

Brussels, 8 June 2017

Dear Vice-President Šefčovič,
Dear Commissioner Cañete,

We, the undersigned MEPs, would like to bring to your attention our serious concerns regarding the direction of EU energy policy and associated investments, which still heavily support fossil fuels.

This year, 2017, is a crucial one regarding the EU's future energy investments, not only as a result of the currently debated Clean Energy Package, but also due to the development of the 3rd list of Projects of Common Interest (PCI), the anticipated review of the TEN-E regulation and the upcoming mid-term evaluation of the CEF Regulation.

The decarbonisation objective for 2050, agreed in the 2050 Energy Roadmap¹, requires a long-term vision which does not leave room for short-term political incentives, and public investments, in the fossil fuel sector. In that respect, we welcome the European Commission's opposition to the symbolic Nordstream 2 project which is both contrary to the EU's efforts to combat climate change and the EU's energy diversification and security of supply objectives.

However, fossil fuel projects still represent a significant share of the current energy PCI list promoted by the same European Commission: **Out of the 195 energy projects labelled PCIs in the existing list and considered as key to prepare EU energy future, 77 are gas projects (40%)**. Yet, many arguments used against Nordstream 2 also legitimately apply to a large number of these listed projects.

In this context, we would like to highlight our concern regarding a number of flaws in **the PCI process which make it unhelpful to the achievement of the EU 2050 climate targets and the climate objectives set out in the Paris Agreement**.

The current discussions to prepare a third PCI list highlight the **influential role given to the European Network of Transmission System Operators for Gas (ENTSO-G) in every step of the process leading to the PCI lists**. ENTSOG provides all the data and scenarios on future European gas demand and infrastructure needs, which the European Commission and Member States use to design PCI lists. However, **ENTSOG represents gas industries which own the gas grid and therefore has an interest in further developing the gas system in Europe**. ENTSOG is to a significant extent staffed with human resources seconded from national TSOs, eager to promote gas infrastructure extension with a national perspective. Out of the 130 gas projects which applied to be part of the next PCI list, almost 100 are promoted by members of ENTSOG. There is evidence that ENTSOG has consistently been overestimating EU gas demand, and yet, their scenarios are the foundation of the Commission's methodology to select the future PCI projects.² In addition, **none of the new scenarios recently designed by ENTSOG about future EU gas demand are in line with the 30% energy efficiency target for 2030 recently proposed by the European Commission, and even less with the European Parliament's 40% position**.³

This situation is problematic as it contributes to the distortion of the European gas and energy market by promoting more gas infrastructures as gas demand is in decline, having already dropped by 20% between 2010 and 2015. It also leads to heavy public investments which are contrary to the decarbonisation objective set by the EU: Since the PCI list was first published in 2013, **gas PCI projects have received more than €1 billion via the**

¹ "Long-term goal of reducing greenhouse gas emissions by 80-95%, when compared to 1990 levels, by 2050"

(<https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/2050-energy-strategy>)

² https://www.prognos.com/uploads/tx_atwpubdb/20170407_Prognos_Report_Low_Carbon_options_2016_19.1.17.pdf

³ https://www.e3g.org/docs/E3G_PR_ENTSO-G_TYNDP2017_20171220.pdf

CEF programme while electricity projects have received only half of that (€531m).⁴ This is happening while the CEF Regulation states “*that assistance to electricity projects of common interest will account for the major part of the energy financial envelope under the CEF.*”⁵ Considering the limited budget available to realise the ambitious energy transition needed, the EU budget cannot afford financing assets which will be stranded if the EU meets its climate commitments.

The current review of the TEN-E regulation and the mid-term evaluation of the CEF Regulation provide very timely and ideal opportunities to take action and adapt the EU framework accordingly. That’s why, in your respective responsibility as EU Vice-president and Commissioner, we urge you to consider the following recommendations:

1. The European Commission must free itself from biased data:
 - We ask you to develop your own **independent in-house modelling system, providing demand-based and transparent data on gas network capacity and realistic gas demand forecasts;**
 - We ask you to reinforce your planning models for the energy and transport sectors, in order to be more strictly and clearly in line with the latest climate targets: **the EU 2030 and 2050 climate objectives (renewable, CO2 emissions and energy efficiency) and the Paris Agreement targets (1.5°C and well below 2°C);**
 - We ask you to review **the statutory role of ENTSOG** in the process of deciding future infrastructure priorities in the TEN- E Regulation.
2. Adapt energy policy mechanisms to ensure energy efficiency and renewable energy sources are privileged in the allocation of EU resources and benefit from the best energy policy incentives possible:
 - **Review the TEN-E Regulation to recognise energy efficiency investments as energy infrastructures,** to make them eligible for PCI lists and CEF support;
 - **Create a stand-alone Renewable PCI status** that would be granted easier access to permitting procedures and to EU funding.
3. Rebalance public investment mechanisms in the energy sector to only support the solutions in line EU 2050 targets and with Paris Agreement objectives:
 - As part of the mid-term review of the CEF Regulation, ensure that the **end of fossil fuel subsidies is enshrined in the legislation;**
 - To be in conformity with its G7 commitment to phase out fossil fuel subsidies⁶, immediately **end subsidies for fossil fuel infrastructure projects** such as pipelines and LNG terminals.

We would be glad to hear back from you at your earliest convenience.

Yours sincerely,

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⁴ <https://ec.europa.eu/energy/en/topics/infrastructure/projects-common-interest/funding-projects-common-interest>

⁵ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1316&from=EN>

⁶ http://europa.eu/rapid/press-release_SPEECH-16-1920_en.htm?locale=en