# **Trans-European energy infrastructure – evaluation of EU strategy**

**Position of the Czech Gas Association**

We believe that EU level is more appropriate than MS level to target broader energy needs thanks to synergies the wider approach allows. The needs with cross-border impact that can be addressed by building new energy infrastructure are driven by the TEN-E Regulation which has been beneficial based on several elements.

Shippers in gas industry lately prefer short-term bookings which cannot cover a long-term infrastructure investment helping reaching EU targets. This leads to a significant commercial risk which is associated with the level and continuity of shippers’ capacity bookings at the planned interconnection point through considered period of time which determine the project’s revenues and so the reimbursement of the investments. Nevertheless, there are projects which bring benefits related to security of supply, market integration and sustainability and gaining PCI status substitutes the investment guarantees from market.

It is important to emphasize, however, that in the case of the Czech Republic and in some areas the implementation of the TEN-E Regulation did not bring the expected results.

First, there are problems with permitting which is supposed to be simpler and faster for projects of common interest based on the TEN-E Regulation although the regulation is valid since 2013. Some steps in permitting procedure were not fully implemented into the national legislation and therefore the whole process is not functioning in effective way so far. After gaining the PCI status NET4GAS, s.r.o. needed to start again the permit granting procedure although the application for approval was already submitted to the competent authority. Due to re-starting the permitting process, the project promoter lost a lot of time. A certain continuity in permit granting procedure should be guaranteed to the project disregarding the PCI status. The same would apply if PCI status is not gained anymore. In addition, the permitting process itself is not functioning well in the Czech Republic because of time-consuming administrative procedure from the side of state administration not respecting “one-stop shop” procedures. In the meantime, the legislation was twice changed, and each time different level of design and engineering was requested which forced TSO to redo already finalized documents. First application for permit was filled already in April 2014 however until now no permit for the Czech gas PCI projects was granted.

Second, the project promoter submitted the application for CBCA decision for the Czech-Polish Interconnector in compliance with Article 12 of the Regulation (EU) 347/2013, but there were two different approaches of NRAs towards the CBCA procedure and the Czech NRA did not decide about the whole investment. Consequently, two different CBCA decisions were issued – one regulatory authority decided about the whole investment based on CBA results while the other regulatory authority decided about just approx. 2/3 of the investment. Thus, it was not possible to take the final investment decision.

Regarding the gaining of the PCI status itself, we believe that the selection of projects of common interest should be based solely on a transparent and bullet-proof ENTSOG methodology as described in the Regulation. This means not applying any additional non-transparent methodology and not using some indicators based on their results, i.e. no criteria (market integration, competition, security of supply and sustainability) should be omitted.

There should be strong cooperation between the regional groups and MSs during the PCI selection process. ACER and NRAs should just have only advisory not the decision-making function.

The PCI status shall be more stable and predictable in the long terms for project promoters. Re-evaluation of the PCI list every 2 years with a potential to lose the PCI status and all related benefits disturbing a stability in the energy sector. Moreover, the 2-years renewal is not in compliance e.g. with permitting procedure in the Regulation which shall last at maximum 3,5 years. Moreover, there are missing precise information about consequences of a project losing PCI status for permitting and issued CBCA decision in the regulation.

To summarize, there are several issues in the Regulation (EU) 347/2013 that should be corrected by amending the legislation:

1. Concrete temporary provisions to be added in case the project is gaining/losing PCI status while permit granting procedure is running.
2. There should be described what exactly Regulator should do to issue an effective CBCA and Incentives decision and precisely defined inputs to be prepared by project promoters.
3. It is not clear what will happen with issued CBCA Decision and approved incentives if the project loses PCI status.
4. There shall be added an obligation for all regional groups to use just ENTSOG (ENTSO-E) CBA methodology to assess candidate PCI projects.

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