

BRIEFING February 2021

EU COMPANIES BURN FOSSIL GAS AND TAXPAYER CASH

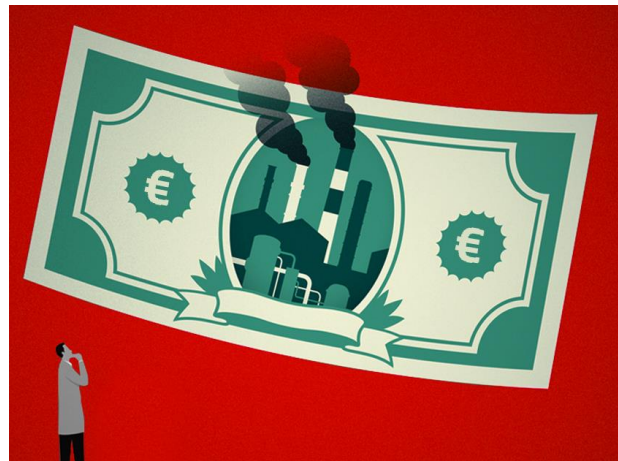
For every €100 Brussels gives gas companies, €9 has been wasted.

The EU has wasted nearly €440 million in taxpayer cash on fossil gas infrastructure projects that have either failed or are likely to fail. All of this money has been spent on projects backed by gas companies with influence over how the EU picks projects to support. Yet the European Commission is now consulting on which new gas projects should get EU backing. These projects should be rejected and the law allowing for their support – the TEN-E Regulation – should be revised to end future aid and companies' influence.

TAXPAYERS' CASH AND FOSSIL GAS COMPANIES

For much of the past decade, the EU has served as a willing cash machine for European gas companies. Since 2013, nearly €5 billion in taxpayer funded grants and subsidized loans has been spent on 41 gas projects like pipelines or import terminals.¹ A list of these subsidies is available [here](#) and a map showing where most have been spent is [here](#).

These funds have been unlocked by the Trans-European Networks-Energy (TEN-E) Regulation, which allows gas infrastructure to receive special Project of Common Interest (PCI) status – paving the way for subsidies and fast-track approvals.² In January, the European Commission began consultations on a new list of proposed PCIs – its fifth in eight years – which includes another 41 gas projects.³



Mark Airs/Ikon Images

Like previous PCIs, the gas companies that would build them have proposed these projects. This remarkable conflict of interest is actually enshrined in the TEN-E Regulation, which gives companies – working through an association called the European Network of Transmission System Operators for Gas (ENTSOG) – power over

how projects are selected.⁴ As a result, ENTSOG member companies like Italy's SNAM, Poland's GAZ-SYSTEM, and Romania's TRANSGAZ have backed projects that have received the lion's share of the EU's gas subsidies: over €4.1 billion.⁵

In June 2020, when Global Witness first **exposed** the scale of subsidies received by ENTSOG member companies, the association denied there was a conflict of interest or that it exerted undue control over EU policies. The full response can be read [here](#).

WASTE ON FAILED AND LIKELY FAILED PROJECTS

There is compelling evidence that EU gas infrastructure subsidies should stop, whether or not they go to companies with undue influence. According to the think tank Artelys, Europe does not need more gas infrastructure – it already has what it needs to meet demand.⁶ This demand is due to shrink rapidly: the Commission estimates that member states must reduce their gas use by 90 percent over the next 30 years if the worst impacts of climate change are to be avoided.⁷ By definition, any further spending on unnecessary gas projects would be a waste of taxpayer money.

However, for EU citizens watching their wallets there is a second reason to stop gas subsidies: failed projects. Since 2013, the EU has spent €439

million on seven PCIs that either did not get off the ground or have been built but are unlikely to transport gas.

This is a dismal record: nearly 10 percent of all EU gas subsidies has been wasted.

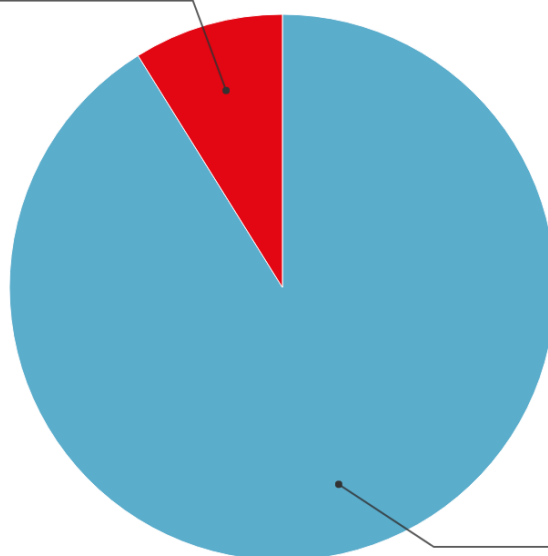
As might be expected, gas companies that have influence over where subsidies are spent – ENTSOG members – bear particular responsibility for this waste. Indeed, all of the wasted EU subsidies have been spent on projects backed by ENTSOG members.

A list of failed and likely failed projects is included as an annex to this brief.

Some of the EU's money, which taxpayers will not get back, has been spent on projects that were never built. These include subsidised studies for pipelines between Portugal and Spain or Austria and the Czech Republic.⁸

Most of the EU's wasted money has been spent on a project that has been partially-built. Since 2014, the EU has poured €431 million into the BRUA pipeline, which is backed by Romania's TRANSGAZ. BRUA was designed to transport gas between Bulgaria, Romania, Hungary, and Austria, with the intention of supplying gas to Austria from Romania's offshore Black Sea fields.⁹

Failed or likely failed projects (€439,294,928)



Nine percent of EU gas infrastructure subsidies has been spent on projects that have failed or are likely to.

Projects that have been built (€4,513,913,573)

It appears likely that BRUA will fail to meet either of these objectives. A section of the pipeline was completed in November 2020, but it is located entirely in Romania and reaches neither the Black Sea nor the country's neighbours.¹⁰ Investors are now worried that BRUA will not transport gas from the Black Sea, after Exxon – which had been leading the largest proposed project – announced it wanted to sell its license. In April, these doubts resulted in the cancellation of plans to extend BRUA into Hungary.¹¹

TRANS-GAZ's Director General Ion Sterian has stated that BRUA is already successful, improving Romania's internal network, linking Romania to Bulgaria, and that it would eventually transport gas from the Black Sea.¹² But Maria Mănicuță – head of the country's gas regulator – has been less positive. The pipeline would ultimately be used, she said, "but since we did not solve Black Sea gas extraction, I am wondering what we will be transporting through this pipeline."¹³

As the EU races to do its part to fight the climate emergency, the cost of wasting EU money on fossil fuel projects could not be more alarming. Just the money spent on failed and likely failed gas PCIs would cover the construction of Spain's immense Nunez de Balboa solar farm – the largest in Europe – or Denmark's offshore Rødsand wind farm, which heats 200,000 homes and featured in Christopher Nolan's recent heist film *Tenent*.¹⁴

And it is important to note that Global Witness' analysis of how much taxpayer money has been wasted is conservative and actual figures will be much higher. Calculations only include subsidies that are controlled by the EU: grants from the Connecting Europe Facility, the European Regional Development Fund, and the European Investment Bank. But PCIs can receive money from additional public sources, including national governments or public banks – including the European Bank for Reconstruction and Development, which loaned BRUA €60 million in 2017.¹⁵

ENOUGH

This can change and it is the responsibility of the EU to make sure it does. The Commission should drop all gas projects from the proposed fifth PCI list and bar them from receiving additional subsidies, redirecting funds to renewable energy projects. The Commission's formal consultation on the proposed PCI list will be open until 8 April, and members of the public can submit their opinions [here](#).

Yet simply removing gas projects from the next PCI list will not address the fundamental flaws the EU's TEN-E regulation that allows gas projects to get PCI status and provides gas companies so much influence.

The TEN-E regulation is also currently under review and can be changed. In December 2020, the Commission published its proposed TEN-E revision, which would stop support for some – but not all – gas projects. The Commission's proposal, if adopted, would also continue to gift gas companies power over what infrastructure the EU builds and what it spends public money on.¹⁶

It is now up to the European Parliament and Council to ensure that no more taxpayer money is wasted on unneeded and failed gas projects and to curb the power of the gas industry over public subsidies.

ANNEX: FAILED AND LIKELY FAILED GAS PROJECTS OF COMMON INTEREST

Project (select for failure source)	PCI #	Corporate backers	ENTSOG linked	EU subsidy (€) (select for subsidy source)	
<u>Portugal-Spain 3rd Gas Interconnection</u>	5.4	REN - Gasodutos	Yes	<u>97,359</u>	
<u>Midcat Gas Pipeline</u>	5.5	Enagas Transport; Teréga	Yes	<u>402,333</u>	6,253,708
				<u>1,701,375</u>	
				<u>4,150,000</u>	
<u>Poland-Czech Republic Gas Interconnection</u>	6.1.1	GAZ-SYSTEM; NET4GAS	Yes	<u>1,360,868</u>	
<u>Pince-Lendava-Kidričevo Gas Pipeline</u>	6.23	Plinovodi	Yes	<u>344,500</u>	
<u>Austria-Czech Republic Gas Interconnector</u>	6.4	NET4GAS; Gas Connect Austria	Yes	<u>41,993</u>	
<u>BRUA: Bulgaria-Romania-Hungary-Austria Gas Pipeline</u> (Source 2)	6.13.1; 6.24.2; 7.1.5	TRANSGAZ; FGSZ	Yes	<u>640,126</u>	430,757,973
				<u>50,000,000</u>	
				<u>50,000,000</u>	
				<u>100,000,000</u>	
				<u>50,000,000</u>	
				<u>797,447</u>	
				<u>179,320,400</u>	
<u>Eastring Gas Project</u>	6.25.1	eustream	Yes	<u>438,527</u>	
Total wasted subsidies				439,294,928	

ENDNOTES

- ¹ Subsidies include the grants from the European Union's Connecting Europe Facility and European Regional Development Fund and finance from the European Investment Bank. For a complete list, visit www.globalwitness.org/wastedgascash.
- ² European Union, Regulation No. 347/2013, 17 April 2013.
- ³ European Commission, Consultation on the list of candidate for the 5th Projects of Common Interest in electricity and gas infrastructure, available at https://ec.europa.eu/energy/consultations/consultation-list-candidate-5th-projects-common-interest-electricity-and-gas_en, last visited 5 February 2021.
- ⁴ European Union, Regulation (EC) No 715/2009, 13 July 2009, art. 6, 8; ENTSG, Ten Year National Development Plan, available at <https://www.entsog.eu/tyndp>, last visited 23 April 2020.
- ⁵ ENTSG, Members, available at <https://www.entsog.eu/members>, last visited 5 February 2021. A complete list of subsidies is available at www.globalwitness.org/wastedgascash.
- ⁶ Artelys, An updated analysis on gas supply security in the EU energy transition, 20 January 2020, p. 17, 19, available at <https://www.artelys.com/wp-content/uploads/2020/01/Artelys-GasSecurityOfSupply-UpdatedAnalysis.pdf>.
- ⁷ European Commission, Supplementary Information, In-depth analysis in support of the Commission communication COM (2018) 773, 28 November, 2018, p. 114, available at https://ec.europa.eu/clima/sites/clima/files/strategies/2050/doc/s/long-term_analysis_in_depth_analysis_figures_20190722_en.pdf. Calculations use Commission projections for fuel use assuming 1.5°C targets are met ("Average of 1.5°C scenarios") and are based on percentage of gas allowed within each year's total fuel consumption. Conversion from TOE to CM assumes the following: 1 TOE = 1,163 CM, drawn from BP, Approximate conversion factors, 2019, available at <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-approximate-conversion-factors.pdf>.
- ⁸ European Commission, Connecting Europe Facility: 3rd Interconnection between Portugal and Spain, available at <https://ec.europa.eu/inea/en/connecting-europe-facility/cef-energy/5.4-0001-pt-s-m-15>, last visited 5 February 2021; Global Energy Monitor, Spain-Portugal Interconnector Gas Pipeline, available at https://www.gem.wiki/Spain-Portugal_Interconnector_Gas_Pipeline, last visited 5 February 2021; European Commission, Connecting Europe Facility: AT-CZ interconnection, available at <https://ec.europa.eu/inea/en/connecting-europe-facility/cef-energy/6.4-0055-czat-s-m-14>, last visited 5 February 2021; Global Energy Monitor, Bidirectional Austrian-Czech Interconnector Gas Pipeline (BACI), available at [https://www.gem.wiki/Bidirectional_Austrian-Czech_Interconnector_Gas_Pipeline_\(BACI\)](https://www.gem.wiki/Bidirectional_Austrian-Czech_Interconnector_Gas_Pipeline_(BACI)), last visited 5 February 2021.
- ⁹ Atlantic Council, Black Sea natural gas games: A fork in the road for the BRUA Pipeline project, 29 March 2019, available at <https://www.atlanticcouncil.org/blogs/energysource/black-sea-natural-gas-games-a-fork-in-the-road-for-the-brua-pipeline-project/>; Arcadis, Romanian section of the BRUA natural gas transmission corridor Project, Non-Technical Summary, June 2017, p. 4, available at <https://www01.eib.org/attachments/registers/79725277.pdf>.
- ¹⁰ European Commission, Connecting Europe Facility: National Gas Transmission System on the Bulgaria-Romania-Hungary-Austria direction, execution works Stage 1, available at <https://ec.europa.eu/inea/en/connecting-europe-facility/cef-energy/7.1.5-0029-ro-w-m-15>, last visited 5 February 2021.
- ¹¹ Platts, Romania-Hungary gas link failure augurs ill for new Black Sea projects, 17 April 2020, available at <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/041720-romania-hungary-gas-link-failure-augurs-ill-for-new-black-sea-projects>.
- ¹² TRANSGAZ, The President of Romania, His Excellency Mr. Klaus Werner Iohannis and the Prime-Minister of Romania, Mr. Ludovic Orban were present at the ceremony marking the completion of the investment objective BRUA – phase 1, 28 November 2020, available at https://www.transgaz.ro/sites/default/files/Release%20completi on%20project%20BRUA%20-%20phase%201_0.pdf.
- ¹³ Focus Energetic, Influența investițiilor în creșterea competitivității sectorului energetic românesc, available at <https://www.focus-energetic.ro/influenta-investitiilor-in-cresterea-competitivitatii-sectorului-energetic-romanesc-68219.html>, last visited 5 February 2021; Reuters, Delayed Romanian Black Sea gas projects pose risk to pipeline, 21 July 2020, <https://www.reuters.com/article/uk-romania-energy-idUKKCN24M2DU?edition-redirect=uk>.
- ¹⁴ Iberdrola, Núñez de Balboa, the biggest photovoltaic plant in Europe, available at <https://www.iberdrola.com/about-us/lines-business/flagship-projects/nunez-de-balboa-photovoltaic-plant#:~:text=N%C3%BA%BA%B1ez%20de%20Balboa%2C%20the%20biggest,become%20the%20largest%20in%20Europe>, last visited 5 February 2021; NS Energy, Iberdrola completes construction on 500MW Nunez de Balboa solar project in Spain, 30 December 2019, available at <https://www.nsenergybusiness.com/news/iberdrola-nunez-de-balboa/>; Global Energy Observatory, Rodsand II, available at <http://www.globalenergyobservatory.com/geoid/44229>, last visited 5 February 2021; Power Technology, Rodsand II Wind Farm, Denmark, available at <https://www.power-technology.com/projects/rodsand/>, last visited 5 February 2021.
- ¹⁵ European Bank for Reconstruction and Development, BRUA Pipeline, available at <https://www.ebrd.com/work-with-us/projects/psd/brua-pipeline.html>, last visited 5 February 2021.
- ¹⁶ European Commission, Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Regulation, 15 December 2020, available at <https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-824-F1-EN-MAIN-PART-1.PDF>; Global Witness, Revised EU Energy regulation fails to deliver on urgent climate needs, 15 December 2020, available at <https://www.globalwitness.org/en/press-releases/revised-eu-energy-regulation-fails-deliver-urgent-climate-needs/>.