Impact of the Clean Energy Package on Investment Incentives

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Clean Energy Package – sustainable incentives vs. short term intervention

Investment incentives are needed

- maintain incentives as in Security of Supply Directive (2005/89/EC)
  ↓ ensure that interconnector investments have at least the same incentives as national investments
- facilitate quick implementation
  ↓ provide additional incentives and flexibility for fast project implementation

Reduced incentives by the Package

- Clean Energy Package is focusing on handling congestions instead of fostering investments to effectively reduce congestions by keeping or even providing new investment signals
- Investment signals are reduced in several areas
Investment Signals – today’s framework incentivizes sustainable investments

Extensive investments in the European transmission infrastructure are necessary to meet EU policy goals.

So far, legal and regulatory framework in Europe has been focused on improving the climate for investing in transmission capacity.

According to Package this will be removed

**Article 6**

**Network investment**

1. Member States shall establish a regulatory framework that:
   
   (a) provides investment signals for both the transmission and distribution system network operators to develop their networks in order to meet foreseeable demand from the market;
   and

   (b) facilitates maintenance and, where necessary, renewal of their networks.

2. Without prejudice to Regulation (EC) No 1228/2003, Member States may allow for merchant investments in interconnection.

Member States shall ensure that decisions on investments in interconnection are taken in close cooperation between relevant transmission system operators.

**DIRECTIVE 2005/89/EC OF THE EUROPEAN PARLIAMENT AND THE COUNCIL**

of 18 January 2006

concerning measures to safeguard security of electricity supply and infrastructure investment
Transmission investments – benefits

TYNDP shows: each € invested in the transmission grid generates two € of socio-economic welfare for Europe.

- Welfare effect is directly perceivable for private and commercial customers
  by cost reductions which are linked directly to extensive and sustainable reductions of costs of congestion management and generation.

- Additional transmission capacity is essential for
  - the further integration of renewables in a European scale as the different RES in the different regions complement each other
  - the increase in system security
  - security of supply

The overall investment portfolio of the TYNDP is 150 billion €, which means a welfare gain of up to 300 billion € for Europe.
Investments – Clean Energy Package disincentives

! Repeal of the SoS Directive 2005/89/EC:
→ goals and incentives for investments in grids with regard to the security of supply are repealed and not replaced by new regulation

! If the burden of congestion costs is more and more distributed over several countries,
→ the “pain” to reduce the congestions is reduced
→ a key driver to invest in new infrastructure is lost

! Revenues from the management of congestion are for example intended to be used for grid investments rather than being reimbursed to grid user which is the current practice
→ no return for TSOs from interconnector investments as not equity is needed, but many additional risks (e.g. usage up to the thermal limit with corresponding high redispatch costs) → disincentive
→ in comparison with interconnector projects, national projects a more incentivized

➢ TSOs need an adequate return for building interconnectors (often with modern HVDC cabling technology that carries technology risks)
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