Joint response to ENTSO-E regarding identification of social and environmental impacts in the CBA methodology'

14 January 2013

Background

At its CBA methodology workshop on 19 November, ENTSO-E asked stakeholders to formulate propositions for improvement of the proposed measure of 'social and environmental sensibility'. The workshop slides point to the importance of this indicator to there objectives: "increase public acceptance"; "successful licensing"; and "prevent project delays".

The conclusions of the workshop regarding the indicator were the following: "Regarding environmental and social impact: In order to keep the credibility of the assessment, TSO best practice should be used. Monetisation is difficult […] In conclusion, ENTSO-E's sub-indicator approach could be based on distance, population etc…"

The signatories of this note agree the indicator should be improved. The current indicator, based on expert judgment and a 'traffic light' scoring system, has three major failings.

Criticisms of the existing approach

It is not consistent, objective or informative

It is not an objective measure of risks or costs or benefits to society, but a subjective local expert estimate of risk to the environment and society. As such it lacks consistency, and does not provide information to decision-makers or stakeholders. It performs very poorly against the criteria of 'transparency', 'completeness', 'credibility/opposability' and 'coherence' set out by ENTSO-E in its *Guideline for Cost Benefit Analysis of Grid Development Projects* (September 2012, p. 42).

It is misleading regarding risk management

It gives the impression that social, environmental and consenting risks are inevitable features of the project, when in fact there are many variables within the control of the developer that can and should be used to mitigate those risks and to improve risk perception. These include:

- Decisions on grid architecture, routing and risk mitigation measures;
- Risk communication practices, in particular transparency and thoroughness in providing accurate, timely information;
- Adequacy and inclusiveness of consultation and participation procedures;
- Transparency and thoroughness in considering alternatives to proposed regional plans and project proposals, including through strategic and project-level environmental assessments;
- The level of trust and constructive working relationships that has developed between the developer (and relevant authorities) and local people and NGOs

It is potentially counter-productive

Its stated purpose is to 'help to increase social compatibility and successful licensing". To achieve this goal, it must help avoid or mitigate impacts, and reassure stakeholders and authorities that residual impacts are truly unavoidable and have been minimised. In its proposed form it does not achieve these goals. It could actually have the reverse effect.
One use of the CBA methodology will be to select projects for the status of 'projects of common interest' (PCIs) under the Energy Infrastructure Regulation (EIR). The PCIs will benefit from 'streamlined' consenting regimes, and some will receive public funding. By flagging up projects that developers perceive to be at high risk of delays due to local impacts, decision makers (who are free to give as much or little, positive or negative weight to any indicator in the CBA) may be tempted to select projects with high social and environmental impacts for PCI status. Thus its use could make projects with high impacts more likely to go ahead.

The same could, of course, be said of projects with high costs. However it is reasonable to assume decision-makers will avoid high costs wherever possible, in particular in times of economic hardship, while the reverse may be the case for protecting the environment (if this is perceived to add to financial costs).

Proposals

1. Clarity on internalized costs. We support making the estimate of total project costs more detailed, and making the estimates underlying the total more transparent and disaggregated. Significant impacts on the natural environment are assumed to be avoided (or compensated for) under existing legal provisions. Costs associated with achieving this should therefore be fully internalized in indicator C.1 ('cost and environmental liability assessment'). This assumption and related calculations should be more explicitly clarified in the methodology.

2. Sub-indicators supported by empirical information. We support a move to a sub-indicators approach that provides empirical information on potential residual landscape, biodiversity and amenity impacts and their mitigation. It is important that the information underlying the indicators is made available, for example on geographic areas potentially affected and their social and environmental characteristics. This is important to ensure transparency, and so that decision-makers and stakeholders are adequately informed and can engage constructively.

3. EU-wide and regional impact assessments. Principles derived from strategic environmental assessment (see Annex), with input from national environmental authorities, stakeholders and the public, should be used in order to reduce the impact of transmission plans at the regional level. Applying strategic environmental assessment principles and procedures at the level of the ENTSO-E R&D plan and in the development of Regional Investment Plans would help in identifying and specifying plans and projects with reduced environmental impacts. The information collated to generate sub-indicators should be used in this process.

Annex: Strategic environmental assessment

While the legislation on strategic environmental assessment (Directive 2001/42) does not apply to non-binding plans such as the TYNDP or Regional Investment Plans, the principles of SEA and its broad approach are still valuable. By considering empirical information on potential impacts and opportunities for mitigation, assessing alternatives, and bringing in external expertise, these procedures help to make plans more robust and legitimate.

ENTSO-E's role is to bring coherence to grid planning at the European level, and to ensure grid development promotes EU-wide interests. While some Member States apply SEA to their own network development plans, others do not. For example the UK does not develop legally binding network development plans, and therefore does not carry out SEAs. The Third Energy Package exempts 'fully unbundled' grid operators from the requirement to develop binding grid development plans. Since all grids operators are expected to move in this direction, there will soon be no strategic oversight of the environmental profile of grid development in Europe unless it is introduced at the higher levels of ENTSO-E and its regional groups.

At the levels of ENTSO-E and Regional Group planning an SEA approach might involve assessing the broad environmental pros and cons of different EU-wide and regional grid architectures. In effect the SEA would be the environmental dimension of a sensitivity analysis applied to the assumptions behind grid planning scenarios. Assuming different levels of energy saving and smart grid technology deployment, and different spatial distributions of generation capacity generates a range of grid architectures, with different total costs and environmental pros and cons (e.g. total resource use). This exercise would help to highlight inefficient and unnecessarily resource/impact intensive grid configurations.

At the EU level it is likely the SEA objectives and indicators would be very broad brush, and assessment would rely mainly on expert judgment and written consultation responses. A more detailed and quantified SEA-like procedure, with greater stakeholder input, should be applied in the development of Regional Investment Plans. At this spatial scale it should be possible to bring in significant expertise from national environmental authorities and from stakeholders. Alternative regional grid architectures should be assessed, using GIS mapping to identify areas of constraint and opportunity to identify alternative configurations with lower overall resource use, lower risks to protected areas, lower impacts on highly populated areas and so on. The European Environment Agency should play a key role in data provision and peer review.

SEA does not create a requirement to implement a particular alternative. Rather the aim is to learn how impacts can be avoided or mitigated, and to build these findings into the final plan or programme. In the process it creates greater transparency and opportunities for public and stakeholder engagement, thereby building support for the agreed plans.

Contact Information

Daniel Fraile Montoro
Daniel@canueropе.org
+32 4 95 12 85 73

Climate Action Network (CAN) Europe is Europe's largest coalition working on climate and energy issues. With over 140 member organisations in 27 European countries, CAN-Europe works to prevent dangerous climate change and promote sustainable energy and environment policy in Europe.