

Memorandum of Understanding on the Establishment of a High Level Group on Interconnections for South-West Europe

Sides:

The European Commission

The Minister of Ecology, Sustainable Development, and Energy of the French Republic

The Minister of Industry, Energy and Tourism of Spain

The Minister of Environment, Spatial planning and Energy of the Portuguese Republic

HAVING REGARD TO:

The European Council conclusions of October 2014 calling "the European Commission supported by the Member States [to] take urgent measures in order to ensure the achievement of a minimum target of 10% of existing electricity interconnections, as a matter of urgency, and no later than 2020 at least for Member States which have not yet attained a minimum level of integration in the internal energy market, which are the Baltic States, Portugal and Spain, and for Member States which constitute their main point of access to the internal energy market";

The European Council conclusions of October 2014 agreeing to "implement critical projects of common interest in the gas sector, such as the North- South corridor, the Southern Gas Corridor and the promotion of a new gas hub in Southern Europe" and "to improve arrangements for a better use of regasification and storage capacity in the gas system to better tackle emergency situations";

The European Commission Communication "A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy" of 25 February 2015;

The Communication from the Commission to the European Parliament and the Council "Achieving the 10% electricity interconnection target; Making Europe's electricity grid fit for 2020";

The medium to long-term measures set out in the European Commission's Communication on the European Energy Security Strategy (EESS) adopted on 28 May 2014;

The Madrid Declaration signed on 4 March 2015 by the President of France, the Prime Minister of Spain, the Prime Minister of Portugal and the President of the European Commission, where "the governments [of France, Portugal and Spain] agree on the setting up

of a new regional High Level Group for South-West Europe on interconnections that will be put in place by the European Commission";

The European Council conclusions of March 2015 on Energy Union which encouraged the European Commission to set up regional high-level groups composed of all relevant key players to ensure regular monitoring of progress in the selection and financing of projects of common interest;

RECOGNISING:

The urgency to build all the necessary energy infrastructures to achieve an efficient internal energy market, in particular cross border interconnections for the electricity and gas networks. This is actually imperative for Member States which have not yet attained a minimum level of integration in the internal energy market such as Portugal and Spain;

That a fully interconnected European energy network is one of the key preconditions to deliver the ultimate goal of the Energy Union, i.e. to ensure secure, affordable and sustainable energy, which is a key instrument to strengthen the competitiveness of the European industry and therefore bringing growth and jobs across the EU;

The need to establish a High Level Group on interconnections for South- West Europe to ensure full implementation of the objectives contained in the Madrid Declaration signed by the President of France, the Prime Minister of Spain, the Prime Minister of Portugal and the President of the European Commission;

THE SIDES AGREE:

To make the best endeavours to continue their regional cooperation in the area of the Union's energy policy and to this end to create a High-Level Group on Interconnections for South-West Europe, according to the following guidelines.

I. The structure of the High Level Group on Interconnections for South-West Europe

(1) Participation

The **High Level Group on Interconnections for South-West Europe** should include representatives of the European Commission and of the three Member States concerned by the initiative, namely France, Portugal and Spain.

(2) The structure

The **High Level Group on Interconnections for South-West Europe** is intended to have a two level structure comprising:

- a Steering Group
- a thematic level, embodied in technical working groups on electricity and gas.

a) The Steering Group

The Steering Group is intended to be composed of the European Commissioner responsible for the EU Energy policy and the relevant Ministers of France, Portugal and Spain in charge of energy policy.

The Steering Group is responsible for the effective implementation of the Madrid Declaration signed by the President of France, the Prime Minister of Spain, the Prime Minister of Portugal and the President of the European Commission. It also prepares political agreements for matters that cannot be solved at the technical level.

The meetings of the Steering Group may be prepared, as necessary, by senior officials (Directors-General or Directors) of the European Commission in charge of the Union's energy policy, and officials at the equivalent level in the responsible ministries of the Member States working in the energy policy area.

The Steering Group may decide to merge or terminate existing working groups and to establish a new working group, when necessary. When deciding on merging or terminating existing groups, the Steering Group should consider their level of activity and the work performed by them.

b) Thematic level

The thematic level is intended to be embodied by two technical sub-groups, one for gas and one for electricity. They are intended to be composed of working-level representatives of the European Commission, ministries, transmission system operators and national regulatory authorities from France, Spain and Portugal.

The two sub-groups provide technical support to the work of the Steering Group from a technical, regulatory and financial perspective. They discuss and coordinate specific measures and action, and carry out projects and studies necessary for implementing the Madrid Declaration. They will also evaluate relevant financing solutions in close cooperation with national regulatory authorities and, where relevant, the European Investment Bank.

(3) Meetings, working methods and participation of stakeholders

The Steering Group should meet at least once per year, or more as necessary. Its meetings are intended to take place, if possible, before the European Council meetings and may be hosted by the Minister in charge of energy in France, Spain or Portugal.

The decisions are taken by consensus, be it at the Steering Group-level and at the thematic groups level.

Officially adopted documents will be available in French, Portuguese, Spanish and English.

The thematic-level meetings are to be held when necessary and are chaired by a representative of the European Commission's Directorate-General in charge of energy. The two sub-groups may meet and work together.

Representatives of the Agency for the Cooperation of Energy Regulators and the European Network of Transmission System Operators and, when appropriate, project promoters and independent experts, may participate in meetings, upon invitation.

The thematic level should regularly report to the Steering Group on progress achieved in the implementation of the Madrid Declaration. The first such report is scheduled for September 2015.

II. Implementation of the Madrid Declaration

The Sides undertake to prepare an Implementation Plan of the Madrid Declaration. The Implementation Plan should be prepared at technical level by the two sub-groups and adopted by the Steering Group as soon as possible and no later than December 2015. The Implementation Plan may need to be adjusted at a later stage, depending on the concrete results of technical studies on gas and electricity interconnections. Any adjustment should be fully compatible with the Madrid Declaration.

The Implementation Plan should take into consideration the establishment of the second list of projects of common interest which should be adopted by the European Commission by end 2015. When adopted by the Commission, this list should take into account the urgency of integrating the Iberian Peninsula into the internal energy market. When meeting the necessary criteria, the Project of Common Interest (PCIs) should be eligible to financial support under the Connecting Europe Facility (CEF) and could also benefit from the European Fund for Strategic Investments (EFSI).

The Implementation Plan for electricity should focus on the achievement of the 10% interconnection target no later than 2020. Priority will be given to the Biscay Bay project and to the two lines through the Pyrenees. An agreement on the routes through the Pyrenees is expected to be found possibly before the end of 2015. On this basis and in accordance with the studies carried out by the Transmission System Operators, the administrative processing for permit granting could start in 2016.

The Implementation Plan for gas should focus on the development of the Eastern axis, allowing bidirectional gas flows between the Iberian Peninsula and the French gas systems, notably through the MIDCAT project and the third interconnection point between Portugal and Spain. Eliminating the existing bottlenecks within the three countries will also be considered. The development of liquefied natural gas (LNG) and storage needs in the North-South Corridor in western Europe as well as the progress achieved in the development of the Iberian gas market should also be considered.

III. Political nature of the Memorandum of Understanding

This document records a political intent alone. It does not establish any new legal commitments or replace or modify any existing legal obligations with regard to the Parties or third persons. It also does not prejudge in any way the outcome of discussions on the governance for the Energy Union.

Signed in Luxembourg on 15 June 2015 in 4 originals, in English, French, Spanish and Portuguese languages.

For the European Commission

Mr. Miguel Arias Cañete

The Minister of Ecology, Sustainable Development and Energy of the French Republic

Mrs Ségolène Royal

The Minister of Industry, Energy and Tourism of Spain

Mr. José Manuel Soria López

The Minister of Environment, Spatial planning and Energy of the Portuguese Republic

Mr. Jorge Moreira da Silva