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COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**laying down guidelines for trans-European energy networks and
repealing Decisions No 96/391/EC and No 1229/2003/EC**

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. INTRODUCTION AND SUMMARY

With the **accession** of ten new Member States it is necessary to adapt the trans-European network (TEN) guidelines in particular addressing the position of Accession countries and allow funding for projects of common interest to the enlarged Union. This revision of the TEN guidelines includes the projects necessary to link the Accession countries to be a part of the internal market of electricity and gas.

Many projects connecting the Community with Accession countries already qualify for trans-European network funding. However, it is necessary, in the light of the speed with which the creation of a wider European electricity and gas market is being realised, to finalise the list of projects presently qualifying.

In addition to this revision made to include the projects of common interest for Accession countries, a similar approach is required with respect to **neighbouring countries**. The Commission Communication on Energy Policy and Neighbouring EU countries¹ addresses this need and proposes concrete actions and projects to be included in the TEN Guidelines. The progressive creation of a real European electricity and gas market, including potentially more than 35 countries with a population exceeding 600 million, should be a clear medium-term objective of the European Union. This market should be established on the basis of common standards regarding market opening, environmental protection and safety.

The Commission adopted in 2001 a Communication on European Energy Infrastructure². In order for the wider European electricity and gas market to function effectively it is not sufficient that common rules and standards apply; it is equally necessary that adequate infrastructure exists linking the Member countries. In the 2001 Communication, a number of measures were put forward, including a 10% interconnection target for **electricity** and the priority for trans-European network funding to certain projects identified as being Priority Projects of European interest.

This Communication was welcomed by the Barcelona Council, which in particular endorsed the 10 % target. The Commission also proposed an increase in the existing 10% ceiling on contribution to the development stage of a project to 20% for Priority projects. This remains under discussion at the Council.

To permit such an enlarged European market to function effectively and to ensure the future **supply of gas** to the EU, construction of new infrastructure is necessary. It requires close collaboration between the Community and supply countries, as well as those involved as transit regions. The commitment, in financial and political terms of the EU to new development, reinforcing and diversifying Community gas supplies is vital in this respect. Gas is transported to Europe often from a long distance. The gas pipelines will separate more and more to two different categories: supply pipelines to bring gas to EU and internal pipelines to transport the imported gas inside the EU. Due to steeply increasing gas demand there is a constant need to build new supply pipelines. There has been little co-ordination and optimisation of the use of these internal networks until these days. With the accession and

¹ COM(2003)262, 13.5.2003

² COM(2001)775, 20.12.2001

with the full implementation of the internal gas market, the meshed gas networks inside EU can be used in a more flexible way. Investments in internal pipelines in the EU will, however, still remain necessary.

Control of the critical energy infrastructures is, in turn, highly dependent on the security and reliability of the monitoring and controlling ICT infrastructures.

With respect to **priority projects**, it is considered appropriate to give the Commission the possibility to designate a **coordinator** for a priority axis or a priority project and to attribute a **Declaration of European Interest** to cross-border priority projects. These new tools are necessary in order to accelerate the preparation of projects and ease their way through the lengthy authorisation procedures.

It is also considered appropriate to integrate in this decision Decision 96/391/EC on a more favourable context for the development of trans-European Energy networks, as both decisions are defining guidelines for the same networks.

2. ACCESSION STATES / CANDIDATE COUNTRIES

A. Central and Eastern Europe

Electricity

In electricity interconnections the EU has already a rather long history in connecting to the Central Eastern European countries. In the 80s connections with the East-European system was made through back to back converter stations. In 1995 the synchronous border of the UCTE³ system was moved to the eastern border of Poland and Slovakia, integrating also the Czech Republic, Hungary and Slovenia.

The electricity market in the Central Eastern European countries (Poland, Czech Republic, Slovakia, Hungary and Slovenia) is in rapid development. The electricity consumption has decreased after the changes in Eastern Europe in the 90s but is supposed to increase in the future. Poland and Czech Republic have already for some time exported electricity to Germany and to Italy (through Slovenia) after the synchronisation of the UCTE and CENTREL⁴ networks in 1995. The interconnectors towards Germany and Italy are currently saturated. This means that the full integration of Central Eastern European countries to the internal market of electricity can only marginally increase the flows at these interconnectors without capacity increase.

Increased capacity or new interconnectors between Germany and Poland/Czech Republic influences also considerably the internal German network. Increased wind power capacity in the Northern Germany needs to be transmitted towards south partly using the same lines as the imports from Poland and Czech Republic.

Austria has relatively weak transmission capacity due to alpine conditions and due to severe local resistance against new transmission lines. This has also prevented building new

³ UCTE = Union pour la Coordination du Transport de l'Electricité

⁴ CENTREL = CENTREL = Regional group of Transmission System Operators covering Czech, Poland, Slovakia and Hungary.

interconnectors to neighbouring countries. As a consequence, the internal network would become overloaded.

Gas

The major supply pipelines from Russia to Europe are routed through Accession countries (especially Poland, Slovakia and Czech Republic). The European meshed gas network reaches these transit countries. When they become now fully part of the Internal Gas Market, the network can be operated more efficiently. The need for reinforcements in the meshed part of the network requires a careful analysis taking into account the new market situation.

B. BALTIC STATES

Electricity

The Baltic states (Estonia, Latvia and Lithuania) are electrically connected to Russia and there is no connection yet to any other present EU Member State or Accession country. The Baltic States have agreed to create a Common Baltic Electricity Market (CBEM). Successful technical tests have been made to separate the electricity system from the Russian system and run it in independent operation. This is, however, not currently economically feasible as it would require considerable amounts of control, reserve and back-up power which is currently provided by the Russian system.

Any future decisions on the possible interconnection of the EU and Russian electricity systems should fully take account of the interests of the enlarged Union, in particular those of the Baltic States. The Baltic States are preparing for integration into the internal electricity market. Two projects are the most advanced: Estonia-Finland undersea cable (Estlink) and Lithuania-Poland link (under the conditions highlighted by a recent feasibility study by European Bank for Reconstruction and Development (EBRD)).

Gas

Baltic States are at the moment supplied, mainly by one supplier, Russia. To have an alternative supply for gas in the Baltic market, a pipeline from Denmark through Poland to bring gas from the North Sea has been studied.

Latvia has large gas storage resources, which could be exploited by all Baltic States having thus strategic importance for the gas supply in the whole area. Lithuania has planned to build gas storage capacity to secure national supply. Contracting capacity from the Latvian storage could be an alternative.

Main gas pipelines from Russia towards Central Europe are not passing through the Baltic States. New pipeline projects might influence the supply situation in the Baltic area. The so-called North Transgas pipeline project from St Petersburg to Germany has possible branches to the Baltic States. This pipeline could provide a second source through reverse flow, when linked to gas resources in North-West Europe. A synergy between more gas transiting through the Baltic States and the upgrading of the Yamal pipeline could also be envisaged.

C. ISLANDS: CYPRUS – MALTA

The electricity networks of Cyprus and Malta are not connected to the continental systems.

Natural gas is not available in Cyprus and in Malta. However there are plans to introduce natural gas in both Accession countries.

For Cyprus, new investment in Liquefied Natural Gas (LNG) receiving terminal or a connection to the Arabian gas pipeline will be needed in order to supply gas on the island.

For Malta, two projects have been considered so far: a dedicated gas pipeline from Sicily or a connection to the Libya – Italy gas pipeline.

3. SOUTH-EAST EUROPE

The following projects have been identified in the Communication on Energy Policy and Neighbouring EU countries as being the most important that should attract Community political and possibly financial support the coming years to meet the objectives of creation of a regional electricity market and ensuring security of supply for gas:

Electricity projects to integrate the South-East Europe into the European internal market:

- Adriatic line through Mostar (Bosnia-Herzegovina) substation and through Elbasan (Albania)
- second line through Ernestinovo (Croatia) substation

Gas projects to improve the security of European gas supply:

- Turkey-Greece-Italy gas pipeline: interconnection via South-East Europe in order to bring gas from the Caspian Sea and Iran to the markets of the enlarged EU and Balkan countries. In addition reverse flow from Italy to Greece allows supply of Maghreb gas to the Balkan countries.
- Turkey - Bulgaria - Romania - Hungary - Austria gas pipeline.

4. MEDITERRANEAN COUNTRIES

The following projects have been identified in the Communication on Energy Policy and Neighbouring EU countries as being the most important that should attract Community political and possibly financial support the coming years to meet the objectives of creation of a regional electricity market and ensuring security of supply for gas:

Electricity projects to integrate the Mediterranean countries into the European internal market:

- reinforcement of the capacity between Morocco and Spain ;
- interconnection between Greece and Turkey ;
- interconnection between Algeria and Spain ;
- interconnection between Italy and Tunisia ;
- interconnection between Italy and Libya

Gas projects to improve the security of European gas supply:

- Supply of Spain and France from Algeria (Medgaz-pipeline),
- Pipeline from Algeria through Sardinia and possibly through Corsica to supply gas to Italy and France,
- The East Mediterranean Gas Ring, comprising 6 sections: Egypt – Libya, Egypt – Jordan, Syria, Lebanon, Cyprus, Turkey
- LNG export terminal in Egypt to supply the enlarged EU

5. RUSSIA

The following projects have been identified in the Communication on Energy Policy and Neighbouring EU countries as being the most important that should attract Community political and possibly financial support the coming years to meet the objectives of integration to the internal electricity market and ensuring security of supply for gas:

Electricity projects to integrate Russia and other CIS countries of Europe to the European internal market:

- In the interconnection of the EU and the Russian electricity systems two options exist, non-synchronous connection and a synchronous connection. A non-synchronous connection, which permits a greater level of control over flows, allows a stepwise increase of capacity without major changes in the control systems of either of the networks. However, the interconnection equipment itself is rather expensive. The synchronous connection gives rise to a greater level of difficulty in terms of harmonisation of operational and safety standards than the non-synchronous one. However, the synchronous connection allows a substantially larger interconnection capacity to be created. A clear pre-condition to full interconnection between the EU electricity networks and those of the neighbouring countries is the determination that this would be subject to the respect of environmental and nuclear safety requirements and that this would in no way compromise the safety and reliability of both networks and electricity systems⁵. In 2003, a Conference of the Energy Regulators was held in Moscow and a Working Group has been established by Eurelectric and the Russian electricity operator to further study how the systems could be interconnected.

Gas projects to improve the security of European gas supply:

- The Northern trans-European gas pipeline project, approximately 1,295 kilometres long, which would transport Russian gas from the Russian coast north of St. Petersburg under the Baltic Sea to northern Germany and then onwards via the Netherlands to the United Kingdom. The ultimate gas source for this pipeline will be the new Stokman field, when developed.

⁵ A hybrid connection between the EU and Russian electricity systems might also be considered, starting with a limited but increasing number of non synchronous connections (back-to-back AC/DC/AC converter stations and, where transportation distances become longer, DC-lines) and adding synchronous connections when the operational and safety considerations are met.

- A second Yamal-Europe gas pipeline network through Belarus and Poland to run parallel to the first.

6. UKRAINE AND BELARUS

The Russian electricity system is synchronously connected to that of the other CIS countries. Thus, effective connection with Russia, and agreement on the trade, environmental and safety related issues mentioned above, would provide a sound basis for pursuing a similar approach with other CIS countries, and notably with Ukraine and Belarus, subject to the respect of environmental and nuclear safety requirements by these countries.

Regarding gas, an increase of the overall performance, safety and security of the Ukrainian gas transit network is an important task for Ukraine but also from the point of view of security of supply to the EU and should become eligible under the trans-European network mechanism.

7. FINANCING

The construction of new gas pipelines to supply the Community's future needs will necessarily originate from, or will transit, areas where political risk insurance is a precondition for attracting finance. Such insurance can be expensive. The participation of the Community in such costs, for projects clearly in the EU's interest, can be a real catalyst and incentive to the development of these networks. It is therefore appropriate to revise the TEN-Energy guidelines to make eligible all related projects. For those projects, the participation in the costs of such insurance should be possible under the Community financial regulation for TEN projects (EC No 2236/95) which should be exploited to its maximum possibilities as appropriate.

8. FURTHER PROMOTING THE PRIORITY PROJECTS

With respect to the mechanisms foreseen by the TEN-Energy Guidelines for boosting the preparation and implementation of priority projects, two further steps are put forward, namely the possibility for the Commission:

- (i) to attribute the highest level of priority through a Declaration of European Interest to cross-border priority projects having significant impact on the integration of the networks concerned;
- (ii) to appoint a coordinator for a given priority axis or for an individual priority project.

These new steps are proposed in order to tackle difficulties related to differences in timing, priorities and methodologies for analysing cross-border projects.

9. DECLARATION OF EUROPEAN INTEREST

The presently observed lack of progress on a series of priority projects of energy infrastructure is correlated to obstacles in the authorisation procedures relating to the routing and the environmental consequences of the projects. Indeed, rising public objections to building of overhead high voltage transmission lines and substations considerably delay

construction of much needed transmission infrastructure in the electric sector. The observed time span for the permit process including Environmental Impact Assessment (EIA) and appeals and for licensing varies between 5 to 10 years. This time span tends even to increase as a result of stronger public and political interest in projects.

Specific practices in authorisation procedures of various countries, such as Environmental impact studies, Public consultation meetings, Compensation to landowners, Right of Way, Special solutions i.e. compact designs etc., exhibit considerable differences and interrelated complexities. The actions to be tackled, their status and progress made can be represented only in quite involved logistic-type flow charts of the permit procedure.

In consequence, there is the need to streamline as appropriate the authorisation procedures for cross-border priority projects of high European interest, when several Member States are involved. To help to solve this problem, a Declaration of European Interest is introduced in this Decision.

Steps must be also taken to ensure that the Community puts into action the priorities which it chooses, through the use of its financial instruments. Naturally, therefore, the aid granted to the trans-European networks, notably from the Structural Funds and from the instruments for pre-accession, must give a priority to these projects, while complying with the specific rules and criteria for each of these instruments. The parallel proposal amending the TEN financial support Regulation No 2236/95 opens up the possibility for the priority projects, including their cross-border sections, of Community co-financing at a rate of up to 20% of the cost of projects.

Finally, given the adverse impact which delays or abandonment of certain stretches can have on the profitability of the work undertaken in other Member States on the same axis and on the financial interests of the Community, a mechanism should be introduced to give an incentive to keep to the timetables agreed. Therefore, this Decision introduces the possibility that the Commission could decide to withdraw the Declaration as a project of European interest in the event of long delays and absence of perspectives for implementing the project, after hearing the views of the Member States concerned on the reasons for the delays.

10. EUROPEAN CO-ORDINATOR FOR SPECIFIC PROJECTS

For some projects declared to be of European interest, or groups of projects, located on the priority axis, it should be possible to improve their preparation and implementation by creating a coordination team, in which the Community would take part, for the duration of the priority projects concerned. Such an approach, to be decided on a case-by-case basis, will require the cooperation of the Member States concerned.

Article 155 of the EC Treaty gives the Commission the role of taking any useful initiatives to promote coordination between Member States. It should therefore be in the remit of the Commission to designate a personality, in agreement with the Member States concerned, to be responsible for this coordination.

This European coordinator, designated for a project or group of projects, would encourage cooperation with users and operators, promote the projects amongst private investors and financial institutions, including the Community, and ensure that the necessary monitoring is carried out in order to keep the Community informed of progress so that, if necessary,

measures can be taken to overcome any possible difficulties. The European coordinators will act in the name and on behalf of the Commission.

The European coordinators will be designated by decisions adopted by the Commission, after consulting the Member States concerned. These individual decisions will specify how the coordinator is to operate. These arrangements will be decided case by case and will therefore vary, depending on the circumstances. Designation of a coordinator remains only one possibility and will be reserved only for certain projects or groups of projects, depending on the coordination problems encountered.

11. SIMPLIFICATION OF LEGISLATION

Since their adoption in 1996, the TEN-Energy Guidelines have been split into two decisions, one taken by the Council and the European Parliament (Decision No 1254/96/EC now replaced by Decision No 1229/2003/EC) and an other by the Council (Decision no 96/391/EC). The reasons for such splitting do not exist anymore, since all the field of TEN is now governed by co-decision, although initially only the identification of the projects of common interest needed to be co-decided.

It is now appropriate to have only one decision on these guidelines, integrating in this single decision Council Decision No 96/391/EC of 28 March 1996 on laying down a series of measures aimed at creating a more favourable context for the development of trans-European networks in the energy sector.

12. OVERVIEW OF THE IMPACT ASSESSMENT

The estimated amount of investment required in the period 2007-2013 for the construction of the priority projects for electricity and gas networks is around 28 billion (20 billion in the EU; 8 billion in third countries). An additional amount will be required in order to complete the other projects of common interest. These amounts of investment will be mainly provided by the energy networks operators and other private funds supplemented, where appropriate, by the European Community aid and loan mechanisms.

According to a initial examination of the priority and other projects of common interest included in this proposal, there will be socio-economic advantages in term of continuity and security of energy supply, lower costs (resulting from increased competition), regional development, integration of the Accession countries and other neighbouring countries (cohesion for wider Europe), protection of the environment (resulting from increased use of natural gas as a primary fuel). In consideration of the long life-time of energy network investments (from 20 up to 40 years), these advantages will remain for many years bringing key benefits to the European economy and society.

The Commission published extensive information and data on the envisaged revision of the TEN-Energy Guidelines and invited interested parties to make their point of view known.

In addition to the opinion given by the Infrastructure Working Group of the Energy and Transport Forum on 8 September 2003 (in favour of the integration of the Accession countries in the TEN-Energy guidelines), and to the request by CEFIC (the European Union Federation of Chemical Industries) to take account in the TEN policies of the need to establish pipeline networks for the transmission of Olefins (derived oil products), the Commission received 17 contributions from Electricity Transmission System Operators, European organisations (of

electricity transmission; of gas/oil companies), energy companies, regional and local authorities and environmental groups.

To sum up, the contributions show significant support for the following:

- Security of supply is seen as the most important issue. In consequence, projects contributing to this objective should be given the highest importance.
- Projects declared of “common European interest” should also receive top priority at national level. Furthermore, the effective realisation of these projects should be monitored and supported more strongly.
- There is a strong need to speed up the authorisation procedure for cross-border projects and to initiate a single authorisation procedure for TEN-E projects of European-wide interest.
- Stability and transparency of the legal framework are essential. There is the need to provide the right regulatory environment, with uncontroversial criteria, thereby minimising the risks for the investor.

However, contributions received from regional and local authorities and environmental groups strongly contested the implementation of an individual electricity interconnection priority project on the grounds of different energy priorities at regional level and risks for health and for economic and other activities in the area.

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**laying down guidelines for trans-European energy networks and
repealing Decisions No 96/391/EC and No 1229/2003/EC**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 156 thereof,

Having regard to the proposal from the Commission⁶,

Having regard to the opinion of the Economic and Social Committee⁷,

Having regard to the opinion of the Committee of the Regions⁸,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁹,

Whereas:

- (1) Since the adoption of Decision No 1229/2003/EC of the European Parliament and of the Council of 26 June 2003 laying down a series of guidelines for trans-European energy networks and repealing Decision No 1254/96/EC¹⁰, the need has arisen to fully integrate the acceding countries in these guidelines and to further adapt, as appropriate, those guidelines to the new proximity policy of the European Union.
- (2) The priorities for trans-European energy networks stem from the creation of a more open and competitive internal energy market as a result of the implementation of Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/32/EC¹¹ and of Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC¹². Those priorities follow the conclusions of the Stockholm European Council of March 2001 concerning the development of the infrastructures needed for the operation of the energy market. A special effort should be undertaken to achieve the objective of making greater use of renewable energy sources as a contribution to further a sustainable development policy. However, this

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OJ C , , p. .

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OJ C , , p. .

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OJ C , , p. .

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OJ L 176, 15.7.2003, p.11.

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OJ L 176, 15.7.2003, p.37

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OJ L 176, 15.7.2003, p.57

should be achieved without creating disproportionate disturbances to the normal market equilibrium.

- (3) As a rule the construction and maintenance of energy infrastructure should be subject to market principles. This is also in line with the common rules for the completion of the internal market in energy and the common rules on competition law which aim at the creation of a more open and competitive internal energy market. Community financial aid for construction and maintenance should therefore remain highly exceptional. Those exceptions should be duly justified.
- (4) Energy infrastructure should be constructed and maintained so as to enable the internal energy market to operate efficiently, without detracting from strategic and, where appropriate, universal service criteria.
- (5) The priorities for trans-European energy networks also stem from the growing importance of the trans-European energy networks for securing and diversifying the Community's energy supplies, incorporating the energy networks of the acceding countries, and ensuring the coordinated operation of the energy networks in the Community and in neighbouring countries. Indeed neighbouring countries to the European Union play a vital role in the Union's energy policy. They supply a major part of the EU's requirements of natural gas, they are key partners for the transit of primary energy to the EU and they will progressively become important players in the Community's internal gas and electricity markets.
- (6) Among the projects relating to trans-European energy networks, it is necessary to highlight the priority projects, which are very important for the operation of the internal energy market or the security of energy supply. In addition a Declaration of European Interest needs to be established for those projects receiving the highest priority, as well as enhanced coordination, where appropriate.
- (7) The procedure for identifying projects of common interest relating to trans-European energy networks should ensure the harmonious application of Council Regulation (EC) No 2236/95 of 18 September 1995 laying down general rules for the granting of Community financial aid in the field of trans-European networks¹³. That procedure should distinguish two levels: a first level establishing a restricted number of criteria for the identification, and a second level describing the projects in detail, referred to as specifications.
- (8) Since the project specifications are liable to change, they are given indicatively. The Commission should therefore be empowered to update them. Since the project may have considerable political and economic implications, it is important to find the appropriate balance between legislative oversight and flexibility in determining projects that merit potential Community support.
- (9) It should be possible for some priority projects, or sections of priority projects, or groups of priority projects to improve their preparation and implementation by creating a coordination team, in which the Community would take part, for the duration of the priority projects concerned. The Commission should, therefore, be

¹³ OJ L 228, 23.9.1995, p.1, Regulation as amended by Regulation (EC) No 1655/1999 (OJ L 197, 29.7.1999, p.1)

empowered to designate a European coordinator for such project(s), to encourage cooperation with users and operators, and ensure that the necessary monitoring is carried out in order to keep the Community informed of progress.

- (10) A more favourable context for the development of trans-European energy networks should be created, mainly by providing stimulus for technical cooperation between the entities responsible for networks, by facilitating the implementation of authorization procedures applied for network projects in the Member States in order to reduce delays and by mobilizing as appropriate the Funds, instruments and financial programmes of the Community available for network projects.
- (11) The identification of projects of common interest, their specifications and priority projects should be without prejudice to the results of the environmental impact assessment of the projects and of the plans or programmes.
- (12) The measures necessary for the implementation of this Decision should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission¹⁴.
- (13) The Commission should draw up a periodical report on the implementation of this Decision.
- (14) Since this Decision covers the same subject matter and scope as the Council Decision 96/391/EC of 28 March 1996 laying down a series of measures aimed at creating a more favourable context for the development of trans-European networks in the energy sector and the Decision No 1229/2003/EC, those two Decisions should be repealed,

HAVE ADOPTED THIS DECISION:

Article 1
Subject matter

This Decision defines the nature and scope of Community action to establish guidelines for trans-European energy networks. It establishes a series of guidelines covering the objectives, priorities and broad lines of action by the Community in respect of trans-European energy networks. These guidelines identify projects of common interest, including those which have priority, among trans-European electricity and gas networks.

Article 2
Scope

This Decision shall apply:

- 1) in electricity networks, to:
 - (a) all high-voltage lines, excluding those of distribution networks, and to submarine links, provided that this infrastructure is used for inter-regional or international transmission/connection;

¹⁴ OJ L 184, 17.7.1999, p.23

- (b) any equipment or installations essential for the system in question to operate properly, including protection, monitoring and control systems;
- 2) in gas networks (transporting natural gas or olefin gases), to:
- (a) high-pressure gas pipelines, excluding those of distribution networks, making it possible to supply regions of the Community from internal or external sources;
 - (b) underground storage facilities connected to the above mentioned high-pressure gas pipelines;
 - (c) reception, storage and regaseification facilities for liquefied natural gas (LNG) and also LNG carriers according to the capacities to be supplied;
 - (d) any equipment or installations essential for the system in question to operate properly, including protection, monitoring and control systems.

Article 3
Objectives

The Community shall promote the interconnection, interoperability and development of trans-European energy networks and access to such networks in accordance with current Community law, with the aim of:

- (a) encouraging effective operation of the internal market in general and of the internal energy market in particular, while encouraging the rational and proportional production, transportation, distribution and utilisation of energy resources and the development and connection of renewable energy resources, so as to reduce the cost of energy to the consumer and contribute to the diversification of energy sources;
- (b) facilitating the development and reducing the isolation of the less-favoured and island regions of the Community, thereby helping to strengthen economic and social cohesion;
- (c) reinforcing the security of energy supplies, in particular by strengthening relations with third countries in the energy sector in the interest of all parties concerned, in particular in the framework of the Energy Charter Treaty and cooperation agreements concluded by the Community.
- (d) contributing to sustainable development and improving the protection of the environment, in particular by reducing the environmental risks associated to the transportation and transmission of energy.

Article 4
Priorities for action

The priorities for action by the Community on trans-European energy networks shall be compatible with sustainable development and shall be as follows:

- 1) for both electricity and gas networks:
- (a) adapting and developing the energy networks in support of the operation of the internal energy market and, in particular, solving the problems of bottlenecks in particular transfrontier ones, congestion and missing links, and taking account of the needs arising from the functioning of the internal market for electricity and natural gas and the enlargement of the European Union;

- (b) establishing energy networks in island, isolated, peripheral and ultraperipheral regions while promoting the diversification of energy sources and the use of renewable energy sources, together with the connection of those networks, where necessary;
- 2) for electricity networks:
- (a) adapting and developing networks to facilitate the integration/connection of renewable energy production;
 - (b) ensuring interoperability of electricity networks within the Community with those in the acceding countries and other countries in Europe and the Mediterranean and Black Sea basins;
- 3) for gas networks:
- (a) development of natural gas networks in order to meet the Community's natural gas consumption needs and to control its natural gas supply systems;
 - (b) ensuring interoperability of natural gas networks within the Community with those in other countries in Europe, in the Mediterranean Sea, Black Sea and Caspian Sea basins, as well as in the Middle East and the Gulf regions, and diversification of natural gas sources and supply routes.
 - (c) development and integration of olefin gases networks in order to meet the olefin gases consumption needs of the industries in the Community.

*Article 5
Lines of action*

The broad lines of action by the Community on trans-European energy networks shall be:

- (a) the identification of projects of common interest, including those which have priority;
- (b) the creation of a more favourable context for development of these networks.

*Article 6
Criteria for projects of common interest*

1. The generic criteria to be applied when a decision is taken on identification, modifications, specifications or applications for updating projects of common interest are the following:

- (a) the projects fall within the scope of Article 2;
- (b) the projects correspond to the objectives and priorities for action set out in Articles 3 and 4 respectively;
- (c) the projects display potential economic viability.

The evaluation of the economic viability shall be based upon a cost-benefit analysis which shall take account of all costs and benefits, including those in the medium and/or long term, in connection with environmental aspects, security of supply and the contribution to economic

and social cohesion. Projects of common interest which relate to the territory of a Member State shall require the approval of the Member State concerned.

2. Additional criteria for identifying projects of common interest are set out in Annex II.

Any changes to the additional criteria for identifying projects of common interest set out in Annex II shall be decided upon in accordance with the procedure laid down in Article 251 of the Treaty.

3. Only those projects listed in Annex III shall be eligible for Community financial aid provided under Regulation (EC) No 2236/95. Those projects shall fulfil the criteria laid down in paragraph 1 and set out in Annex II.

4. The indicative project specifications, comprising the detailed description of the projects and, where appropriate, their geographical description, are set out in Annex III. These specifications shall be updated in accordance with the procedure referred to in Article 14 (2). Updates are of a technical nature and must be limited to technical changes of project, or to modification of a part of the specified routing, or to limited adaptation of the location of the project.

5. Member States shall take any measures they consider necessary to facilitate and speed up the completion of projects of common interest and to minimise delays while complying with Community law and international conventions on the environment. In particular, the necessary authorisation procedures shall be completed rapidly.

6. Where parts of projects of common interest are situated within the territory of third countries, the Commission may, after consulting the Member States concerned, put forward proposals, where appropriate within the framework of the management of the agreements between the Community and those third countries and in accordance with the Energy Charter Treaty in respect of third countries which are parties to that Treaty, for the projects also to be recognised as of reciprocal interest by the third countries concerned, in order to facilitate their implementation.

Article 7 *Priority projects*

1. The projects of common interest set out in Annex I shall have priority for the grant of Community financial aid provided under Regulation (EC) No 2236/95.

Modifications to Annex I shall be decided upon in accordance with the procedure laid down in Article 251 of the Treaty.

2. The Member States concerned and the Commission shall endeavour, each within its own sphere of competence, to further the carrying out of the priority projects especially cross-border projects.

3. Priority projects shall be compatible with sustainable development and meet the following criteria:

(a) They shall have a significant impact on the competitive operation of the internal market, and/or

- (b) they shall strengthen security of supply in the Community.

Article 8
Projects of European Interest

1. A selection of projects on the priority axes referred to in Article 7 which are of cross-border nature or which have significant impact on cross-border transmission capacity are declared to be of European Interest. Those projects are set out in Annex IV.
2. When submitting projects under the Cohesion Fund, in accordance with Article 10 of Council Regulation (EC) No 1164/94¹⁵, the Member States shall give appropriate priority to the projects declared to be of European interest.
3. When submitting projects under the budget for the trans-European networks, in accordance with Article 10 of Council Regulation (EC) No 2236/95¹⁶, the Member States shall give appropriate priority to the projects declared to be of European interest.
4. When submitting projects under the Structural Funds, in accordance with Council Regulation (EC) No 1260/1999¹⁷, the Member States shall give appropriate priority to the projects declared to be of European interest.
5. The Commission shall ensure that the countries qualifying for the instrument for structural policies for pre-accession shall give appropriate priority, when submitting projects under Articles 2 and 7 of Council Regulation (EC) No 1267/1999¹⁸, to the projects declared to be of European interest.
6. If there is a significant current or prospective delay in starting work on one of the projects declared to be of European interest, the Commission shall ask the Member States concerned to give the reasons for the delay within three months.

After receiving and examining the reply from the Member States concerned, the Commission may, with due regard to the principle of proportionality, decide to withdraw the declaration as a project of European interest.

7. Five years after the completion of a project declared to be of European interest or of one of the sections thereof, the Member States concerned shall carry out an assessment of its socio-economic impact and its impact on the environment, including its impact on trade between Member States, on territorial cohesion and on sustainable development.

Member States shall inform the Commission of the results of this assessment.

8. If a project is declared to be of European interest the Member States concerned shall carry out, for each section of the project in question as appropriate, coordinated evaluation and public consultation procedures prior to authorisation of the project.
9. If a project which is declared to be of European interest includes a cross-border section which is technically and financially indivisible, the two Member States concerned

¹⁵ OJ L 130, 25.5.1994, p.1
¹⁶ OJ L 228, 23.9.1995, p.1
¹⁷ OJ L 161, 26.6.1999, p.1
¹⁸ OJ L 161, 26.6.1999, p.73

shall conduct a transnational enquiry with a view to evaluating the cross-border section and consulting the public prior to authorisation of the project.

10. The coordinated or transnational enquiry procedures referred to in paragraphs 8 and 9 shall apply without prejudice to the obligations imposed by the Community legislation on environmental protection, particularly on environmental impact assessment.

The Member States concerned shall inform the Commission when such coordinated or transnational enquiry procedures are launched and of the results

Article 9 Implementation of Projects of European Interest

1. The projects of European Interest shall be rapidly implemented.

No later than 6 months after the entry into force of this Decision, Member States shall submit to the Commission a timetable for the completion of those projects including details of:

- (a) the envisaged passage of the project through the planning approval process,
- (b) the timetable for the feasibility and design phase,
- (c) the construction of the project
- (d) the entry into service of the project.

2. Member States shall provide annual reports to the Commission on the progress with projects referred to in paragraph 1.

Where progress is slower than in the timetable submitted to the Commission, Member States must submit a revised plan to the Commission.

3. Member States shall take appropriate measures to ensure that the authorisation procedure for projects of European Interest is efficient and does not include any unnecessary delays.

Article 10 European Coordinator

1. The Commission may designate, after consultation of the Member States concerned, a European Coordinator.

The Coordinator shall act in the name and on behalf of the Commission. The mission of the Coordinator shall cover a single priority project or a section of a priority project. If necessary, the mission of the European Coordinator may be extended to other related priority projects.

2. The European Coordinator shall be chosen on the basis of experience of the European institutions and knowledge of issues relating to the technical, financial, socio-economic and environmental evaluation of major projects.

3. The Decision designating the European Coordinator shall specify how the coordinator is to perform his tasks.

4. The European Coordinator shall:
 - (a) promote joint methods for the evaluation of projects; advise project promoters on the financial package for the projects; and give, if appropriate, an opinion on issues relating to the operation of networks;
 - (b) submit every year a report to the Commission regarding progress achieved in the implementation of the project(s) for which he has been designated, new regulatory or other developments which could affect the characteristics of the project(s) and any difficulties and obstacles which are likely to result in a significant delay;
 - (c) contribute to the dialogue with operators, users, regional and local authorities and representatives of civil society with a view to gaining fuller knowledge of demand for transmission services, of the constraints and of the service parameters required to optimise the use of the infrastructure concerned.
5. The Member States concerned shall cooperate with the European Coordinator and give the Coordinator the information required to carry out the tasks referred to in paragraph 4.
6. The Commission may request the opinion of the European Coordinator when examining applications for Community funding for projects or groups of projects for which he has been designated.

Article 11
More favourable context

1. In order to contribute to creating a more favourable context for the development of trans-European energy networks and their interoperability, the Community attaches the greatest importance to the following measures and shall promote them as necessary:
 - (a) Technical cooperation between the entities responsible for the trans-European energy networks, in particular for the proper functioning of the connections mentioned in Annex II, points 1, 2 and 7;
 - (b) facilitating implementation of the authorization procedures for projects on trans-European energy networks in order to reduce delays;
 - (c) assistance to the projects of common interest provided from its Funds, instruments and financial programmes applicable to those networks.
2. The Commission shall, in close collaboration with the Member States concerned, take all initiatives for promoting the coordination of the activities referred to in paragraph 1.
3. The measures needed for the implementation of the activities referred to in points (a) and (b) of paragraph 1 are decided by the Commission in accordance with the procedure referred to in Article 14(2).

Article 12
Effects on competition

When projects are considered, their effects on competition shall be taken into account. Private financing or financing by the economic operators shall be encouraged while respecting competition and other EU rules. Any competitive distortion between market operators shall be avoided, in accordance with the provisions of the EC Treaty.

Article 13
Restrictions

1. This Decision shall not prejudice financial commitments entered into by a Member State or by the Community.
2. This Decision shall be without prejudice to the results of the environmental impact assessment of projects and of the plans or programmes which define the future authorisation framework for such projects. The results of the environmental impact assessments, where such an assessment is requested in accordance with relevant Community legislation, shall be taken into consideration before a decision on the carrying out of the projects is actually taken in accordance with the relevant Community legislation.

Article 14
Committee

1. The Commission shall be assisted by a Committee.
2. Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.

3. The Committee shall adopt its rules of procedure.

Article 15
Report

Every two years the Commission shall draw up a report on the implementation of this Decision, which it shall submit to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

In this report, attention shall be given to the implementation and progress made in the carrying out of priority projects, as well as the modalities of their financing, especially as regards the contribution of Community funding, which concern cross-border connections as mentioned in Annex II, points 1, 2 and 7.

Article 16
Repeal

Decisions No 96/391/EC and No 1229/2003/EC are repealed.

Article 17
Entry into force

This Decision shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Article 18
Addressees

This Decision is addressed to the Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX I

TRANS-EUROPEAN ENERGY NETWORKS Priority projects as defined in Article 7

To be adopted by habilitation.

ANNEX II

TRANS-EUROPEAN ENERGY NETWORKS Additional criteria for Projects of common interest

Referred to in Article 6(2)

To be adopted by habilitation.

ANNEX III

TRANS-EUROPEAN ENERGY NETWORKS

Projects of common interest and their specifications, currently identified according to the criteria set out in Annex II

To be adopted by habilitation.

ANNEX IV

TRANS-EUROPEAN ENERGY NETWORKS Projects of European Interest as defined in Article 8

To be adopted by habilitation.