

# Public consultation on the update of ACER's Recommendation on good practices for the treatment of the investment requests, including cross-border cost allocation requests for projects of common interest

Fields marked with \* are mandatory.

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## Overview

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**Regulation (EU) 347/2013** (<https://eur-lex.europa.eu/legal-content/en/ALL/?uri=celex%3A32013R0347>) introduced the cross-border cost allocation (hereinafter also 'CBCA') as a regulatory tool aimed at facilitating the implementation of projects of common interest (hereinafter also 'PCI'). Article 12 of Regulation (EU) 347/2013 included specific provisions on CBCA for PCIs. Such provisions also contained rules and legal deadlines for National Regulatory Authorities (hereinafter also 'NRAs') to decide and agree upon cost-sharing, and it placed the Agency as a last-resort decision maker in case of NRAs disagreement.

To facilitate the CBCA processes, the Agency issued its first CBCA Recommendation in 2013. The Agency also started regularly issuing monitoring reports on CBCA decisions. On 18th December 2015 the Agency issued an updated CBCA Recommendation ([https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Recommendations/ACER%20Recommendation\\_05-2015.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Recommendations/ACER%20Recommendation_05-2015.pdf)), providing guidance to project promoters on the submission of an investment request, as well as to NRAs on the assessment of the investment request and the allocation of costs across Member States. The recommendation also touches upon tariff inclusion of the investment costs and details the reporting requirements of project promoters towards NRAs and Transmission System Operators of the relevant Member States.

Following the revision of Regulation (EU) 347/2013, **Regulation (EU) 2022/869** (<https://eur-lex.europa.eu/eli/reg/2022/869/oj>) (hereafter also 'TEN-E Regulation') confirmed the role of NRAs and the Agency in the context of CBCA. Article 16(11) of the TEN-E states that, by 24 June 2023, *"the Agency shall adopt a recommendation for identifying good practices for the treatment of investment requests for projects of common interest. That recommendation shall be regularly updated as necessary, in particular to ensure consistency with the principles on the offshore grids for renewable energy cross-border cost sharing as referred to in Article 15(1). In adopting or amending the recommendation, the Agency shall carry out an extensive consultation process, involving all relevant stakeholders."*

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## Why we are consulting

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In the light of the revisited TEN-E Regulation provisions, and building on the results of the monitoring reports on CBCA decisions, the Agency has initiated the process of updating the 2015 CBCA Recommendation. As part of this process, the Agency has compiled a list of priority topics for stakeholder

consultation.

Stakeholders are encouraged to offer their experience and opinions on the existing CBCA Recommendation as well as on the topics identified by the Agency and described in this public consultation.

Responses should be submitted **by Friday 31st March 2023, 23:59 hrs (CET)** by filling in this ACER Survey form.

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## Data Protection and Confidentiality

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The Agency will process personal data of the respondents in accordance with **Regulation (EU) 2018/1725** (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32018R1725>), taking into account that this processing is necessary for performing the Agency's consultation tasks. More information on data protection is available on the Agency's website.

Following this consultation, the Agency will make public: the number of responses received; organisation names, unless they should be considered as confidential; all non-confidential responses; and the Agency's summary of the evaluation of responses, in which the Agency may link responses to specific respondents or groups of respondents.

You may request that (1) the name of the organisation you are representing and/or (2) information provided in your response is treated as confidential. To this aim, you need to explicitly indicate whether your answer contains confidential information, and provide a valid reason if you want that the name of your organisation remains confidential.

The Agency will not publish personal data.

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## Respondent's data

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\*Name and Surname

\*Email

\*Organisation

\*Country of your organisation

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia

- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Others
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden

Please, indicate here your country in case not available from the list above

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## Confidentiality

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\*Your response will be published on the Agency's public consultation web page. Please confirm that:

- My response and name of my organisation can be published
- My response can be published without my organisation's name (You are asked to give a justification below)
- My response contains confidential information; a redacted version will be published (Please ensure you marked the specific text by preceding and closing it with [CONFIDENTIAL]. In addition, you are asked to give a justification below)

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## Confirmation

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- I accept that ACER processes my data in line with its data protection rules.

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## Contact informaton

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The Agency will accept only feedback provided through this ACER Survey form.

For any other inquiry, please contact Stefano Astorri (Stefano.ASTORRI@acer.europa.eu).

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## Consultation questions

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Question boxes can be extended by dragging the low right corner.

Question boxes do not allow more than 5000 characters.

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### - Introduction -

- \*Can you share your previous experiences and role with investment requests, CBCA decisions, and the 2015 Recommendation from the Agency? Also, please, include your overall perspective on these topics.

NRAs and ACER can consider a project no mature enough after the HLG have considered it mature enough to prepare and present the Investment Request following Regulation. This happened to STEP which was considered mature in January 2018 in the HLG-SWE where the EC, Ministries, NRAs and TSOs of France, Portugal and Spain were represented. NRAs of France and Spain considered in January 2019 that the project was not mature enough after the HLG-SWE agreed to proceed with the Investment Request in January 2018.

The current procedure according to TEN-E Regulation requires projects to obtain a CBCA decision for being eligible for CEF grants for works. If the ACER Recommendation on the CBCA is not available by 2024, projects might be delayed and Third Parties can block the process. Therefore, the linkage between CBCA and CEF (or any other Union financial assistance for works) should be revised, allowing promoters to ask for funds and to obtain a grant for works conditional to a CBCA agreement. This would save at least one year.

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### - Scope of the CBCA Recommendation -

While Regulation (EU) 347/2013 introduced CBCA for the project categories of electricity transmission projects and gas transmission, Liquefied Natural Gas (or compressed natural gas) and underground storage projects, the Regulation (EU) 2022/869 opens the CBCA to other project categories such as hydrogen, electricity storages, smart electricity-grids and smart gas-grids.

For some of these project categories there is currently very limited regulatory experience, or their cross-border impacts might not have been significantly explored. The related cost-benefit analysis (CBA) methodologies are still in the making and they are not expected to be adopted by the deadline for the CBCA Recommendation, while the first list under the revised TEN-E Regulation including the new project categories is expected towards the end of 2023. Finally, the European Commission's cost-sharing guidelines for the deployment of the sea-basin integrated offshore network development plans (Article 15 of the TEN-E Regulation) – which shall be considered by the CBCA recommendation for consistency – are due by June 2024.

Thus, with respect to the new project categories subject to CBCA, in the Agency's view, it could be today premature to include project-specific CBCA recommendations. Given the above, the Agency plans a two-step approach for updating its CBCA Recommendation.

A first step, by 24 June 2023, targeting the inclusion of general guidelines which could be applied by project promoters to any project category and (where relevant) more specific guidelines for “traditional projects” (i.e. electricity and gas, to the level the latter category is covered by the TEN-E provisions). Such update is likely to touch upon the elements already identified as priority topics for stakeholder consultation and described in this document.

Then, a second step, by 24 June 2025, building also on the European Commission’s cost-sharing guidelines for the deployment of the sea-basin integrated offshore network development plans (due by June 2024), the first PCI Lists, the CBA Methodologies application for the new project categories, the first experiences concerning CBCA decisions from new project categories, and the first scenarios following the Agency’s Scenario Framework Guidelines. This second step could also include other project categories, to the extent these project categories would fall under NRAs competences.

\*Do you see any drawback in the proposed 2-step approach?

- Yes
- No

\*Please, justify your answer

24th June 2025 might be too late for a complete ACER Recommendation on good practices for the treatment of the investment requests, including cross-border cost allocation requests for projects of common interest.

The 6th PCI list will already include new project categories (i.e. hydrogen); this list is expected to be approved by the end of 2023 or the beginning of 2024. Project promoters of PCIs included in the 6th list might apply for CEF-E funds for works during a potential call opened in 2024.

As previously mention, the current procedure according to TEN-E Regulation requires projects to obtain a CBCA decision for being eligible for CEF grants for works. If the ACER Recommendation on the CBCA is not available by 2024, projects might be delayed and Third Parties can block the process. Therefore, the linkage between CBCA and CEF (or any other Union financial assistance for works) should be revised, allowing promoters to ask for funds and to obtain a grant for works conditional to a CBCA agreement. This would save at least one year.

\*With regards to the new project categories in the TEN-E (hydrogen, electricity storages, smart electricity-grids and smart gas-grids), do you see relevant changes to the proposed approach and, more in general, to the CBCA Recommendation?

Enagás considers that hydrogen networks could have a similar approach to gas transmission projects.

It is expected that a significant proportion of the future hydrogen network will be composed of repurposed gas assets. The 53,000 km European Hydrogen Backbone for 2040 requires an estimated total investment of €80-143 billion, based on using 60% of repurposed natural gas pipelines and 40% new pipeline stretches. Given this inevitable interdependence between the assets of these two energy vectors, and in view of the similarities in terms of the skills, knowledge, and resources that are required to develop and safely operate the gas and future hydrogen pipeline networks, Enagás considers that the hydrogen network should have the same approach than gas networks

## - Scenarios for CBCA decisions -

Article 16(4) of the TEN-E require that each investment request is accompanied by a project-specific cost-benefit analysis ('CBA') considering at least the joint scenarios for network development planning (hereinafter also 'TYNDPs') referred to in Article 12 of the TEN-E Regulation.

Scenarios depict potential paths that energy demand and supply may take in the future. These scenarios are not predictions and, as such, the societal and financial consequences of a project's implementation will always carry a level of uncertainty. Additionally, scenarios may even lead to opposite outcomes when evaluating the project's cost-benefit analysis. From this perspective, it could be considered that the net-negative and net-positive impacts on the countries affected by the CBCA assessment (both hosting and non-hosting countries) should always be demonstrated at least in one reference scenario and/or should be confirmed in multiple scenarios[1].

In the Agency's view, the quality of the scenarios used for project assessment is a critical element for a robust allocation of costs among countries.

The Agency's **Scenario Framework Guidelines** ([https://www.acer.europa.eu/sites/default/files/documents/Official\\_documents/Acts\\_of\\_the\\_Agency/Framework\\_Guidelines/Framework%20Guidelines/FG\\_For\\_Joint\\_TYNDP\\_Scenarios.pdf](https://www.acer.europa.eu/sites/default/files/documents/Official_documents/Acts_of_the_Agency/Framework_Guidelines/Framework%20Guidelines/FG_For_Joint_TYNDP_Scenarios.pdf)) adopted on 25 January 2023 request to build a set of scenarios which shall include, at least, a most-likely central scenario (based on National Energy and Climate Plans, 'NECPs') and low-economy and high-economy variants (as a stress test on network and project development).

As stated in Article 16(5), in allocating costs across borders, the relevant NRAs shall seek a mutual agreement based on, but not limited to, the project-specific CBAs submitted by project promoters, which will be based on joint TYNDP scenarios, after the first implementation of Article 12 of the TEN-E Regulation. The Agency considers that it is advisable to keep a balanced approach, by including all the variants recommended by the Scenario Framework Guidelines. NRAs shall consider all the relevant TYNDP scenarios and other scenarios for network development planning, allowing a robust analysis of the project of common interest. Within this framework, when allocating costs across borders, NRAs could jointly agree to attribute different weights to the CBA results from the different scenarios, considering the robustness of each scenario.

In the Agency's view, as indicated in Article 16(5) of TEN-E, the focus should always be on the mutual agreement of NRAs on which scenarios to be used. For this reason, the TEN-E Regulation envisages the possibility for both project promoters and NRAs to identify additional scenarios as long as these are consistent with the European Union's 2030 targets and its 2050 climate neutrality objectives and be subject to the same level of consultation and scrutiny as the process provided for in its Article 12. This option could be particularly relevant until TYNDP 2024 scenarios will be available, given the assessment in the Agency's

**Opinion 6/2022** ([https://www.acer.europa.eu/sites/default/files/documents/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2006-2022%20on%20draft%20TYNDP%202022%20Scenario%20Report.pdf](https://www.acer.europa.eu/sites/default/files/documents/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2006-2022%20on%20draft%20TYNDP%202022%20Scenario%20Report.pdf)) on key elements of the draft TYNDP 2022 Scenario Report and the Agency's recommendation to swiftly update at least one scenario. The choice to use additional scenarios should be justified by tangible inputs and their compliance with the 2030 targets and 2050 climate neutrality objectives should be properly demonstrated.

[1]For example, by demonstrating the impacts in 75% of the scenarios chosen for the investment request.

\*Please, explain which are, in your opinion, the advantages and disadvantages associated with the use of scenarios in the context of investment requests and CBCA decision-making.

There should be an agreement among NRAs and project promoters on scenario(s) to be used for CBCA upfront the submission of the application to NRAs

\*Please, explain which are, in your opinion, the elements which would justify the use of additional scenarios compared to the TYNDP ones.

The development of the TYNDP starts with the Scenario Report. This report is published around one year before the TYNDP. Besides, since the start of the data collection for the scenario report until the TYNDP is published there is an offset of more than 2 years.

During these 2 years, the European energy landscape can experience rapid changes that might not be captured in the scenarios report. Thus, the TYNDP would not be able to include in the PS-CBA or TYNDP the latest scenarios available for the European Commission and/or the Member States. Because of this reason, project promoters should be able to provide their own scenarios for the CBCA, or at least be able to use them in a sensitivity analysis.

\*Please, provide specific and concrete suggestions on how the Agency's CBCA recommendation can support further guidance on how to deal with scenarios in the CBCA decision process.

As commented in the previous question, ACER's recommendation should include the possibility for project promoters to use their own scenarios, provided they are in line with the 2030 targets and 2050 climate neutrality objectives, or at least be able to use them in a sensitivity analysis.

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## - CBA assessment and CBA methodologies -

While the CBCA responds to the challenge on how to distribute and assign the costs of energy infrastructure projects across beneficiary and cost-bearer countries, the CBA aims to assess, identify and quantify the social benefits stemming from the realisation of these projects.

The TEN-E Regulation states that the investment request shall be accompanied by an up-to-date project-specific CBA consistent with the relevant methodology developed pursuant to Article 11. Also, according to Annex V(7) of TEN-E, the ENTSOs' CBA methodologies should ensure that the countries on which the project has net positive or net negative impact are identified. Both positive impact and negative impact should be quantified and, to the extent possible, monetised.

The CBA methodologies represent therefore a fundamental tool for CBCA, as a robust and shared methodology can provide a basis for identifying benefits and discuss compensations. In the Agency's view, in order to increase the transparency and foster constructive discussions on the benefits, the project-specific CBAs should quantify all relevant benefits in monetary terms to the extent possible and identify all countries impacted positively or negatively by the project. Not less important, the CBA Methodologies should allow for an integrated energy system assessment.

It should be noted that even if benefits should be monetized, they remain diverse. On the one hand, they are computed with widely diverse approaches which do not have the same level of reliability. On the other hand, some benefits are not as tangible as others. The presence of benefits with different reliability levels is

a clear limit to adding benefits.

The rules for computing the national net balances of costs and benefits - currently set in Annex II of the CBCA Recommendation 05/2015 - are an essential element for the cost-benefit analysis (and the CBA methodologies) to be factored in the CBCA decisions. The TEN-E Regulation requires all potential PCIs to meet mandatory sustainability criteria. While it is vital to ensure that the project-specific cost-benefit analyses are properly designed to capture sustainability benefits, attributing these benefits among countries can be a complex task, particularly given the pan-European nature of some of these benefits. It is crucial to determine the scope of the sustainability impacts and to distinguish between types of emissions, whether they have a global impact (such as carbon dioxide or other greenhouse gas emissions) or a primarily localized impact (such as nitrogen dioxide, sulfur dioxide, and particulate matter).

\*In case you were involved in CBCAs, please indicate, from your experience, the key issues related to the application of the CBA methodologies in the context of investment requests and CBCA decision-making?

The lack of maturity of the CBA methodology. This methodology does not consider all the relevant factors. In particular, the methodology is not able to attribute a value to the interruptible capacity. The CBA fails to monetise indicators as LICD (LNG and Interconnection Capacity Diversification), Minimum Annual Supply dependence (MASD), Commercial Supply Access (CSA), the Remaining Flexibility and the Bi-directional indicator. The CBA methodology also fails to quantify several other benefits and costs for example regarding sustainability indicators, as the GHG emissions and the reduction of pollution.

Investment Request. NRAs and ACER can consider a project not mature enough after the HLG have considered it mature enough to prepare and present the Investment Request following Regulation. This happened to STEP which was considered mature in January 2018 in the HLG-SWE where the EC, Ministries, NRAs and TSOs of France, Portugal and Spain were represented. NRAs of France and Spain considered in January 2019 that the project was not mature enough after the HLG-SWE agreed to proceed with the Investment Request in January 2018. Clear milestones and timing for the Investment Request process should be set, so that it can't be delayed arbitrarily.

\*Please indicate the key elements that the project-specific CBA should provide in the context of investment requests and CBCA decision-making?



Considering that ENTSOG is currently updating the methodology of the PS-CBA for hydrogen projects and traditional gas projects can no longer be PCIs it is difficult at this stage foresee what would be the key elements.

This PS-CBA methodology should monetised all the benefits and costs associated to the PCI candidates and not just rely on qualitative indicators.

Sustainability should be assessed in a broader sense, not only via the GHG; but other indicators, such as avoided air pollution and methane emissions, should be included as well as the benefit of having a centralised and interconnected H2 network instead of disconnected H2 valleys (for instance, kilometres of connected H2 pipelines) which indicates the level of the spatial deployment of the network in the territories.

Avoided investments in other technologies should also be seen as a benefit, e.g. Enagás considers relevant to capture the benefits of repurposing existing natural gas infrastructures against building a new one. Repurposing of existing natural gas infrastructures is cheaper than building new pipes, this benefit is already capture in the costs provided by the promoter; however, there are other benefits that are not included in the costs (i.e shorter timeline for the commissioning of the project, reduction of permitting process, avoidance of sunk costs and/or dismantling cost of existing gas infrastructures). Thus, an additional benefit to include in the CBA methodology would be "repurpose of existing natural gas infrastructures"; this will put into value the use of already built facilities.

SMR/ATR (e.g. if you have more storage, then you need a lower SMR back-up), or assets participating in the provision of seasonal flexibility (e.g. if you have more storage, you can avoid oversizing the electricity generation technologies to meet seasonal demand variations), etc.

\*How should cost uncertainty be addressed in the project-specific CBA and in the CBCA decision-making?

Sensitivity analysis could help to address cost uncertainty

\*Should sustainability benefits be taken into account in the CBCA decision process when allocating costs among the concerned countries?

- Yes
- Depending on benefit category / type of emissions
- No

\*Please, justify your answer and provide concrete suggestions on how the Agency's CBCA Recommendation can deal with the allocation of sustainability benefits in the context of investment requests and CBCA decision-making.

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## - The compensation mechanism -

The current CBCA recommendations are based on the view that one of the main barriers for a project to be implemented is the net negative impact in a hosting country.

In the current CBCA recommendations (section 2.6 of CBCA Recommendation 05/2015), the Agency proposes the implementation of a "net loser compensation" mechanism, unless otherwise agreed upon by

the NRAs during the decision-making process. This wording highlights the importance and priority of NRAs' agreement in CBCA decision-making. This approach is also deemed practical due to the high level of uncertainty associated with calculating benefits. In addition, agreements that go beyond the compensation of the net negative impact are also possible.

In the past years, there have been suggestions to go beyond the "net loser compensation", by ensuring that each hosting country would reach at least a minimum level of positive-net-benefit.

In its **Monitoring Reports on Cross-Border Cost Allocation Decisions** ([https://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/2020-09\\_4th-ACER-CBCA-report.pdf](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/2020-09_4th-ACER-CBCA-report.pdf)), the Agency has noticed that, since 2015:

- All investment requests resulted in an agreement between the concerned NRAs on the allocation of the investments costs without need for the Agency to act as a last resort, with the exception of two CBCA procedures;
- In several instances, the decisions deviated from traditional cost sharing solutions, taking also into account the benefits of the projects.

\*The Agency CBCA Recommendation 05-2015 recognises the importance and the priority given to the NRA's agreement in CBCA decision-making, by foreseeing the possibility to diverge from the mechanism suggested in the Recommendation itself. Do you think that the priority to NRAs' agreement should be revisited? Please justify your answer.

A fundamental contradiction of the governance arrangements for the PCI process to achieve the internal market is that many relevant tasks have been left to NRAs instead to EU institutions. NRAs have the statutory obligation of minimising costs for national consumers, which is frequently in conflict with measures to integrate markets.

This conflict emerges frequently in the context of the discussions to agree on a CBCA. It does not only affect the amounts to be allocated, but NRAs can delay indefinitely the acknowledgement of the IR (a milestone that is not even regarded in the TEN-E), and the timing if the original IR is incomplete or not established (an event that is not foreseen at all in the TEN-E). This creates uncertainty problems to promoters.

Considering that Article 16 of the TEN-E Regulation requires projects to obtain a CBCA decision for being eligible for CEF grants for works, the whole project can be delayed several years or even be cancelled.

This conflict of interest is not only a problem in the PCI process but also in other regulatory processes. e.g., there is an incentive to overcharge exit points at IPs to minimise the cost allocated to national consumers, incurring in lack of cost-reflectivity. In those cases, higher costs are passed to downstream markets which is not only wrong from an allocation point of view, but also detrimental for gas trading and for the well-functioning of the EU gas market. This has already created tensions between Germany (BNetzA), Italy and France (CRE), and between France and Spain.

Therefore, Enagás opinion is that the role of the NRAs should be weakened in favour of European authorities

\*Can you provide your perspective on the specific and concrete advantages and disadvantages associated to the application of a "net loser compensation" mechanism and offer evidence to support this view?

Enagás is of the opinion that the “no loser no compensation” principle should be retained.

When the projects create net benefits in the project hosting country, the project should be implemented. In this case, the CBCA only delays the process.

Therefore:

- o The CBA should identify benefits and costs for the most affected countries;
- o The “no loser no compensation” principle should be retained;
- o The project should be exempted from the CBCA process if there are no losers

\*Do you think that the compensation mechanism currently foreseen in the Agency’s CBCA Recommendation should be revisited?

- Yes
- No

\*Please, justify your answer

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## - The Agency’s role when dealing with CBCA -

The TEN-E Regulation indicates that where the relevant NRAs have not reached an agreement on the investment request, or upon a joint request from the relevant national regulatory authorities, the decision shall be taken by the Agency within three months of the date of referral to the Agency. Before taking such a decision, the Agency shall consult the relevant NRAs and the project promoters.

The decision taken by the Agency would be based on the technical analysis of the project(s) and of its societal impacts on the relevant countries and may account for inputs from the project promoters and the relevant NRAs.

As such, the CBCA Recommendation aims not only to establish good practices for investment request handled by NRAs, but also to indicate the practices that the Agency intends in principle to apply when being competent. While the Agency expects this “default” method/approach to be suited for all investment requests, it will deviate from it where it considers such approach as not appropriate for a particular case. For instance, the Agency might choose to only implement the default approach on elements where the relevant NRAs have informed the Agency that they have not reached a consensus.

\*What would you deem important to be considered by the Agency when taking a decision on CBCA?

ACER should be appointed for the coordination of national authorities. Enagás' PCIs did not fulfil the process. The only PCI that started the process had to complete the notification to the authorities twice. This corresponds to the phase of the pre-application procedure. The first time there was no acknowledgement by the national authority due to the lack of coordination of Member States. There were more than 20 months between the first notification and the second one.

ACER should not exceed the functions allocated to it in the TEN-E Regulation which are, in case of NRAs lack of agreement, adopting the CBCA decision, including the way the cost of the investments is reflected in the tariffs. ACER Recommendation 05/2015 is not consistent with the TEN-E Regulation.

\*Should the CBCA Recommendation specify distinct approaches for NRAs and the Agency to implement?

- Yes  
 No

\*Please, justify your answer and, in case of Yes, provide concrete elements where the approaches might differ.

See question below

## - Cross border cost allocation for offshore grid projects -

As indicated above, the Agency's intention is to include the analysis of offshore projects in the 2025 update of the CBCA Recommendation. Still, given the expected increased role of offshore grids for renewable energy having the dual functionality of interconnection and of offshore grid connection<sup>[2]</sup> and considering the conclusion of the **Copenhagen Energy Infrastructure Forum 2022** ([https://commission.europa.eu/system/files/2022-08/8th\\_energy\\_infrastructure\\_forum\\_-\\_final\\_conclusions.pdf](https://commission.europa.eu/system/files/2022-08/8th_energy_infrastructure_forum_-_final_conclusions.pdf)) which called for the Agency's guidance on how to address cost sharing for offshore cross-border infrastructure project investments, the Agency includes some specific questions already in this public consultation.

Benefits from offshore grid projects could involve several countries and lead to misalignments between costs and benefits in each country while, based on the latest CBCA Monitoring Report, the Agency has observed that a limited number of CBCA decision have considered clusters of projects and have allocated costs to more than two countries.

Also, it must be noted that, according to the TEN-E Regulation, only the electricity transmission (interconnection) assets would be under the scope of the CBCA recommendation (i.e. not the offshore production facilities).

<sup>[2]</sup>According to the EU strategy on offshore renewable energy, adopted in 2020 "*the investment needs for the large-scale deployment of offshore renewable energy technologies by 2050 are estimated to be almost EUR 800 billion, around two thirds to fund the associated grid infrastructure and a third for offshore generation*".

\*Can the CBCA Recommendation be improved to boost efficient investments in offshore grids for renewable energy?

- Yes, as long as a multi-project/multi-country CBCA is performed.

- Yes, by adjustments to the CBCA Recommendation.
- No / not significantly.
- Other options

\*Please, justify your answer

See answer below

\*Please, provide specific and concrete suggestions on how the Agency's CBCA recommendation can provide further guidance on how to deal with offshore grids for renewable energy.

See answer below

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### - Others -

In addition to the topics identified above, the Agency would also like to consult on other aspects, even if not a priority.

The CBCA Recommendation 05-2015, in section 2.6, specifies in 10% the threshold to be used to identify countries with significant net positive impact.

The application of such threshold allows to allocate costs only to these countries that will benefit with a sufficient degree of certainty. Its application also allows to keep the CBCA decision manageable by not considering countries with small benefits. Additionally, already today, the CBCA recommendation include the step-wise reduction of the threshold up to 5%, when the application of the 10% threshold would make not possible to cover the compensation required.

\*Does the significance threshold and its step-wise reduction need to be revisited? If so, please, provide specific and concrete suggestions on how the significance threshold approach could be changed

No

Finally, would you like to share anything else with us regarding the Agency's CBCA Recommendation?

- Regulations on allowed revenues and the treatment of subsidies, and eventually of CBCA funds, differ from country to country, and there is not a harmonised legal background through Europe for investors. But, in general, CBCA funds, as CEF-E and other grants, are deducted from the investment cost to be considered in the tariff calculation (the Regulatory Assets Base, RAB). For some infrastructure operators this might eliminate incentives to invest, since subsidies reduce their RAB and, therefore, the total return. To avoid this unintended disincentive, new mechanisms could be introduced in the TEN-E Regulation to allow project promoters to receive a return on the whole RAB; CBCA funds, instead of decreasing the RAB, could be used as a "supplement revenue" to remunerate the investment.

- New ways of implementing CBCA payments should be explored. For example, under the current market conditions, that are likely to prevail for several years, it is extremely difficult to obtain long-term contracts to trigger infrastructure projects; however, once built, the capacity created might enjoy a high short-term demand. Given the uncertainty associated with the use of the infrastructure, the CBCA could be designed as a pre-approved amount of money (a maximum) that will only be called by the project promoter on an annual basis as a "supplement revenue" if revenues collected in the short-term are insufficient to attain a minimum rate of return. Currently, the CBCA is thought of as a single payment at the start of the useful life of the infrastructure, before the actual short-term demand has been teste

## Contact

Contact Form ([/eusurvey/runner/contactform/CBCA\\_Recommendation\\_Update](/eusurvey/runner/contactform/CBCA_Recommendation_Update))

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