

Impact of the Clean Energy Package on Investment Incentives

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Clean Energy Package – sustainable incentives vs. short term intervention

sustainable investment incentives

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

short term intervention

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

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

According to Package this will be removed

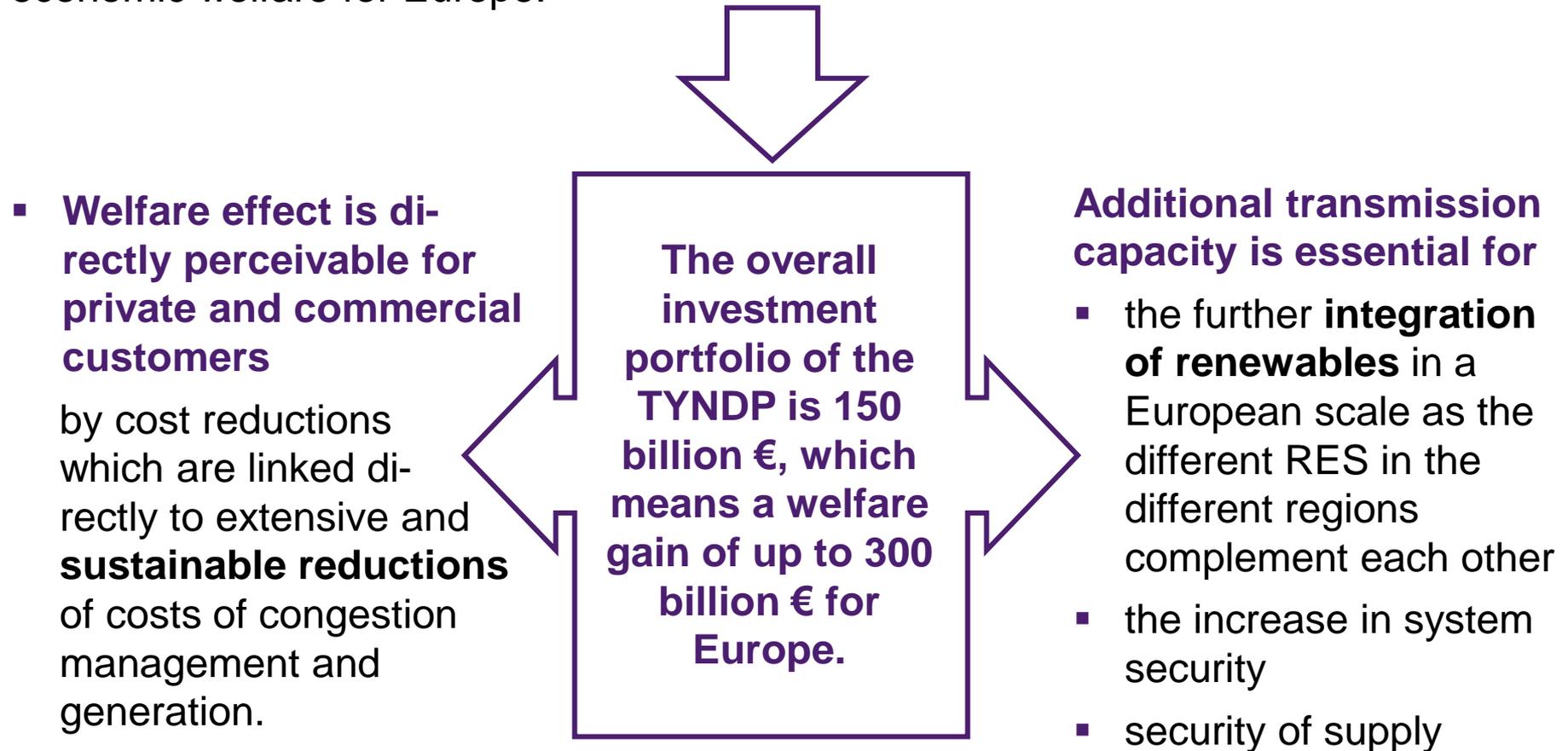
Article 6

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.

Transmission investments – benefits

TYNDP shows: each € invested in the transmission grid generates two € of socio-economic welfare 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 are more incentivized**

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

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