



## Position of the European Sea Ports Organisation

### on the Commission proposal establishing the guidelines for Trans-European Energy infrastructure

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**The European Sea Ports Organisation (ESPO) welcomes the opportunity to comment on the proposal establishing the guidelines for trans-European energy infrastructure.** ESPO believes that the proposal provides a better legislative framework for European energy projects to achieve decarbonisation goals by designating infrastructure of importance for ports eligible for funding as Projects of Common Interest (PCIs). The move away from geographical corridors to an approach including all Member States also enables all relevant ports to fulfil their role as green energy hubs and key partners in the energy transition.

Nevertheless, ESPO believes that the proposal **fails to address some key issues** in European energy infrastructure. In particular, ESPO emphasises that the Commission should recognise the particular needs of the ramp-up of the hydrogen economy. Hydrogen production and usage will differ in key regards to natural gas: for the near future hydrogen production will be at relatively small scale and consumed locally. This has important implications for the need to recognise and support import infrastructure and cross-border relevance of hydrogen projects.

#### **Hydrogen Infrastructure**

European ports **welcome the inclusion of hydrogen infrastructure** in the Projects of Common Interest (PCI) list, as foreseen in Annex 1 of the Commission proposal. The hydrogen infrastructure identified in the revision proposal - inter alia pipelines, reception, storage and regasification, decompression facilities and electrolyzers - is needed as soon as possible in ports to enable the ramp up of Europe's hydrogen economy. ESPO does, however, insist that infrastructure supporting the conversion and supply of renewable and low carbon hydrogen as well as the use of waste streams of heat and oxygen in industrial plants should additionally be identified under hydrogen infrastructure in Annex II .

ESPO welcomes that **single-use hydrogen infrastructure will be eligible** for funding (as opposed to dual-use gas/hydrogen infrastructure). As ports have argued, it is impossible to have two systems (gas and hydrogen) simultaneously operating in the same infrastructure during the transition period to a

clean energy Europe. ESPO welcomes the special attention paid in Annex II to repurposing of gas pipelines for the use of hydrogen. The large amount of existing gas infrastructure, particularly within ports, make it of great potential to the development of the hydrogen economy.

However, European ports maintain that the Commission should also recognise the importance of **hydrogen import infrastructure**. As made clear in the Commission's Hydrogen Strategy, there will not be enough supply to satisfy Europe's hydrogen demand by 2050. The Commission recognises the need for hydrogen import facilities in its Strategy, but does not identify this infrastructure in the new TEN-E proposal. The Commission must take into account that the growth and functioning of the hydrogen economy will be completely distinct from the gas economy.

Unlike natural gas, which enters Europe via a small number of entry points and is then distributed throughout the continent, hydrogen production will not follow the same distribution logic. Instead, local production and consumption will dominate the hydrogen market for the near future. This means that few hydrogen projects will have the same quantifiable cross-border impacts as equivalent gas projects (where demand across the continent depends on long distribution networks). Therefore, **a different mindset in terms of infrastructure and funding is needed when approaching the development of the hydrogen economy, including local hydrogen infrastructure and imports.**

In this context, ESPO stresses that **infrastructure should be interpreted in a comprehensive way to account for the varied needs of hydrogen**. Infrastructure should include: terminal-superstructure; dedicated port infrastructure (jetties, quay walls); splitting-installations (to convert from ammonia or methanol to hydrogen); vessels and ship-to-ship transport (eg. for hinterland distribution via inland waterways); pipelines from offshore generation fields into ports; and pipelines systems for oxygen (given that hydrogen systems will need specialised oxygen facilities).

At the same time, ESPO highlights the **importance of 'last mile' infrastructure connections, understood as local distribution and related infrastructure**, insofar these have a cross border impact and/or are linked to the wider network. While most seaports are situated only in one Member State, their role exceeds land borders and they should thus be considered cross-border actors. 'Pipelines for the local distribution of hydrogen' in ports should in that context be included in Annex II. Low-pressure local pipelines and distribution facilities are of strategic importance to Europe's hydrogen goals and should be considered eligible for funding in the Commission proposal.

The Commission should also revisit its identification of **'high-pressure' hydrogen pipelines** (Annex II). High-pressure pipelines will be necessary if hydrogen is distributed in liquid form, but it is as yet unclear how hydrogen will be transported. As such, the Commission should leave out reference to high or low pressure pipelines in its proposal.

ESPO underlines **the importance of renewable energy** - particularly the offshore variety - in the new energy transition. As Europe's ports are unique intersections between land and sea, they are unique onshore landing points for offshore renewable energy infrastructure, meaning they have a crucial role in the production, storage and recycling of these technologies. Offshore renewable energy can also

play an important role in decarbonising the port, industries within the port cluster and wider transport activities.

### **Financing of Works and Administrative Barriers**

ESPO also maintains that **the eligibility for funding of works of Carbon Capture, Usage and Storage (CCUS) projects should be expanded and clarified**. Annex II point 5 (b) states that ‘facilities for liquefaction and buffer storage of carbon dioxide in view of its further transportation... does not include infrastructure within a geological formation used for the permanent geological storage of carbon dioxide pursuant to Directive 2009/31/EC and associated surface and injection facilities’. This should be amended to ensure all CCUS is included.

Furthermore, the proposal remains ambiguous regarding financial assistance for CCUS by basing this on ‘positive externalities’ (Article 14 of the original legislation). Article 18 of the Commission proposal restates this wording but adds ‘significant positive externalities’. This leaves too much room for interpretation. European ports believe that CCUS in ports generate a priori concrete environmental benefits so should by definition be considered eligible for the financing of works. More clarification on what is meant by ‘significant positive externalities’ would be helpful. This also applies to the concept of ‘innovation’, listed in as a criterion for a project’s cross-border relevance (Article 16).

**ESPO welcomes the push to reduce administrative burden** on the PCI ‘for example by using to the extent possible information submitted previously’ (recital 26 referring to Article 10). Nonetheless, a heavy administrative burden remains given the long process to attain PCI status then the subsequent annual reporting necessary. ESPO thus maintains that PCIs should be kept on the list for a period of 4 years as one simple way to reduce administrative burden.

European ports similarly welcome the move to support integrated planning between sea basins (Article 14) but ESPO highlights that this must include the commitment to harmonise and facilitate legislation concerning the transport of carbon dioxide across borders. Discrepancies between some national legislation has presented barriers for CCUS projects. This also relates to the cross-border reporting of hydrogen. While there is no minimum excise duty level (border taxation) for hydrogen imports at EU level (and no Member State imposes excise duties on hydrogen imports), importers are expected to declare the energy imported to customs. Furthermore, energy carriers are subject to different consumption related taxes (direct or indirect, excise duties, VAT, CO2 price...) in different Member States. **All legislation referring to cross-border energy projects should be simplified and harmonised at European level.**

Regarding **scope and the new geographic approach**, ESPO welcomes the move away from narrow corridors to a more holistic sense. It notes, however, the Commission seeks to adopt Delegated Acts to review the scope and composition of the priority corridors and thematic areas (Article 20). European ports consider this potentially negative to long-term certainty if this leads to corridor changes. Moreover, ESPO sees the integration of third countries into the TEN-E through the **Projects of Mutual Interest (PMI) designation** as a positive step. However, the grants for works only to Union territory limits the scope of this opportunity extensively and should be reconsidered.

## Transport & Energy Synergies

Finally, the proposal fails to put forward **concrete synergies** between the networks for energy and transport. The TEN-E proposal does state the possibility for ‘smart grid technologies to improve energy network related support for high-capacity recharging to support the decarbonisation of the transport sector’ but this will do little to achieve the shift to clean energy needed in Europe’s transport sector.

Concrete proposals would have tangible benefits in terms of the demand for clean energy and the move towards a transport sector based on clean fuels. These could comprise **identifying refuelling and charging facilities in ports as energy infrastructure categories** - thereby acknowledging how important these facilities are for ramping up the hydrogen economy - or **integrating TEN-E and TEN-T corridors**.

Finally, ESPO notes the **critical funding gaps for projects between the transport and energy sectors** (as indicated above). A joint funding call between DG ENER and DG MOVE would be a positive step forward in making sure projects creating cross-sector synergies are realised.



*The European Sea Ports Organisation (ESPO) represents the port authorities, port associations and port administrations of the seaports of 22 Member States of the European Union and Norway at political level. ESPO has also observer members in Iceland, Israel, Ukraine and the United Kingdom. ESPO is the principal interface between the European seaport authorities and the European institutions. In addition to representing the interests of European ports, ESPO is a knowledge network which brings together professionals from the port sector and national port organisations. ESPO was created in 1993.*