I. What is a project of common interest?¹

Projects of Common Interest (PCIs) are key infrastructure projects. They are the primary European tool to accelerate the deployment of the infrastructure necessary for the completion of the European energy market and to ensure that the European Union meets its goals of affordable, secure and sustainable energy.

The projects will benefit from a number of advantages:
- Strengthened transparency and improved public consultation;
- Accelerated permit granting procedures (binding three-and-a-half-years' time limit);
- Improved, faster and better streamlined environmental assessment; a single national competent authority will act as a one-stop-shop for permit granting procedures;
- Improved regulatory treatment by allocating costs according to the net benefits, and regulatory incentives;
- Possibility of receiving financial assistance under the Connecting Europe Facility (CEF) programme in the form of grants and innovative financial instruments.

II. PCI list – Definition and functioning

The PCI list is updated every two years (2013, 2015, 2017). The initial 2013 list included 248 projects. The current 2nd list was adopted by the European Commission (EC) on 18 November 2015 and contains 195 projects. A majority of these projects are electricity (108) and gas (77) projects, but the list also includes oil (7) and smart grid (3) projects. The list gathers projects that are at multiple implementation stages. Not all projects will necessarily be built. Some, for example, are still under “feasibility studies”.

The number of PCIs has been reduced since 2013, mainly in the gas sector, to avoid creating capacity which exceeds the security of supply needs. Since the adoption of the first PCI list in 2013, 13 projects have been completed. Some 62 projects are expected to be completed by the end of 2017 (see section on the Connecting Europe Facility grant). The agreement of the Gas Interconnector Poland-Lithuania (GIPL) and the commissioning of the Santa-Llogaia electricity interconnector in Spain are often showcased as proof of the success of PCIs.

a. Procedure to include a project in the PCI list

First, project promoters propose their projects for selection to so-called Regional groups (see details below). Secondly, the Regional Groups assess the projects' compliance with the criteria and their European added value. Based on their assessment, regional lists are produced. The lists must then be adopted by the high level Decision Making Body of the Regional Groups, composed of senior officials of Member States (MS) and the EC. After this final step, the EC can formally adopt the EU list of PCI via delegated act procedure.

The list of projects is submitted by the EC to the European Parliament and Council. These institutions will have two months to oppose the list, or they may ask for an extension of two months to finalise their position. If within this timeframe neither the Parliament nor the Council reject the list, the list enters into force. It should be noted that Parliament or Council can only accept or reject the entire list, containing gas, electricity, oil and smart grid projects, but not request amendments to it.

The procedure to identify the PCI list amounts to roughly one year. Here is the approximate timeline followed in 2015 to adopt the current PCI list:

- **January & February**: Ten-Year Network Development Plan (TYNDP) done by European Network of transmission system operators (ENTSOs) + submission of projects by project promoters + Cost benefit analysis (CBA) process.

- **March & April**: National regulatory authorities (NRAs) check application of criteria and cross-border evidence + regional groups evaluate, rank and adopt regional

---

Box1: Trans-European Networks - Energy (TEN-E)

The TEN-E framework has been developed and shaped in the 1990’s. The current TEN-E strategy was implemented in 2014. The previous one was in place from 2006 until 2013.

In 2011, the EC adopted the proposal for a Regulation on "Guidelines for Trans-European Energy infrastructure" (TEN-E guidelines/regulation) aiming to ensure that strategic energy networks and storage facilities are completed.

Under the TEN-E guideline, nine strategic infrastructure priority corridors (4 for electricity, 4 for gas, 1 for oil) and three EU-wide thematic areas (electricity highways, smart grids and carbon dioxide transportation networks) were identified under Annex 1.

A regime of projects of “common interest” was also proposed under the guidelines to help build and finance these important energy infrastructure projects. The PCI list is thus based on these priority corridors and thematic areas.

---

lists.
- **May until July**: Agencies for the Cooperation of Energy Regulators (ACERs) give their opinion and check cross-regional consistency
- **August until November**: EC adopts the PCI list.

### Regional Groups

There are 12 Regional Groups (listed below) established by the TEN-E Regulation (see box 1). Regional Groups are composed of representatives from relevant Member States, the EC, transmission system operators (TSOs), National regulatory authorities (NRAs) as well as the Agencies for the Cooperation of Energy Regulators (ACERs).

On top of these members, gas projects include ENTSO-G representatives; electricity projects include ENTSO-E representatives; and oil and carbon dioxide transport projects include project promoters. Decision-making powers in the Groups are restricted to Member States and the Commission.

**The 12 Regional groups and their associated MS:**
1. Northern Seas offshore grid (‘NSOG’): BE, DK, FR, DE, IR, LU, NL, SE, UK;
2. North-South electricity interconnections in Western Europe (‘NSI West Electricity’): AT, BE, FR, DE, IR, IT, LU, NL, MALTA, PT, SP, UK;
3. North-South electricity interconnections in Central Eastern and South Eastern Europe (‘NSI East Electricity’): AT, BG, HR, CZ, CY, DE, GR, HU, IT, PL, RO, SV, SK;
5. North-South gas interconnections in Western Europe (‘NSI West Gas’): BE, DK, FR, DE, IR, IT, LU, MT, NL, PT, SP, UK;
6. North-South gas interconnections in Central Eastern and South Eastern Europe (‘NSI East Gas’): AT, BG, HR, CY, CZ, DE, GR, HU, IT, PL, RO, SL, SK;
7. Southern Gas Corridor (‘SGC’): AT, BG, HR, CZ, CY, FR, DE, HU, GR, IT, PL, RO, SL, SK;
9. Oil supply connections in Central Eastern Europe (‘OSC’): AT, HR, CZ, DE, HU, PL, SK;
10. Smart grids deployment: all MS
11. Electricity highways: all MS
12. Cross-border carbon dioxide network: all MS

The Regional groups met 7 times to prepare the 2015 PCI list between September 2014 and July 2015:
- **Meeting 1 (September 2014)**: Launch of the 2nd PCI process (attended by all groups together; terms of Reference; agree on schedule; invite NGOs)
- **Meeting 2 (November 2014)**: PCI candidates and methodology (separately for gas and electricity; confirm list of PCI candidates; present and discuss assessment methodology (JRC))
- **Meeting 3 (January 2015)**: System wide assessment (separately for all groups; present assessment (TYNDP); finalize/agree on methodology; prepare for project specific CBA; RGs to propose clusters (if relevant) for modelling to be sent to ENTSOs)
- **Meeting 4 and 5 (March and April 2015)**: Assessment (separately for all groups; apply methodology; discuss projects; rank projects; invite NGOs for 5th meeting)
- **Meeting 6 (April 2015)**: Agree regional lists (technical level DMB; can be held together unless discussions are still needed)

---

Meeting 7 (July 2015): High Level Decision Making Body to approve PCI list (regional lists may still be updated based on ACER opinion)

c. Selection Process

To be added to the PCI list, a project needs to meet the following criteria:

1. Have a significant impact on at least two European MS;
2. Enhance market integration and contribute to the integration of MS' networks;
3. Increase competition on energy markets by offering alternatives to consumers;
4. Enhance security of supply;
5. Contribute to the EU energy and climate goals. It should facilitate the integration of an increasing share of energy from variable renewable energy sources.

For PCI lists as of 2015, it is a precondition for electricity and gas projects to have been included in the preceding TYNDP of ENTSO-G and ENTSO-E. They are also selected on the basis of a cost-benefit analysis (methodology developed by ENTSO-E and ENTSO-G). In the selection process, priority was given to projects that allow Member States to achieve 10% electricity interconnection target and that discontinue single source of gas supply.

The selection process in 2015 was considered to be more transparent than in 2013:
- Meetings of the regional groups were generally open to stakeholders, allowing NGOs to provide their feedback on PCI candidates at every stage of the selection process;
- Means of carrying out public consultations were also improved (respecting the EC’s consultation standards);
- Relevant information was published in national languages on ministries’ and promoters’ websites to access the broadest spectrum of opinion.

The EC highlights that, in the selection process of gas projects, special consideration was given to projections of future gas demand, which vary depending on the policy, market and technological factors. The EC’s analysis shows that the current LNG capacities in Europe would be sufficient to receive a possible increase in LNG demand until 2025. However, it nonetheless encourages new LNG terminals in some regions of the EU to ensure diversification and security of supply.

d. “No longer considered as PCI”

A project is no longer a PCI if:
- It is found not to be in compliance with Union legislation (EU acquis);
- According to new data, the project does not satisfy the eligibility criteria;
- It was ranked lower than other candidate PCIs in the selection process.

Such projects are not PCIs but are listed as “no longer considered a PCI” with their original PCI numbers on the Union list for the sake of transparency and clarity.

Box2: Controversial EC gas demand forecasts

It is nevertheless important to note that gas demand projections made by the European Commission have been met with criticism. The European Court of Auditors has recently highlighted how the Commission "has persistently overestimated gas demand [...], and needs to restore the credibility of the forecasts it uses".

Source:

---

Sources:
Furthermore, a new list of PCIs is not created every two years; the initial list is simply updated. As a result, a project can be listed as “no longer considered as PCI” if:

- A promoter has not re-submitted it in the selection process for this Union list;\(^8\)
- It has already been commissioned or is to be commissioned in the near future and so it would not benefit from the provisions of Regulation (EU) No 347/2013

They may be considered for inclusion in the next Union list if the reasons for not-inclusion in the current Union list no longer apply.

### III. Funding

PCIs are estimated to cost close to \(\text{€200 billion}\) between 2015 and 2025, three quarters of which is likely to be spent by 2020.\(^9\) Most PCIs are expected to be financed by the market through tariffs established by NRAs in line with the rule of the Third Energy Package.\(^10\) PCIs are however eligible to receive financial support, via grants for works and studies and via access to financial instruments.

#### a. Connecting Europe Facility (CEF)

The Connecting Europe Facility (CEF), established in 2013, has a total budget for energy of \(\text{€5.85 billion}\) for the 2014-2020 period to support PCIs.\(^11\) The majority of the funding is made in the form of allocated grants following competitive calls for proposals. The CEF Regulation ((EU) No 1316/2013)\(^12\) established three priorities for the energy sector:\(^13\):

- Increase competitiveness by promoting the further integration of the internal energy market and the inter-operability of electricity and gas networks across borders;
- Enhance Union security of energy supply; and
- Contribute to smart, sustainable and inclusive development and protection of the environment

CEF is engineered to address both groups of factors behind the investment gap in the energy sector, via grants and financial instruments.\(^14\) However, according to the CEF Regulation, it is also mentioned that “it is estimated that assistance to electricity projects of common interest will account for the major part of the energy financial envelope under the CEF” (§57).

**CEF Grants:** Project promoters can apply for grants for studies and grants for construction works. Grants for works, however, will be available only to those that face difficulties in their **commercial viability** despite their positive impact in contributing to the ending of isolation, to solidarity, to security of supply or to technological innovation. CBAs will be used to determine these parameters.

**CEF Financial instruments:** They will be offered and managed by international financing institutions, such as the EIB. All PCIs are eligible (instruments are available outside calls for proposals) and non-commercial viability is not a criteria. The ultimate decision lies with the financing institutions. Unlike grants, the management of the funds to be allocated as EU financial support via financial instruments will not be done through calls for proposals. The proposed financial instruments include enhanced loans, project bonds and equity instruments.\(^15\)

---

\(^8\) Being on the PCI list does not mean a project will necessarily receive any funding. However a set of benefits (e.g. accelerated permit granting) is guaranteed. Promoters need to resubmit their proposal every time the list is updated (every two years) to ensure their project can continue to enjoy such benefits.


- **CEF call of 2014**: €647 million was allocated to PCIs. 34 proposals (16 for gas [€392m], 17 for electricity [€223m] and 1 for smart grid [€32m]) were selected.\(^{16}\)
- **First CEF call of 2015**: €149 million was allocated to PCIs. 20 proposals (11 for gas [€80m], 9 for electricity [€69m]) were selected.\(^{17}\)
- **Second CEF call of 2015**: €217 million was allocated to PCIs. 15 projects (9 for gas [€207m]\(^{18}\), 6 for electricity [€10m]) were selected.\(^{19}\)
- **First CEF call of 2016**: €263 million allocated to PCIs. 9 proposals (5 for gas [€210m] and 4 for electricity [€53m]) were selected.\(^{20}\)
- **Second CEF call of 2016**: €444 million allocated to PCIs. 18 proposals (10 for gas [€228m] and 7 for electricity [€176m] and 1 for smart grid [€40m]) were selected.\(^{21}\)

After 5 calls, 96 projects have been selected, representing an overall public investment of €1.712 billion. However, a majority of these 96 projects are gas projects (51), compared to the 43 electricity projects and 2 smart grid projects. More worryingly, twice more money has been given to gas (€1.117 billion in total) than to electricity projects (€531 million in total) – See graph.\(^{22}\) Both in terms of number of projects and amounts of financial support, the CEF has so far failed to ensure that “electricity projects of common interest account for the major part of the energy financial envelope under the CEF”. By “over-funding” gas projects, the CEF has also failed to prioritize smart, sustainable and inclusive development.

### b. Other potential financial resources for PCIs:

**European Fund for Strategic Investment** (EFSI) – Also known as the “Juncker plan”: All energy projects, including PCIs, are eligible and should benefit from the financial instruments under the European Fund for Strategic Investment worth at least €315 billion. Provisional figures have concluded that 29% of the EFSI fund is for the energy sector. It is unclear if this percentage is for projected investments or approved financing.\(^{23}\)

**European Structural and Investment Funds**: Member States could also make use of the European Structural and Investment Funds to support their critical energy infrastructure projects. Furthermore, Member States intend to allocate approximately €2 billion to large infrastructure projects under the European Regional Development Fund (ERDF).

---


\(^{20}\) [http://ec.europa.eu/energy/sites/ener/files/documents/Copy%20of%20List%20of%20all%20projects%20receiving%20EU%20support%20under%20the%20current%20call.pdf](http://ec.europa.eu/energy/sites/ener/files/documents/Copy%20of%20List%20of%20all%20projects%20receiving%20EU%20support%20under%20the%20current%20call.pdf)


\(^{22}\) [http://www.eib.org/efsi/efsi_dashboard_may_20_en](http://www.eib.org/efsi/efsi_dashboard_may_20_en)