ON ECONOMICS OF CBCA

Tooraj Jamasb
Copenhagen School of Energy Infrastructure (CSEI)
Making the TEN-E regulation compatible with the Green Deal:

Eligibility, selection, and cost allocation for PCIs

*Tim Schittekatte*
*Alberto Pototschnig*
*Leonardo Meeus*
*Tooraj Jamasb*
*Manuel Llorca*

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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.
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