

Response to open consultation issued by the Norwegian Ministry of Petroleum and Energy on amendments of the Energy Act

The North Sea Commission was founded in 1989 to facilitate and enhance partnerships between regions around the North Sea in order to manage the challenges and opportunities the region presents.

The North Sea Commission also works to promote the North Sea Basin as a major economic entity within Europe by encouraging joint development initiatives and by political lobbying at European Union and national level. The organisation is part of the larger regional political think tank, CPMR (Conference on Peripheral and Maritime Regions) which ensures a pan-European network, legitimacy and strength.

Energy is of particular relevance to the North Sea Commission as the North Sea region (UK, Scandinavia, Germany, France and the Benelux countries) represents 60% of Europe's energy demand whilst the region provides 70-75% of Europe's energy supply. It is broadly recognized that the North Sea Region has the potential to act as an engine for growth in Europe.

Next to the growing share of renewable energy sources, the European electricity system is currently characterised by an increasing cross-border trade, between neighbouring countries over land, but also via submarine cables. To cope with these changes, investment in network infrastructure is needed, both onshore and offshore. Interconnecting national electricity grids and connecting offshore wind farms to shore has been identified as one of six infrastructure priorities for the European Union. We see the need for a common holistic plan for the grid and energy system integration in the North Sea basin; to avoid a system looking like spaghetti. The North Sea Commission has examined the future of a North Sea Grid and would like to see an integrated, meshed grid, taking into account the future potential of an increasing renewable energy production.

The North Sea Commission supports the proposed amendment in the Norwegian Energy Act; which will allow private parties to own and build interconnectors. We see this as an important contribution to realise a North Sea Grid as a part of the EU Energy Union. We would however like to point to a few concerns that should be taken into account in this respect.

Cross-border cooperation

We talk of the energy "trilemma" of security of supply, sustainability and affordability as one of the greatest challenges facing Europe. A meshed North Sea Grid will make a substantial contribution to resolving all these issues. When it comes to security of supply the grid will allow Europe to alleviate dependency on outside sources. However a diversified energy mix as well as optimised energy



efficiency will be the key. An energy mix with renewables including Norwegian gas will allow for long term energy security. The North Sea Grid will be instrumental in achieving a shift to an electricity market as outlined under the European Commission's Energy Union.

The Energy Union offers a changed approach to energy policy putting more focus on consumers and the services they get from energy suppliers. A new notion of thinking about energy at a pan-European level has emerged and this can only be achieved if taken in steps through regional cooperation. However the greatest challenge is competitiveness. Partnerships between governments and industry will be a prerequisite to achieve a reduction in costs in infrastructure.

The Energy Union Framework Strategy has created a new momentum to bring about the transition to a low-carbon, secure and competitive economy. Member States and stakeholders have shown a great interest in cooperating in the Northern Seas region. Almost half of capital expenditure for all electricity Projects of Common Interest will be invested in the Northern Seas region. An updated list of Project of Common Interests (PCIs) was presented as part of the State of the Energy Union in November 2015ⁱ. Both the Norway- Germany and the Norway- United Kingdom links are on the list. The PCIs are the primary European tool to accelerate the deployment of the infrastructure necessary for the completion of the European energy market and to ensure that the European Union meets its goals of affordable, secure and sustainable energy. A PCI status is beneficial both in order to get European funding, and for more efficient granting and licensing procedures. The Juncker plan is set up to support investment that helps strengthen Europe's productive capacity and infrastructure, with a particular focus on building a more interconnected single market. The goal is to mobilise private and public funds to viable projects which have a real added value for the European social market economy.

The North Sea Commission has examined the future of a North Sea Grid and would like to see an integrated, meshed grid, taking into account the future potential of an increasing renewable energy production. An EU Commission study from 2014, Benefits of a Meshed Offshore Grid in the Northern Seas Regionⁱⁱ, compares the costs and benefits of a "meshed" offshore grid in the Northern Seas region with separate radial connections to shore for each wind farm. The report shows that a meshed configuration could bring significant benefits and that a 'meshed' grid could pay for itself within 1-3 years.

The holistic perspective is important to keep in mind when liberalising ownership and operation of interconnectors. A meshed grid requires cooperation across borders and between public and private actors.

Cooperation with other users of the sea

Furthermore, a development of a North Sea Grid must take into consideration relations to other users of the sea. The core challenge for marine planning is to find a balance between blue growth and environmental protection. The North Sea Commission believes that management of maritime space must be built on the principles of sustainable development; a balance between good environmental standard, economic growth and social concerns. The EU Maritime Spatial Planning (MSP) directiveⁱⁱⁱ was adopted in July 2014. It prescribes the implementation of MSP by member states by 2021. The individual marine plans are expected to feature transnational coherence. The Norwegian system of management plans for the sea is comparable to the marine plans. The MSP- directive is not regarded EEA relevant. Although the NSR is relatively advanced in terms of national MSP processes, the level of cross-border and sea-basin wide MSP coordination has not advanced in line with increasing usage. Furthermore even though all NSR countries have MSP processes in place, MSP is still a very much a new policy field lacking routines, standards and in-depth experience. This is a challenge and an opportunity at the same time for transnational cooperation as countries can still adapt to each other's needs. A North Sea Interreg project (NorthSEE) with partners from most North Sea countries was adopted in November 2015 to address these challenges. The Norwegian Ministry of Climate and Environment, the Institute of Marine Research and Norwegian Environment Agency are partners in the project. Energy infrastructure is one of the areas which will be looked at in more depth. Although cables/pipelines need less space and are easier to consolidate with other uses, they entail massive investments. Transnational coordination can facilitate development of a more efficient energy grid than bilateral consultations alone and provide more investment security leading to cost reductions for the industry.

Local business development and the end-user perspective

The North Sea Commission consists of 31 regions from 8 countries around the North Sea. A North Sea Grid will be a physical connection between our member regions in addition to the opportunities it presents for the European energy systems. Jobs and growth are core issues for regional authorities in this respect. While the development of interconnectors will foster a number of jobs in the building phase, a more limited number of jobs will be needed in the operational phases. The knowledge transfer from oil and gas in subsea operations is strong in this respect. Further spill over effects related to jobs and growth should however be explored. North Sea Commission member regions are also interested in ensuring that fibre optic cables are integrated with the interconnectors to contribute to local business development. Grid development will require cost reductions and knowledge management, within the framework of a strong investment climate and this includes political and regulatory advocacy.

Finally the general public, who will ultimately fund the energy infrastructure projects, needs to be convinced of its merits. This goes both for transparency and information flow, while local communities have valuable information about local conditions. It is important to keep in mind the broader work going on under the umbrella of the Energy Union to give consumers the opportunity to adapt their energy usage to take advantage of real-time changes in supply and demand.



The North Sea Commission would like to see terms of reference for procurement including consideration of maritime spatial planning, transnational coordination and meshed technology.

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- i http://ec.europa.eu/priorities/energy-union/state-energy-union/docs/union-list-pci_en.pdf
 - ii https://ec.europa.eu/energy/sites/ener/files/documents/2014_nsog_report.pdf
 - iii <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0089&from=EN>