

Dear Minister,

I am writing to you in advance of the forthcoming informal Energy Ministers meeting in Vilnius next week to share some of E3G's analysis regarding the completion of the Internal Energy Market and the 2030 Climate and Energy Package, which are both on your agenda.

The completion of the Internal Energy Market, infrastructure development and 2030 climate and energy goals are issues that need to be addressed at the same time, rather than in separate silos – otherwise the market will face ‘policy cannibalism’, investor uncertainty and rising costs.

We believe European political leaders can advance a 2030 Climate and Energy Package which not only restores a leadership role for the Union on the world stage but also lifts our countries out of the economic and political uncertainty of recent years, and accelerates the completion of the Internal Energy Market.

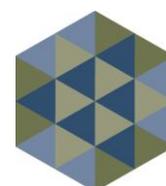
We believe that addressing the electricity infrastructure element in this package could kick-start a virtuous circle of increasing confidence in our political ambition, which leads to greater investment certainty and increased economic activity, which in turn raises public support for our decarbonisation plans.

The advantage of concentrating first on **the infrastructure element** is that it can also **help us address the immediate questions we face as to how we improve cost competitiveness and also adapt our market models to manage variable power supplies** and advance demand management capabilities. Enhanced co-operation on network development will save European consumers over €400 billion on their electricity bills between now and 2030. That is an argument we need them to hear.

A further advantage in making a bold step in this direction is that many of **the administrative and legal structures are already in place**. The common regulatory and planning structures set up by the Third Energy Package, the Connecting Europe facility, EIB financing and Project bond structures can all be availed of. Regional administrative structures such as the North Seas Countries Offshore Grid Initiative (NSCOGI) and the Baltic Energy Market Interconnection Plan (BEMIP) could oversee the bilateral trading, planning and network design issues that are involved. It is our understanding that there are no red line objections in any of the states that would be involved in stepping up the NSCOGI regional initiative and that many of the key players have strategic reasons why it might now suit them to give a lead in this regard.

The European Council has given its blessing for such an approach in calling for more effective interconnection between Member States and more determination on the demand side in their May conclusions. The Green Paper presented by the Commission also recognised the key role that greater network interconnection will play in meeting our wider climate targets.

Despite such institutional support, research we have commissioned (see the attached “NSG Pipeline Summary Pack”) shows that **the greatest threat to the many offshore grid projects that are in the planning process is from a perceived political and policy risk**. That analysis is backed up by our conversations with relevant parties across different countries who see the fragmentation of electricity



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markets and grids as a dominant feature and who doubt there is a political mandate for greater co-operation.

Your deliberations on the Internal Energy Market and the 2030 package can free that blockage. The Energy and the Environment Ministers have the time to work with the Commission on a proposal which could be presented at the European Council next March. It is unlikely that our full climate package would be signed and sealed at that stage, but by agreeing one firm step in this infrastructure area we could show that the Union can meet its climate objectives and also deliver greater competitiveness. We would be able to start financing large scale strategic investments which would give a critical signal that we are on the path to a wider economic recovery.

I hope that you will be able to support that the five policy proposals outlined in the attached briefing paper, and that the attached summary of our research findings on the risks facing grid development may also be of some use in that regard.

Yours sincerely,

Eamon Ryan