4th Projects of Common Interest List

Gas: NOT Europe's Common Interest

A joint policy briefing by Friends of the Earth Europe and Food & Water Europe, January 2020

Five key reasons to reject the 4th PCI list:

- The gas projects on the PCI list are not compatible with keeping the world within 1.5 °C of global warming, nor with the Paris Agreement or with **EU climate targets and gas demand projections.**
- The gas projects on the list are fossil gas projects, despite increasing talk of "alternative gases".
- Continued support of and investment in fossil gas projects, such as gas PCIs, risks creating significant stranded assets, channeling money away from renewables.
- The gas projects **will** not deliver energy independence.
- The selection process for gas PCIs is untransparent **and heavily influenced by** vested interests.

On 31 October, the European Commission released the 4th Union list of Projects of Common Interest (PCI), a list of priority energy infrastructure projects. With the PCI status, these projects acquire the highest political support a project can receive at the European level and are given access to significant public subsidies.

However, over 55 of the projects proposed by the Commission on the 4th list are fossil gas projects.[1]

These include fossil gas pipelines such as the EastMed pipeline taking gas from the Mediterranean to Greece and Italy, and the controversial Southern Gas Corridor connecting Europe to Azerbaijan. Also prominent on the PCI list are terminals for importing liquefied fossil gas (LNG), planned for Ireland, Croatia, Poland, Greece and Cyprus, many of them linked with plans to import fracked gas from the United States.

The Parliament should reject the 4th PCI list in its current form and demand an urgent revision of the TEN-E regulation to make it compatible with needed climate action.

1 This PCI list is not in line with EU climate and energy targets

"'Where is the sustainability or climate impact assessment? Unfortunately we are not doing it."

- Claus Dieter Borchardt - DG Energy, about the 4th PCI list, ITRE Committee, 17 Oct 2019

The sustainability criterion is one of the four criteria set for the gas PCIs by the TEN-E regulation. However, it contains no thresholds or concrete sub-criteria to measure the sustainability of PCIs, let alone an assessment of the projects' climate impact.[2] The lack of a climate impact assessment and sustainability considerations has resulted in a priority gas list completely incompatible with EU climate targets.

Gas can not be considered a bridge or transition fuel. "Natural" gas is a high-carbon fossil fuel. It emits CO_2 during combustion and leaks methane all along its life cycle. Methane has a global warming potential 87 times higher than that of CO_2 over a 20-year period.[3] Up to 12% of total methane production can be leaked into the atmosphere by unconventional extraction techniques such as fracking.[4] This means that from a climate perspective, gas is an extreme climate hazard and is in many cases even more harmful than coal.[5]

Already developed reserves of oil and gas alone will push the world above 1.5 °C, meaning there is no room for more gas. Europe urgently needs to phase out this energy carrier.

PCIs would add further gas infrastructure over and above the existing gas network, with a lifetime of approximately 50 years, well beyond when the world is required to reach net-zero emissions according to the IPCC.

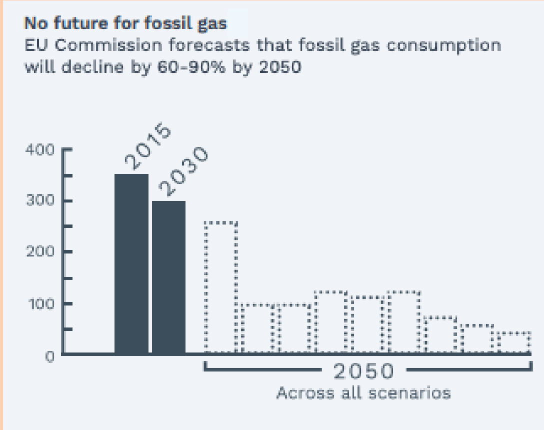
A study analyzing the network plan defining which gas projects can be part of the PCI list (TYNDP) found that it is clearly not in line with the Paris COP21 commitments.[6]

The EU therefore cannot build more gas infrastructure if we want to keep global warming below 1.5°C or even 2°C.[7]

The UNEP Emissions Gap Report 2019 recommends that the EU "adopt an EU regulation to **refrain from investment in fossil-fuel infrastructure**, including new natural gas pipelines".

Fig. 1. The gas PCI list is incompatible with EU demand projections

The Commission's own modelling predicts a decline of gas demand by 2030 following the implementation of the Clean Energy Package and a significant decrease of fossil gas use by up to 90% across all its Long Term Strategy scenarios (see Figure 1).[8]



2 This gas PCI list is still a fossil gas list

The PCI gas list remains a list of fossil gas projects with the majority of the projects directly linked to fossil gas sources including fracked gas. Though there has been a lot of discussion on "alternative gases", often called "renewable gases", in recent months, this list is clearly dedicated to the transport of fossil gas.

Alternative gases can come with serious negative side effects, are unlikely to be available in large volumes and often do not deliver expected emissions savings. Although there might be some use for them in limited fields, gas projects dedicated to any alternative gases would look fundamentally different to those proposed on the 4th PCI list.

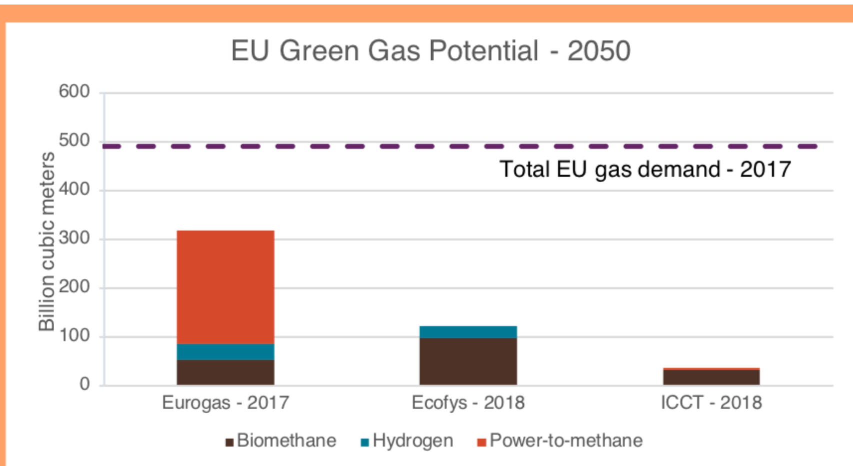


Fig 2. Comparison of three studies on the future availability of sustainable renewable gases. Left bar: industry study, right bar: independent study.[9]

The proposed PCI projects are not compatible with alternative gases, because

- The amount of available alternative gases which are truly sustainable will be very low compared to current gas consumption [see Figure 2][9] Hence, large transmission infrastructure as proposed on the PCI list is not appropriate for the (lower) available volumes of alternative gases. Only a few sectors of the economy will be able to benefit from genuinely sustainable alternative gases, which will significantly impact infrastructure needs.
- The transport routes required for most alternative gases will be fundamentally different to those proposed in the PCI projects.
- The properties of some alternative gases are only compatible with fossil gas infrastructure to a limited extent e.g. costly upgrades are unavoidable for methane pipelines to carry hydrogen.

3 Gas PCIs channel EU taxpayers' money away from needed renewable energy projects

PCI projects are eligible to receive financial support via the Connecting Europe Facility (CEF) programme. According to the CEF Regulation, "the Commission should give due consideration to electricity projects, with the aim of making the major part of the financial assistance available to those projects". Yet, after 6 years of existence, the CEF programme has spent over €1.6bn of direct public subsidies on gas PCI projects. Since 2014, only slightly more money has been allocated to electricity projects than to gas projects, while gas projects have continued to receive millions of EU taxpayers' money. Highly underutilised gas infrastructure, the long lifespan of gas infrastructure and a payback period of at least 20-30 years result in a high risk that costly fossil gas PCIs will become stranded assets soon. This means that the PCI list encourages funding fossil fuel infrastructure projects that are often not economically viable and with a high risk of ending up as investment ruins.

As long as fossil gas projects remain on the PCI list, they will stay eligible for the remaining CEF funding, and from 2021 onwards for CEF II, which will contain twice the amount (€8.7 billion) for energy projects as the current CEF.[10] In addition, PCI gas projects on the 4th list remain eligible for European Investment Bank funding until December 2021, despite proposals by the Bank to immediately end new applications for support for gas projects.

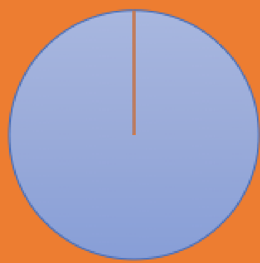
4 Gas PCIs do not deliver energy security

The gas PCIs are often justified on the basis of energy security. But current PCIs are merely shifting the EU's import dependency.
Importing gas from other locations such as Azerbaijan, Algeria, Nigeria, the Eastern Mediterranean or the U.S.A. do not make the EU more energy independent. Instead it maintains the EU's dependence on fossil fuel imports, partially from countries with political unrest, undemocratic regimes or where human rights violations are common.
Heavy investments in gas infrastructure since 2009 have already significantly diversified European gas supplies and made the EU resilient to multiple different gas supply disruption scenarios, especially when gas and electricity systems are used in an integrated way. In its current form, the PCI list will support heavily subsidised gas projects, distort the energy market and threaten the urgently needed development of energy efficiency programmes and renewable energy capacities that are the key to Europe's future energy security[11] as well as ensuring that European consumers continue to spend hundreds of millions of euros importing dirty fossil fuels.

5 The PCI process is untransparent and riddled with conflicts of interest

The fossil fuel industry plays a very dominant role throughout the design of the PCI list: The gas transport industry (ENTSO-G)[12] regularly drafts a network plan (TYNDP), which serves as a base to decide which gas projects are eligible as PCI candidates. This same industry actor, ENTSO-G, also carries out the cost-benefit analyses of the gas projects. Yet, more than 75% of the project promoters behind the PCI projects are ENTSO-G members[13] and over 75% of the CEF money finally handed out to gas PCIs so far directly benefits members of ENTSO-G. The Commission uses ENTSO-G's EU gas demand forecasts to assess the need for new infrastructure, but for many years these forecasts have largely overestimated demand, creating a biased and misleading incentive for supporting more gas projects. On the other hand, the voice of civil society is largely ignored, despite a repeatedly clear opposition to new gas PCIs [see Figure 3].[14]

Fig. 3: Outcome of Public Consultation on Gas PCIs



Energy regulator body heavily criticises PCI process

The PCI list and its selection methodology have been reviewed by ACER, the representative of all national energy regulators. In its opinion, published this September, ACER[15] criticises a number of serious and unaddressed issues regarding the PCI process, and finds that a large number of the projects cannot prove that their benefits outweigh their costs:

- "ACER notes that the process of identifying the infrastructure needs did not include an assessment of alternative ways for resolving a specific need, (...) rather than building new infrastructure."
- "According to the European Commission, the results for monetised benefits tend to show too high benefits, which could be an issue of how the CBA [Cost Benefit Analysis] methodology had been applied or an issue of its quality in the first instance."
- "In practical terms, making the right or the wrong choice now may have a lasting impact on the quality and adequacy of the European Union's gas infrastructure and markets, on the value provided to consumers and to the public at large, and possibly facilitate or hamper the attainment of the climate goals of the European Union."

Time for EU Parliament to act

The European Parliament has now the possibility to scrutinise the draft of the new PCI list proposed by the European Commission. Taking a strong position on this fossil fuel priority list is the first clear opportunity for MEPs to show their commitment to choosing climate action over dangerous inaction and that they understand the message of the youth on the streets. The PCI list will be followed by a number of gas files, including potentially a much needed revision of the TEN-E regulation[16] and the upcoming decarbonisation package.

Recommendation

MEPs must vote for a motion for a resolution to reject the currently proposed PCI list and ask the European Commission to propose a new list which truly respects the Paris Agreement and EU climate goals. The motion should also underline the need for the rapid revision of the TEN-E Regulation and the guidelines for the selection of projects for the 5th PCI list.

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12. The European Network of Transmission System Operators for Gas (ENTSOG)
13. Fossil Free Europe (2017). Hiding in Plain Sight: How the EU's Gas Lobby is at the Heart of EU Energy Policy Making. https://tinyurl.com/whyedpg.
14. European Commission (2019) Outcome of the public consultation on the candidate PCIs for the fourth PCI list. https://tinyurl.com/vtxryo6
15. ACER (2019). Opinion No 19/2019 on the draft regional lists of proposed gas PCIs. (Own emphasis.) https://tinyurl.com/sn7p76m
16. The basic rules for the PCI list are set by the outdated TEN-E regulation. On 5 December Commissioner Simson confirmed that the 5th PCI list will also be produced under the current TEN-E regulation, which is not in line with EU climate and energy targets.

Food & Water Europe is the European programme of Food & Water Watch, a nonprofit organisation based in the United States. Food & Water Europe champions healthy food and clean water for all.

Friends of the Earth Europe is the largest grassroots environmental network in Europe, uniting more than 30 national organisations with thousands of local groups. We promote environmentally sustainable societies on the local, national, European and global levels.

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