total CEF energy budget of € 5.35 billion).

In the first three years of the CEF funds, more focus was given to gas projects critical for ending the energy isolation of the Eastern Baltic Sea region and ensuring security of supply in South Eastern Europe. This was justified by the high urgency and maturity of the projects.

As of 2017, CEF will concentrate more on electricity and smart grids projects focusing on the integration of renewables across borders as well as innovation, the digitalisation and smartening of the grid.

9. When will the next PCI list be published?

A new list of PCIs is prepared every two years, therefore the next, fourth, list will be published in 2019.. Project promoters may propose adding new

projects to the current list. Completed projects will be removed from the list, as well as projects which have proven unfeasible or no longer needed given developments in the energy system. This allows the EU to adapt the list to evolving market conditions and infrastructure needs.

10. What is the Commission doing to make sure that the projects on the list will actually be completed?

The Commission cooperates closely with the project promoters, Member States and regulators to ensure the implementation of the PCIs in good time. Where and when needed, the Commission can propose corrective measures.

The monitoring of the PCIs is carried out by the Trans-European Energy Networks (TEN-E) Regional Groups and is based on annual reports prepared by the Agency for Cooperation of Energy Regulators (ACER) and the national competent authorities. These reports also recommend ways to overcome delays and difficulties in implementing PCIs.

To accelerate the development of PCIs in specific European regions facing particular challenges, the Commission has established four High-Level Groups.^[1] These Groups are an important contribution to the PCI development process as they foster high-level political commitment, help reach agreement on regional action plans and facilitate smart mobilisation and optimisation of EU financial support.

11. How is the PCI list established?

At a first stage, project promoters submit their projects for selection as PCIs.

Secondly, so-called Regional Groups (chaired by the Commission and including representatives from the Member States, transmission system operators and their European networks, project promoters, national regulatory authorities, as well as the Agency for the Cooperation of Energy Regulators (ACER)) assess the projects' compliance with the criteria and their European added value. Stakeholders are invited to take part in these meetings and bring their insight on the infrastructure bottlenecks and on the candidate PCIs into the assessment process.

Based on this assessment the Regional Groups adopt the regional lists of PCI candidates.

The Commission adopts the list of PCIs in the form of a delegated regulation on the basis of the regional lists.

12. Do stakeholders participate in the PCI selection process?

Yes. The PCI identification process involves stakeholders active in the field of energy, such as consumer and environmental protection organisations. These groups have dynamically participated in the meetings of the Regional Groups.

Furthermore, extensive public consultations have been organised to obtain the public's views on the pertinence and added value of the proposed projects.

In addition, several bilateral meetings have been held between the interested stakeholders and project promoters, which have allowed for in-depth and constructive discussions on the projects characteristics and their potential social and environmental impact.

13. What are the next steps?

The list of PCIs (in the form of a delegated Regulation) will be submitted by the Commission to the European Parliament and Council, who have two months to decide whether to accept or object to the list. This period of two months may be extended by and additional two months upon their request. If within this timeframe neither the Parliament nor the Council rejects the list, it will enter into force. It should be noted that Parliament or Council can only accept or reject the list as such, but not request amendments to it.

14. Where can I obtain additional information about the PCIs?

More information can be obtained on the Commission [website](#) dedicated to PCIs.

This website includes an [interactive map](#) of the PCIs.

II. Electricity interconnection target

1. Why is a target needed?

Interconnections are the hardware of the electricity system and they contribute to ensure security of electricity supply, a well-functioning internal market for better competitiveness and sustainability thanks to the integration of increasing amounts of renewable energy.

– In 2002, the European Council called for all Member States to achieve an interconnection target of at least 10% of their installed electricity production capacity by 2020. This means that each Member State should have in place electricity cables that allow at least 10% of the electricity that is produced in the country to be transported across its borders to its neighbouring countries.

– The 10% electricity interconnection target has provided political momentum to advance key cross-border projects. It is an important and useful policy tool that helps guide the development of trans-European electricity infrastructure.

– Today's Communication addresses the issue of what should happen after 2020. It translates the 15% headline target for 2030 into three operational thresholds, each of which providing a good indicator for the energy policy objectives of security, market integration and sustainability. This will help monitor progress of electricity network development and point to where urgent action is needed.

2. Will reaching the target make a difference on our energy bills?

The greater flexibility and availability for energy suppliers will reduce wholesale prices. With greater competition, these savings will be passed on to the consumer, translating into lower household bills. A [study](#) from 2013 estimated that a fully integrated energy market could save EU consumers a total amount of €12-40 billion every year. These benefits are much higher than the cost of grid investments.

3. Why isn't there a similar target for gas?

In fact there are already binding infrastructure standards enshrined in the Regulation concerning measures to safeguard the security of gas supply ([Regulation \(EU\) 2017/1938](#)). That said, gas is different from electricity, there is a high share of imports, thus gas is transported through pipelines crossing several borders before it is consumed. Therefore an infrastructure target similar to electricity would not reflect the real needs.

4. How will the electricity interconnection target be reached?

The Commission has asked the [European Network of Transmission System Operators for Electricity](#) (ENTSO-E) to measure electricity interconnection levels annually and to report to the Commission and ACER.

The main tool for reaching the interconnection targets is through the implementation of Projects of Common Interest (PCIs). The [third list of PCIs](#) was adopted today. All these projects benefit from accelerated licensing procedures, improved regulatory conditions, and in some instances have access to financial support. The PCIs will significantly contribute to the achievement of the target. The Commission also underlines that whenever new projects are being developed to reach the target, the final decision for new infrastructure should be always based on a thorough cost-benefit analysis. Only interconnectors that can demonstrate potential benefits outweighing costs should be developed.

The implementation of the PCIs is being monitored in the Regional Groups and in addition, challenges to the implementation of PCIs is regularly discussed and addressed at the Copenhagen Infrastructure Forum.

5. Is the electricity interconnection target a legally binding target?

The interconnection targets provide important political guidance to close infrastructure gaps in Europe by triggering urgent action by the relevant Member States, transmission system operators, project promoters and regulators.

Projects that are necessary to reach the interconnection targets will be closely followed by the Commission, the Regional Groups established under the TEN-E Regulation and the political High Level Groups.

In addition, challenges to the implementation of PCI projects, such as of financial, regulatory, technical or public acceptance nature, will be regularly discussed and addressed at the Copenhagen Infrastructure Forum.

[1]

<https://ec.europa.eu/energy/en/topics/infrastructure/high-level-groups>