

Targeted consultation on candidate  
Projects of Common Interest (PCIs)  
in gas infrastructure  
PCI process 2018-2019  
- summary -

# Introduction

The consultation on the candidate Projects of Common Interest in gas infrastructure is part of the process for the identification and selection of projects for the fourth list of PCI. This consultation started on 26 February 2019, shortly after the end of project submission period, and ended on 29 May 2019.

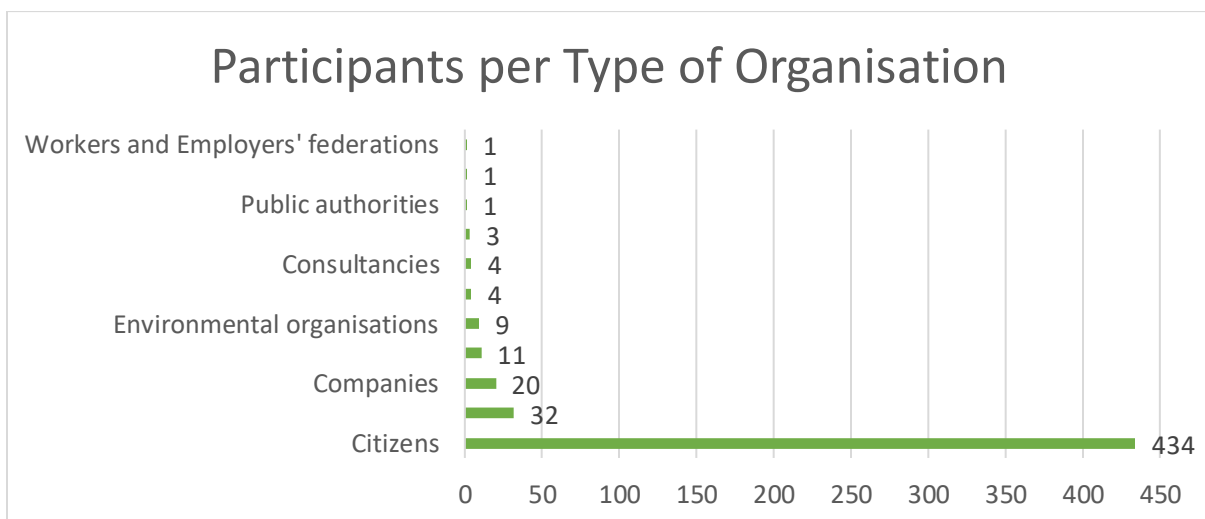
The objective of this consultation was to seek input from stakeholders on the compatibility of projects with the specific criteria, as laid down in Article 4 paragraph 2 of the Regulation (EU) 347/2013 on Guidelines for the trans-European energy networks (TEN-E Regulation): market integration, security of supply, competition and sustainability. The consultation was open to the public and stakeholders, who were invited to answer one question. The consultation documents included the list of candidate projects and detailed information provided by project promoters and national regulatory authorities.

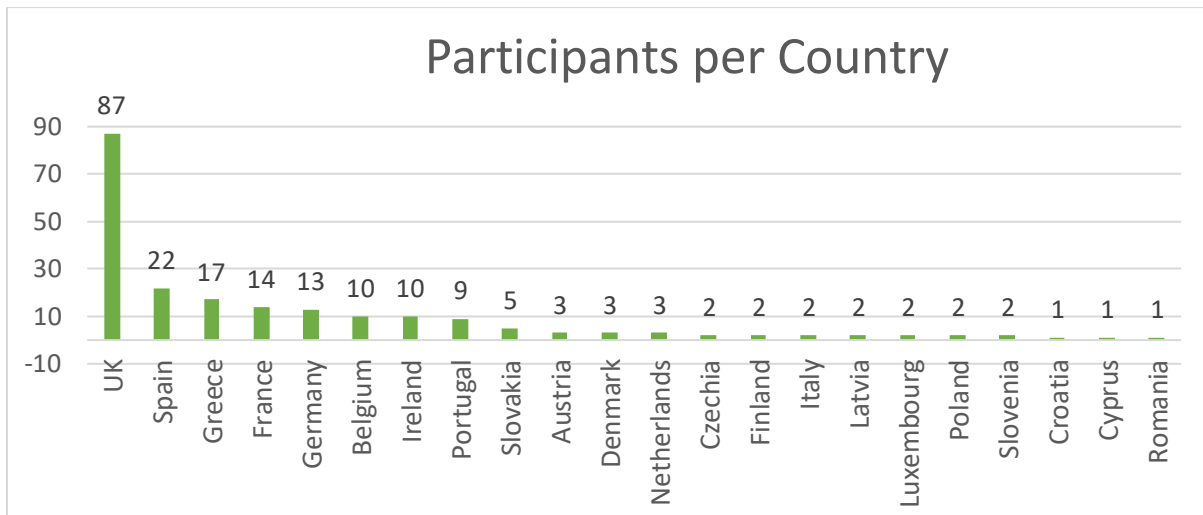
The public was consulted on the following question:

*In your opinion, is a proposed project significantly contributing to market integration/sustainability/security of supply/competition and therefore needed from an EU energy policy perspective?*

## Consultation results

545 participants responded to the consultation on the candidate gas projects, as follows: 416 replies were received via the functional mailbox and 129 replies via the EUSurvey online tool. Due to this fact, there is only limited data on the category of respondents and their country of origin. However, available data suggests that citizens represent the majority of respondents, with United Kingdom being the most represented country of origin for the replies.





*Please note that only contributions where the country of origin was clearly stated were taken into account for this figure*

More than 300 replies reflected one single contribution, which objected to every proposed project. Even though this could indicate a certain level of stakeholder engagement in that specific case, it did not necessarily bring further merit to the arguments presented. These cases are indicated in the summary.

Additional 38 replies referred to the negative impacts of gas infrastructure and did not refer to any particular candidate project on the list of proposed projects.

The following candidate projects received the biggest number of contributions:

- MidCat Project (TRA-N-727) – **94 comments**
- Islandmagee Gas Storage Facility (UGS-N-294) – **34 comments**
- SNIP Pipeline (TRA-N-27) – **32 comments**
- Alexandroupolis – LNG (LNG-N-62 & TRA-N-63) – **16 comments**
- Bidirectional Austrian-Czech Interconnector (BACI) (TRA-N-21 & TRA-N-133) – **10 comments**
- South Transit East Pyrenees (STEP) – TERECA (TRA-N-252) – **10 comments**

It should be noted that almost all contributions (more than 99 %) received negative feedback. However, some of the comments referred to issues that are not part of the PCI identification and selection process, mainly concerning the possible environmental impacts of some projects. Some of these comments are also included in the summary, but they should primarily serve as an indicator for project promoters and relevant regulatory authorities.

The main issues raised by citizens and stakeholders are summarized below per each corridor in the meaning of TEN-E Regulation.

### North-South Interconnections East (NSI East) – summary

According to the respondents, member states in Central Europe already enjoy well diversified supply routes. Demand in the whole region is decreasing or stagnating. In addition, there is a significant potential for energy efficiency gains, particularly in buildings. The participants also commented that a significant number of proposed projects depend on supplies from Southern Gas Corridor. The potential suppliers for SGC are Azerbaijan, for which the contributors raised the rule of law and human rights violations issue, or Russia, which in their view does not bring genuine diversification.

Additional arguments referred to the potential lifespan of 40+ years for new infrastructure, which raises the risk of stranded assets.

TRA-N-21	Bidirectional Austrian-Czech Interconnector (BACI)
TRA-N-133	Bidirectional Austrian Czech Interconnection (BACI)

### Negative

According to the contributors, the potential utilization of this infrastructure for the purpose of supplying Russian gas to Central and Eastern European region makes these projects incompliant with the requirements for the PCI label. In terms of the security of supply, it will further deepen the dependence of Central and Eastern European region to Gazprom supplies. It will furthermore strengthen market position of Gazprom and jeopardize diversification efforts of Member States from this region.

Respondents also commented that there is no infrastructure gap identified between Czechia and Austria. BACI candidate project would only become a parallel infrastructure to the existing one and would bypass of the currently utilized Slovak transmission route, in favour of Russian transmission flows via a Northern route. According to contributors, Slovakia currently provides part of its transmission capacity to Czechia and Austria. This solution proved to be cost efficient for the real market demand representing only approximately 2 % of the planned capacity of the BACI candidate project.

### Positive

Respondents commented that the BACI project would be the first direct interconnection between Austria and the Czech Republic. The pipeline will foster gas market integration between the two Member States and improve flexibility of gas transportation in the Central Europe: the project should help unblock the potential for further market integration in the region and release the congestion on the Austrian-Germany border.

Contributors also noted that the project has been a part of the planned North-South Gas Corridor in the Central and Eastern European region, which enables Member States to increase security of supply by diversifying their gas sources through accessing the LNG terminals in the Baltic Sea (Poland), the Adriatic Sea (Croatia), Norwegian gas (Baltic pipe project) and, potentially, sources from the Black Sea (BRUA project).

LNG-N-82	LNG terminal Krk
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Respondents claimed that 85% of the project costs will be funded by public money, including Connecting Europe Facility (CEF) financial assistance and Croatian government funds. This new infrastructure would compete with existing European gas transport infrastructure. Accordingly, the significant subsidies for the LNG Krk terminal would result in an unfair distortion of competition. Moreover, the respondent argue that there is no market demand for the LNG terminal Krk as evidenced by the unsuccessful Open Season process in 2018, where only 20% of the offered capacity could be contracted.

Replies highlighted the slow pace of implementation of this project and the lack of maturity: despite high political support, the plans for an annual gas import capacity of 6.5 bcm – which is 2.5 times

more gas than Croatia’s annual consumption – were put into question by the lack of interest from companies when booking capacity. It was for this reason that, in May 2018, a year and a half after receiving a grant under CEF, LNG Croatia d.o.o. launched a new tender for a smaller floating storage and regasification unit (FSRU), designed for just 2.6 bcm of gas annually. At the same time, the company conducted an Open Season procedure for contracting the terminal regasification capacities. The tender’s deadline was extended, but in the second round only two companies showed interest – Croatian state companies INA and HEP – for 0.52 bcm. This is considered less than an estimated 1.5 bcm required to make the investment in the construction of the terminal profitable.

The respondents also question the impact on two or more member state, as only Croatian companies are interested in supplies from terminal. The Cost Benefit Analysis performed for this project and its financial viability were also objected.

According to the contributions, Krk LNG terminal is not aligned with the sustainability criterion as it would mostly aim at bringing fracked gas from the US with severe environmental and climate implications.

TRA-F-190	Poland - Slovakia interconnection
TRA-F-275	Poland - Slovakia Gas Interconnection (PL section)

The responses agreed that these projects should be considered as being in line with provisions of the TEN-E Regulation, particularly with the objectives set out in Article 4, as they increase regional interconnectivity and enjoy access to Norwegian gas and LNG in the Central and Eastern European region. From a security of supply angle, the respondents considered that these diversification projects reduce the dependence on Gazprom, and ultimately benefit consumers in the region.

TRA-N-136	Czech-Polish Gas Interconnector (CPI)
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According to the contributions received, this project will increase the security of supply not only in Poland and Czechia, but also in the whole Central and Eastern European region by enabling a supply link to alternative routes and sources available in the European gas market and the global LNG market. In their view, the project enables market integration by interconnecting the Member States in the region and thus increasing competition.

The respondents pointed out that this project reinforces the security of natural gas supply in the Moravian regions by removing bottlenecks in exit capacity into the domestic zone.

TRA-N-628	Eastring - Slovakia
TRA-N-654	Eastring - Bulgaria
TRA-N-655	Eastring - Romania
TRA-N-656	Eastring - Hungary

According to the contributions, the initial purpose of Eastring was to diversify access to natural gas sources from the Caspian region into Central and Eastern European region and decrease the level of

region's energy dependence on Russia. However, respondents raised are concerns about certain opinions in the media, which suggest that these projects might be used by Gazprom to strengthen Russian position in the region by using the pipeline to transport gas supplied by Gazprom through the TurkStream pipeline.

TRA-N-423	GCA Mosonmagyaróvár
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According to the respondents, enabling the Hungarian-Austrian-Gas pipeline (HAG) reverse flow will play a very important role in connecting the gas transmission network of South-Eastern Europe and Central Europe. In their view, it will provide an opportunity to tap into the expected gas production in the Black Sea area as well as alternative supplies via the Southern Corridor (Caspian gas) - and hence play an import role in the diversification of gas supply of the region. Replies also claim that there is a strong market interest in supplies of gas from this proposed project.

### The Baltic Energy Market Interconnection Plan - summary

The respondents highlighted that between 2010 and 2017, gas demand in Estonia, Finland, Latvia, Lithuania and Sweden has dropped by 33% (source Eurostat) and therefore the market demand for new infrastructure is questionable. Additionally, the respondents argue that further decline of gas consumption is likely if energy efficiency policies are put in place and if renewable energy targets are achieved. In this case, the construction of new infrastructure would create stranded assets. Referring to Poland, the contributors pointed out that the security of supply criteria is already met and that existing infrastructure is underutilized and would have enough capacity even for the case when Poland stops importing gas from Russia. The comments also mention that the planned new capacity of all the proposed LNG terminals in the region is unnecessary.

TRA-F-212	Gas Interconnection Poland-Lithuania (GIPL) - PL section
TRA-F-341	Gas Interconnection Poland-Lithuania (GIPL) (Lithuania's section)

The contributors noted that the purpose of GIPL project is to provide Baltic States with an access to the internal gas market. In their view, it will help these states to enjoy benefits of a genuine diversification of supplies.

TRA-N-271	Poland - Denmark interconnection (Baltic Pipe) - offshore section
TRA-N-780	Baltic Pipe project – onshore section in Denmark
TRA-N-1173	Poland - Denmark interconnection (Baltic Pipe) - onshore section in Poland

According to contributors, these candidate projects will provide Poland and the Central and Eastern European region with an access to extensive EEA gas resources, increasing its energy security. The replies claim that partners operating on the Norwegian Continental Shelf (NCS) should be considered

as reliable business partners for building clean, secure and sustainable energy system of the CEE given that Norway is bound to implement key EU energy legislation under the EEA Agreement.

### North-South Interconnections West (NSI West) - summary

Contributors argued that all countries in this region have already met security of supply criteria. It was highlighted that gas demand in the region is decreasing (and the trend would continue in order to reach climate goals). Therefore in their view, there no market for new infrastructure. Many of the replies questioned the benefits brought by these projects and the impact on at least two member states, as required by the TEN-E Regulation.

TRA-N-284	3rd IP between Portugal and Spain (Compressor Station)
TRA-N-285	3rd IP between Portugal and Spain (pipeline Cantanhede-Mangualde)
TRA-N-729	Interconnection ES-PT (3rd IP) - 2nd phase
TRA-N-161	South Transit East Pyrenees (STEP) - ENAGAS
TRA-N-252	South Transit East Pyrenees (STEP) - TERECA

The contributors noted that there are already two existing interconnections between Portugal and Spain – Campo Maior and Valença do Minho – with a combined pipeline import capacity of 4.2 bcm/y, which covers to a large part Portugal’s peak gas demand in the last years. In addition to an already high pipeline import capacities, the Sines LNG terminal with its import capacity of 5.3 bcm/y largely exceeds Portugal’s entire annual gas demand. Similarly, this interconnection does not justify other reinforcements in Spain because of the existing underutilized capacity and the extra cost that would fall upon Spanish and Portuguese consumers.

Furthermore, the respondents objected that to the joint assessment of the 3rd Interconnection between Portugal and Spain and STEP candidate project. Referring to STEP’s negative assessment by the Spanish and French NRAs, replies claim that the 3rd Interconnection between Portugal and Spain should be reassessed. The participants reminded that the Spanish and French National Regulatory Authorities (CNMC and CRE, respectively) have agreed on a common decision in January 22nd, 2019 regarding STEP. The NRAs considered that the project “fails to comply with market needs and lacks sufficient maturity to be considered for cross-border cost allocation”.

TRA-N-727	Iberian-French corridor: Eastern Axis - Midcat Project
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According to the contributors, the border between France and Spain is currently not congested. Any new infrastructure should be, in view of the respondents, carefully evaluated on the basis of a rigorous cost-benefit analysis and validated by open-season. The Common Decision by the Spanish and French Regulators taken in January 22nd, 2019 on the STEP gas interconnection project is seen by the respondents as correct, protecting the interests of the consumers. According the NRAs, that project lacks sufficient maturity to be considered for cross-border cost allocation” for the following reasons:

- TSOs have failed to submit a project that will offer firm interconnection capacity (all new capacity is defined interruptible).

- The market has shown no commercial interest for new capacity in the interconnection, as shown by the market tests (two open-seasons, in 2009 and 2010 have failed)
- The current gas interconnection capacity between France and Spain is not congested
- The cost of the project is high when compared with European standards
- The project does not guarantee price coupling between gas hubs in France and Iberia
- The project's cost-benefit analysis does not clearly show that its benefits outweigh its costs in the most credible scenarios

TRA-N-12	GALSI Pipeline Project
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The respondents pointed out that this gas transmission infrastructure would require that Sardinia, currently without a gas network, would make significant investments to create the necessary infrastructure for the distribution of a transitional fossil fuel. The same considerations refer to the two new gas pipelines planned in Sardinia and currently undergoing environmental impact assessments. In their view, these projects prevent the efforts to stop emissions of climate altering gases.

LNG-N-30	Shannon LNG Terminal and Connecting Pipeline
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According to the contributors, despite having been granted planning permission in 2008, this project has been delayed several times and face opposition from conservationists, environmentalists and politicians in Ireland. Against the background of the very serious delays, the replies refer to an ongoing and growing opposition in Ireland against the project and to the incompatibility with a) the existing fracking ban in Ireland b) the Irish vote to fully divest from fossil fuels c) the Paris Agreement d) the national and EU-wide climate targets. It was also pointed out that Ireland also just started to commercially produce gas from its new Corrib gas field which is estimated to contribute to 60% of the country's gas demand for the next 10-20 years. Ireland is also well connected to the UK from where it can receive significant volumes of diversified gas.

According to the respondents, the planning permission for Shannon LNG expired in 2008. An extension was granted, but allegedly under questionable circumstances. There were omissions regarding the considerations of the importance of the Shannon Estuary as a Natura 2000 SPA. The case has been referred to the CJEU for clarification. The contributors claim that a project that is potentially non-compliant with the EU's biodiversity directives should not be, in view of contributors, included on the PCI list while the court's decision is awaited.

UGS-N-294	Islandmagee Gas Storage Facility
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The replies argue that the N-1 condition is already achieved (120%) with SNIP, IC1 and IC2 with the potential use of SNP. The lack of need for gas storage in Northern Ireland is outlined in the UK National Risk Assessment on Security of Gas Supply Report completed for EU Regulation 2017/1938, released in September 2018. The lack of need for gas storage in Northern Ireland is also outlined in the UK National Risk Assessment on Security of Gas Supply Report.



The respondents pointed out that the Islandmagee Gas Storage project will cause significant environmental impact in an environmentally sensitive region, which has numerous special conservation areas and a significant local population.

TRA-N-27	Physical reverse flow from NI to GB and IE via SNIP pipeline
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The respondents objected to the reverse flow of gas from Northern Ireland to Scotland via SNIP as not needed in view of the information that gas supply in the Irish market will exceed demand. Along with the increasing integration of renewable energy sources, and UK Government's plans to phase out natural gas use in new homes, the need for gas storage projects like the one proposed in Islandmagee is reduced. Against this backdrop, the respondents claimed that they fail to see the justification for both Islandmagee Gas Storage Project and the reversal of SNIP.

### Southern Gas Corridor – summary

The respondents questioned the real impact of Southern Gas Corridor (SGC) on the EU's energy security goals. In their view, the SGC is highly unlikely to increase energy security and might in fact end up channelling Russian gas. Their claim is that, with a 10 bcm/y capacity, its impact on the overall EU gas demand (491bcm in 2017) will only be marginal.

With Gazprom now considering this pipeline project to bring even more Russian gas to Europe (via connection to Turkish Stream) the diversification argument would be, in view of the respondents, weakened. The replies also highlighted that EU's support for SGC is contradictory to its goals and principles on human rights since it directly supports and further legitimises the Azeri regime, which has been and continues to be in breach of its international human rights commitments.

Furthermore, the participants objected on the cost of the project and its high financial support coming from EU funds and EU public banks. EIB approved a EUR 1,73 bn loan for TAP and EUR 1,08 bn loan for TANAP, the largest set of loans contracted for a single project in the EU's bank history. In parallel, the EBRD approved a total of EUR 1,7 bn for the Southern Gas Corridor.

Some of the replies also argued the potential risk of creating stranded assets due to the declining gas demand in the region.

TRA-N-330	EastMed Pipeline
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The replies received consider this project as a source of insecurity for the gas suppliers (Cyprus, Turkey, Israel, Lebanon and Palestine in particular) but also for the European Member States relying on these supplies. The participants pointed out that because Turkey does not recognize Cyprus' independence, the Turkish government has been contesting the Cypriot offshore economic exclusion zone where some of the biggest new reserves are.

The replies also referred to the lack of contribution to competition and market integration: if the starting point of the pipeline will be in Israeli exclusive economic zone, the third party access

principle could be questioned. The project is, in view of participants, costly and in competition with less expensive options.

TRA-N-53	White Stream
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The replies highlighted that this pipeline runs parallel with both AGRI (offshore, in the Black Sea) and TANAP (onshore, through Turkey), raising questions as to whether or not it would become redundant, particularly given the uncertainty regarding the supplies from Azerbaijan and the risk of ultimately transporting Russian gas. The claim is further argued by the planned size of the project: the White Stream pipeline is envisaged to transport capacities of over 500 GwH/d, equalling around 18bcm/y. The alleged inability of the Southern Gas Corridor (SCP) to provide enough gas for TANAP, makes it even more likely to transport Russian gas.