CBS DEPARTMENT OF ECONOMICS
COPENHAGEN BUSINESS SCHOOL

CSEI | Copenhagen School of Energy Infrastructure

ON ECONOMICS OF CBCA

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Making the TEN-E regulation compatible with the Green Deal:

Eligibility, selection, and cost allocation for PCIs

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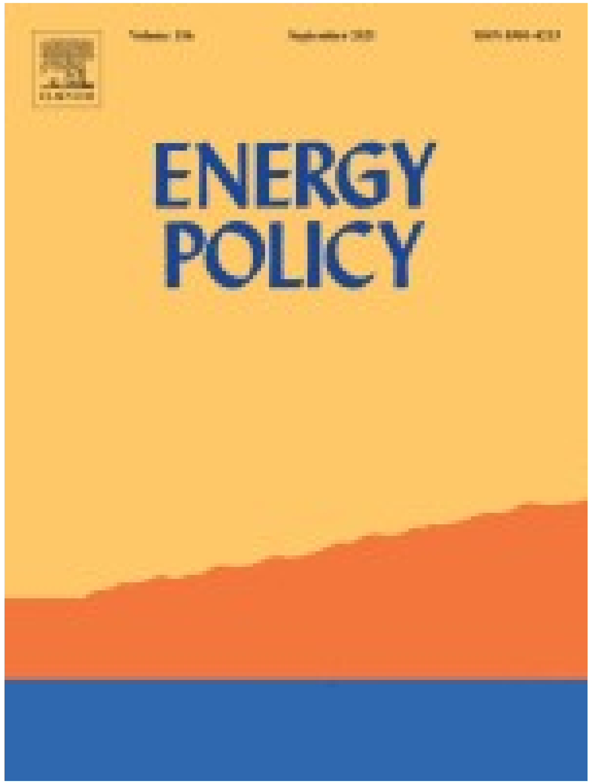

Recommendations

❖ ***CBCAs should not only avoid a jurisdiction facing negative net (welfare) benefits, but instead should allocate costs in such a way that all the jurisdictions involved end up with the same or similar benefit-to-cost ratios".***

- Equity principle
- Indivisibility principle of project participants
- Reduces future complications and renegotiations

Recommendation 7

- ***Affordability should be the only award criterion that is linked explicitly to CEF-E funding. This award criterion can only be considered if two necessary conditions (eligibility criteria) are met:***

  - ***1/ the project is strategic to reach the EU decarbonisation goal; and***

  - ***2/ the project is regulated.***

Economics of CBCA

❖ The Kaldor-Hicks potential compensation principle

- No compensation needs to take place

❖ A ‘central planner’ could address the ‘net loser compensation’ issue ‘within’ or ‘outside’ of the framework of a given project

- Net loss compensation is the ‘within’ element
- CEF-E is the ‘outside’ element

Conclusions

❖ CBCA is theoretically, methodologically, and practically a logical extension of CBA and need to be treated as such

❖ Therefore, we first need to revisit and update the methodology of the CBA

- Move from CBA to Social CBA

❖ Search for new mechanisms

- Auctions?
- Merchant projects

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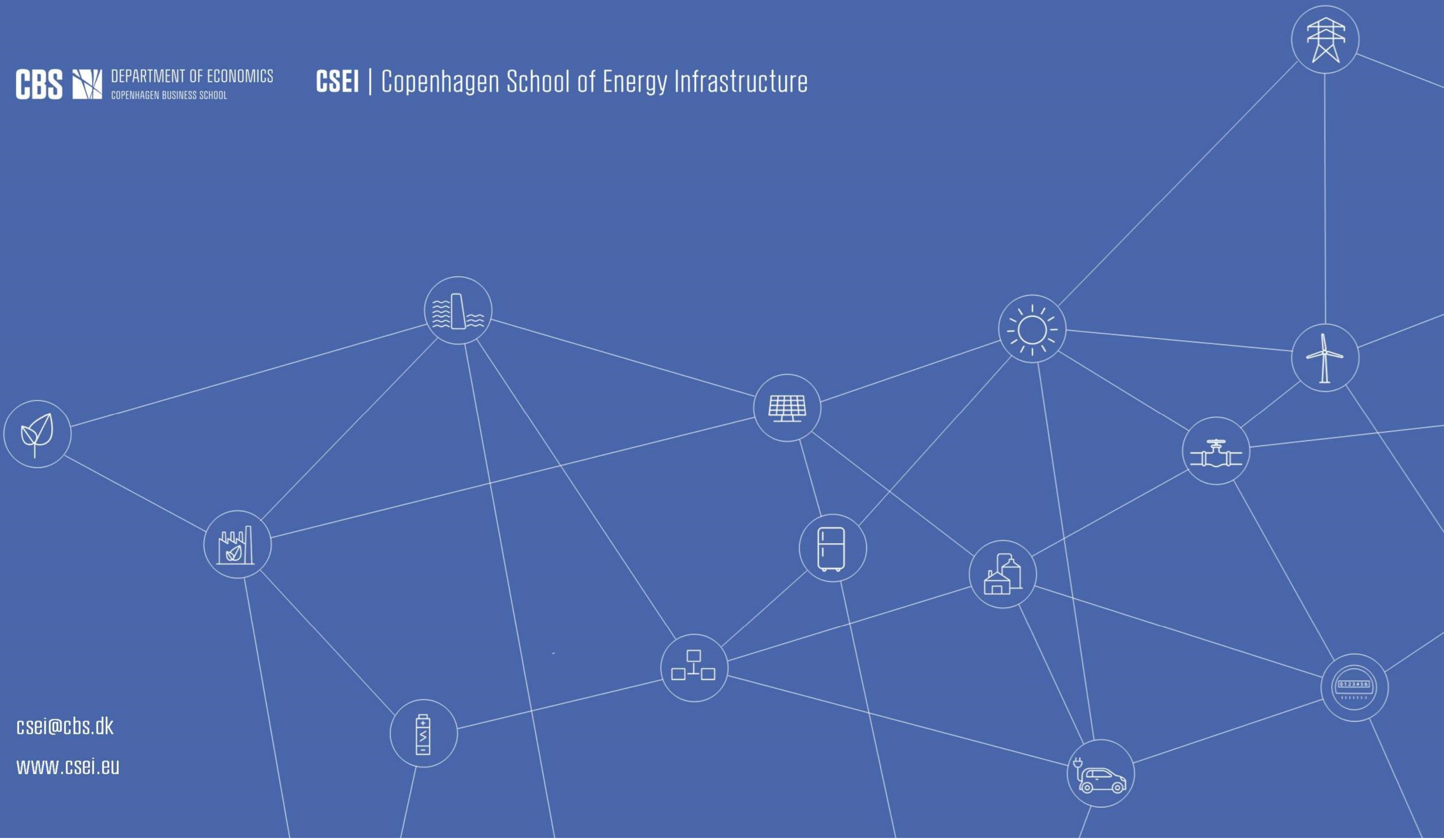

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