

Citizens' summary

Energy infrastructure projects in the EU: How to ensure they benefit all Member States

WHAT IS THE ISSUE?

- A strengthened European energy infrastructure contributes to the integration of energy markets where consumers benefit from a more sustainable, affordable and secure energy supply. To achieve this goal, the European Union (EU) adopted a law (the Regulation on guidelines for trans-European energy infrastructure) in April 2013 to boost the implementation of the most important investments in the EU (for instance electricity lines and gas pipelines connecting an isolated region to the rest of the European network).
- The opportunity for cross-border cost allocation (CBCA) for Projects of Common Interest ('PCIs' - the most important energy infrastructure projects in the EU) is one of the new tools created by the Regulation.
- CBCA means that the investment costs of a PCI are shared among those Member States which will benefit from it, regardless of whether they host the project or not.
- The exact allocation of the costs between the Member States involved in a certain PCI will be decided by the relevant National Regulatory Authorities (NRAs), who have six months to do so. If they do not manage to reach an agreement within this timeframe, the Agency will decide.

WHAT HAS CHANGED AND WHO WILL BENEFIT?

- CBCA decisions facilitate the implementation of those projects which have important overall value for the EU or a certain region, but where the costs and benefits are unevenly distributed between the Member States in question, to the extent that one hosting Member State may not have an interest in the project proceeding. To take an example, a cross-border PCI costing €150 million and delivering total benefits to two Member States, A and B, of €200 million. The project as a whole is clearly beneficial, since total benefits outweigh total costs (net benefits of €50 million) and should therefore go ahead. However, the distribution of benefits and cost is uneven: the cost of developing the project in Member State A is €100 million, while the benefits accruing to this Member State are only €50 million. Conversely, the costs of developing the project in Member State B amount to €50 million, while the benefits accruing to this Member State equal €150 million. Normally, Member State A would not invest in the project, since the costs (€100 million) outweigh the benefits (€50 million). With a CBCA decision, Member State B, whose benefits (€150 million) outweigh the costs (€50 million), may be asked to contribute to the costs of developing the project in Member State A, so that both Member States can obtain positive net benefits from the project and the project can be realised.
- Contributions to the cost of a project made by other benefiting Member States is a win-win situation: the project will be implemented without delay, and the costs will be borne by those Member States which will benefit the most from its operation.

INITIAL EXPERIENCE:

- In the last year and a half, more than twenty requests for CBCA decisions have been submitted to NRAs by project promoters.
- In most cases, the NRAs involved have managed to reach agreement on how to share the costs of the projects (or compensation from other Member States was not required).
- There have so far been two cases where the NRAs failed to reach agreement and the Agency had to step in to make the decision: the Gas Interconnection Poland–Lithuania (GIPL) and the electricity interconnection between Lithuania and Poland (LitPol).

GIPL

On 11 August 2014, ACER adopted its first CBCA decision on a PCI – the Gas Interconnection Poland–Lithuania (GIPL). In its Opinion, the Agency’s preliminary conclusion was that the overall economic benefits delivered by the GIPL to the countries involved were twice as high as the costs. However, in terms of individual countries, Poland was a net cost bearer while Lithuania, Latvia and Estonia were net benefiting countries. The Agency therefore decided that following the commissioning of the project, Poland would be compensated with €85.8 million, of which €54.9 million would be paid by Lithuania, €29.4 million by Latvia and €1.5 million by Estonia.

LitPol

On 27 April 2015, ACER adopted its second CBCA decision on the allocation of costs for the Lithuanian part of the electricity interconnection between Lithuania and Poland (LitPol link), indicating that, although this interconnection will provide benefits to several Member States beyond Lithuania, the latter, as a net beneficiary of the project, does not require financial compensation for the investment from the other Member States benefiting from the project under the Cross-Border Cost Allocation (CBCA) framework. LitPol is one of the PCIs identified by the EU to strengthen the continent’s energy infrastructure.

WHY SHOULD THIS MATTER TO ME AS A CITIZEN?

- The timely establishment of a fully integrated energy market, supported by interconnected European electricity and gas networks, is in our common interest. Interconnected networks are crucial for a well-functioning European energy market, as they provide competitive prices and greater choice for customers, and promote the security of our energy supply. In electricity, infrastructure development also contributes to supporting large-scale uptake of renewables, leading to savings by reducing the need to build new power stations. In gas, infrastructure development also contributes to diversification of gas sources and routes, allowing us to become less reliant on a handful of large suppliers. CBCA is an important tool for the NRAs in enabling investments which would otherwise not take place.

USEFUL LINKS

[Regulation](#)

[ACER Recommendation for CBCA](#)

[CBCA decision on GIPL](#)

[CBCA decision on LitPol Link](#)