



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 20 March 2009

**7848/1/09
REV 1**

**POLGEN 60
FIN 89
ECOFIN 220
ENER 90
AGRI 125
AGRIFIN 36
AGRISTR 16
SOC 200**

NOTE

from : Presidency
to : European Council

Subject : Presidency compromise proposal for financing of the infrastructure projects put forward by the Commission as part of the EERP

In line with the task set in the December 2008 European Council Conclusions the Presidency seeks to find a balanced solution for implementing the Community contribution to the European Economic Recovery Plan.

The Presidency therefore presents the following proposal which stems from the positions expressed by the delegations at the level of COREPER II and the GAC of 16 March.

From the discussions that have been held so far at the Council, several conclusions with regard to the financing can be drawn:

- the amount of EUR 5 000 mil. remains the reference amount;
- full certainty of financing has to be secured;

- the use of the 2008 margin is excluded;
- sufficient margin needs to be left under the ceiling of Heading 2;
- more precise estimate of the size of Heading 2 margin in 2010 will only be known once the 2010 budgetary procedure is at its closure (i.e. in autumn 2009);
- all budgetary possibilities of financing have to be explored at maximum;
- any financing solution has to be acceptable for the European Parliament.

On the basis of these premises and with the aim of reaching a compromise on financing of the projects amounting to EUR 5 000 mil., the Presidency proposes the following alternative solution:

1. The broadband internet together with the CAP Health Check related measures should amount to EUR 1.020 mil., which would be financed exclusively within Heading 2. EUR 600 mil. would be covered by the 2009 margin under the ceiling of Heading 2.
In order to take into account the requests expressed by majority of Member States, flexibility between the two strands would be allowed.
2. The financing of the projects in the field of energy shall amount to EUR 3.980 mil. spread over two years: EUR 2.000 mil. in 2009 and EUR 1.980 mil. in 2010.
3. The decision to finance the projects amounting to 5.000 mil. would be taken en bloc; the financing of the projects in the field of energy would be executed following the order of their maturity. The financing of all projects would be guaranteed by a political agreement between the European Parliament, the Council and the Commission in the form of a Declaration annexed to the IIA.

4. The commitment appropriations as regards the Community financial assistance to projects in the field of energy would be spread over 2 years, i.e. 2009 and 2010. It shall be made clear in the text of the Regulation that, due to the urgent need for the stimulus, all legal commitments implementing the budgetary commitments made in 2009 and 2010 should be made before the end of 2010. The precise wording to be inserted into the Regulation is contained in Annex 2.
5. When the political agreement is reached, the 2009 ceiling of Heading 1a would be increased by the amount of EUR 2 000 mil., offset by a decrease of the 2009 ceiling of Heading 2 by the same amount.
6. This would leave a margin of more than EUR 900 mil. under the 2009 ceiling of Heading 2.
7. The remaining funds amounting to EUR 2 400 mil. would be secured through a compensation mechanism at the conciliation of the 2010 and 2011 budgetary procedure:
 - i. the European Parliament, the Council and the Commission will examine all available sources that could provide for the compensation of funds.
 - ii. before the use of the available amount within Heading 2 is considered, EUR 420 mil. for the broadband internet and CAP Health Check related measures in 2010 will be committed first.
 - iii. in order to compensate the amount of EUR 1.980 mil., the remaining margins under the 2009 ceilings and the 2010 and 2011 available margins (with due respect to point 13 of the Interinstitutional Agreement) and if necessary all other financial availabilities would be used.
8. The overall ceiling of the 2007-2013 Financial Framework is not exceeded.

Eligible projects**A. INTERCONNECTORS****1. Gas interconnectors**

Project	Location of projects supported	Envisaged Community contribution (€million)
<i>Southern Gas Corridor</i>		
Nabucco	Austria, Hungary, Bulgaria, Germany, Romania	200
ITGI – Poseidon	Italy, Greece	100
<i>Baltic interconnection</i>		
Skandled	Poland, Denmark, Sweden	150
<i>LNG network</i>		
Liquefied Natural Gas terminal at Polish coast at port of Świnoujście	Poland	80
<i>Central and South East Europe</i>		
Slovakia-Hungary Interconnector (Velky Krtis – Balassaqyarmat)	Slovakia, Hungary	30
Gas transmission system in Slovenia between the Austrian Border to Ljubljana (excluding the section Rogatec-Kidričevo)	Slovenia	40
Interconnection Bulgaria-Greece (Haskovo-Komotini)	Bulgaria, Greece	45
Romania-Hungary gas interconnector	Romania, Hungary	30
Expansion of Gas Storage Capacity in the Czech hub	Czech Republic	35
Infrastructure and equipment to permit reverse gas flow in the event of short term supply disruption	Austria, Bulgaria, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia	80
Slovakia-Poland interconnection	Slovakia, Poland	20
Hungary-Croatia interconnection	Hungary	20
Bulgaria-Romania interconnection	Bulgaria, Romania	10
<i>Mediterranean</i>		
Reinforcement of FR gas network on the Africa-Spain-France axis	France	200

GALSI (Gazoduc Algérie-Italie)	Italy	120
Gas Interconnection Western Axis Larrau Branch	Spain	45
<i>North Sea area</i>		
Germany-Belgium-United Kingdom pipeline	Belgium	35
France-Belgium connection	France, Belgium	200
TOTAL		1440

2. Electricity interconnectors

Project	Location of projects supported	Envisaged Community contribution (EUR million)
<i>Baltic interconnection</i>		
Estlink-2	Estonia, Finland	100
Interconnection Sweden- Baltic States, and strengthening of the grid in Baltic States	Sweden, Latvia, Lithuania	175
<i>Central and South East Europe</i>		
Halle/Saale – Schweinfurt	Germany	100
Wien-Győr	Austria	20
<i>Mediterranean</i>		
Portugal-Spain interconnection reinforcement	Portugal	50
Interconnection France-Spain (Baixas – Sta Llogaia)	France, Spain	225
New 380 kV AC submarine cable between Sicily-Continental Italy (Sorgente – Rizziconi)	Italy	110
<i>North Sea area</i>		
Interconnection Republic of Ireland – Wales	Ireland, United Kingdom	110
Electricity interconnection Malta-Italy	Malta/Italy	20
TOTAL		910

3. Small island projects

Small isolated island initiatives	Cyprus	10
	Malta	5
TOTAL		15

B. OFFSHORE WIND PROJECTS

Project	Capacity	Location of projects supported	Envisaged Community contribution (EUR million)
<i>1) Grid integration of offshore wind energy</i>			
1.1. Baltic - Kriegers Flak I, II, III Building on projects under development. Financing aimed at ensuring extra cost for securing a joint interconnection solution.	1.5 GW	Denmark, Sweden, Germany, Poland	150
1.2. North sea grid Modular development of offshore grid, demonstration of virtual offshore power plant and integration in the existing onshore grid system.	1 GW	United Kingdom, Netherlands, Germany, Ireland, Denmark, Belgium, France, Luxembourg	165
<i>2) New turbines, structures and components, optimisation of manufacturing capacities</i>			
2.1 Borkum West II - Bard 1 Nordsee Ost Global Tech I		Germany	200
2.2 Aberdeen offshore wind farm (European testing centre) Building on project presently under development -Testing of multi-MW turbines. Development of innovative structures and substructures including optimisation of manufacturing capacities of offshore wind energy production equipment. An increase in size of 100MW can be envisaged.	0.25 GW	United Kingdom	40
2.3 Thornton Bank Building on project presently under development. Learning from the Downvind project (co financed through FP6); Upscaling the Downvind installations turbines (5 MW size) in deep waters (up to 30 m) with low visual impact (up to 30 km).	90MW	Belgium	10
TOTAL			565

C. CARBON CAPTURE AND STORAGE PROJECTS

Project Name/ Location		Envisaged Community contribution (EUR million)	Fuel	Capacity	Capture Technique	Storage Concept
Huerth	Germany	180	Coal	450 MW	IGCC	Saline Aquifer
Jaenschwalde			Coal	500 MW	Oxyfuel	Oil/Gas fields
Eemshaven	Netherlands	180	Coal	1200 MW	IGCC	Oil/Gas fields
Rotterdam			Coal	1080 MW	PC	Oil/Gas fields
Rotterdam			Coal	800 MW	PC	Oil/Gas fields
Belchatow	Poland	180	Coal	858 MW	PC	Saline Aquifer
Compostilla (León)	Spain	180	Coal	500 MW	Oxyfuel	Saline Aquifer
Kingsnorth	United Kingdom	180	Coal	800 MW	PC	Oil/Gas fields
Longannet			Coal	3390 MW	PC	Saline Aquifer
Tilbury			Coal	1600 MW	PC	Oil/Gas fields
Hatfield (Yorkshire)			Coal	900 MW	IGCC	Oil/Gas fields
Porto Tolle	Italy	100	Coal	660 MW	PC	
Industrial carbon capture project						
Florange	France	50	Transport of CO2 from industrial installation (steel plant) to underground storage (saline aquifer)			
TOTAL				1050		

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a programme to aid economic recovery by granting
Community financial assistance to projects in the field of energy

(17) Due to the urgent need to address the economic crisis and the Community's pressing energy needs and taking into account the level of detail in this Regulation, financial assistance may be granted, by derogation from Articles 75(2) and 110 of the Financial Regulation, without the previous adoption of a work programme or of another form of financing decision. **In addition, due to the urgent need for the stimulus, all legal commitments implementing the budgetary commitments made in 2009 and 2010 should be made before the end of 2010, by derogation from Article [] of the Financial Regulation.**

Article 3
Budget

1. The financial envelope for the implementation of the EEPR for 2009 and 2010 shall be EUR 4,000 million, allocated as follows :
 - (a) gas and electricity infrastructure projects : EUR 2,295 million;
 - (b) offshore wind energy projects : EUR 505 million;
 - (c) projects for carbon capture and storage : EUR 1,200 million.
2. **Individual legal commitments implementing the budgetary commitments made in 2009 and 2010 shall be made before 31 December 2010.**

CHAPTER II SUB-PROGRAMMES

SECTION 1 GAS AND ELECTRICITY INTERCONNECTION PROJECTS

Article 8

Eligibility

1. Proposals shall be eligible for EERP assistance only if they implement the projects listed in the Annex, Part A and do not exceed the maximum amount of EERP assistance laid down there **and fulfil the selection and award criteria under Art. 9.**

Article 9

Selection and award criteria

2. In assessing the proposals received under the call for proposals referred to in Article 7(2), the Commission shall apply the following award criteria:
 - (a) maturity, **defined as reaching the investment stage, and incurring substantial capital expenditure by the end of 2010;**
 - (b) the extent **up** to which lack of access to finance **is holding back** the implementation of the action.

SECTION 2
OFFSHORE WIND PROJECTS

Article 14
Eligibility

1. Proposals shall be eligible for EEPR assistance only if they implement the projects listed in the Annex, Part B, do not exceed the maximum amounts of EEPR assistance laid down there **and fulfil the selection and award criteria under Art. 15. The corresponding projects shall be led by commercial undertakings.**

Article 15
Selection and award criteria

2. In assessing the proposals received under the call for proposals referred to in Article 13(1), the Commission shall apply the following award criteria:
 - (a) **maturity, defined as reaching the investment stage and incurring substantial capital expenditure by the end of 2010;**
 - (b) **the extent up to which a lack of access to finance is holding back the implementation of the action.**

SECTION 3
CARBON CAPTURE AND STORAGE

Article 19
Eligibility

1. Proposals shall be eligible for EEPR assistance only if they implement the projects listed in the Annex, Part C and fulfil the following conditions **as well as the selection and award criteria under Art 20:**
 - (a) projects shall demonstrate that they have the ability to capture at least 85% of CO₂ in **industrial** installations that will have at least 300 MW electrical output or equivalent and the ability to transport and geologically store this CO₂ safely underground;
 - (b) project promoters shall make a binding declaration that the generic knowledge generated by the demonstration plant will be made available to the wider industry and to contribute to the Strategic Energy Technology Plan for Europe¹.

¹ COM (2007) 723.

Article 20

Selection and award criteria

1. In assessing the proposals received under the call for proposals referred to in Article 18(2), the Commission shall apply the following selection criteria:
 - (a) the soundness and technical adequacy of the approach;
 - (b) maturity, defined as reaching the investment stage, which includes exploration and development of storage options, and incurring substantial investment-related expenditure for the project by the end of 2010;**
 - (c) the soundness of the financial package for the full investment phase of the project;
 - (d) identification of, all necessary permits required for construction and operation of the project at the proposed site(s) and having a strategy to secure those permits.

2. [move to award criteria:]

- (x) the extent up to which a lack of access to finance is holding back the implementation of the action;**
