

MADRID DECLARATION

Energy Interconnections Links Summit Spain-France-Portugal-European Commission-EIB Madrid, 4 March 2015

The President of France Mr François Hollande, the Prime Minister of Spain Mariano Rajoy of Spain, the Prime Minister of Portugal Pedro Passos Coelho and the President of the European Commission Jean-Claude Juncker met in Madrid on 4 March 2015 to discuss energy interconnections links. The President of the European Investment Bank Werner Hoyer has also attended the meeting.

They underlined the fundamental importance to attain a fully functioning and interconnected internal energy market, which constitutes a fundamental dimension to build the European Energy Union.

They also welcome the participation of the European Investment Bank in the Summit, as it can play a crucial role in providing long term resources to identified investments.

The three countries welcome the effort of the European Commission to launch the Energy Union, and welcome the appreciation of the essential role of interconnections to the construction of the Energy Union, as stated in the Commission Communication on Achieving the 10% Interconnection Target¹.

A fully interconnected European network is one of the key precondition 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 the growth and jobs across the EU. Thus, it is a matter of urgency to build all the necessary energy infrastructures to achieve an efficient internal energy market, in particular cross-border interconnections of the electricity and gas networks. This is actually imperative for the Member States which have not yet attained a minimum level of integration in the internal energy market such as the Portugal and Spain.

The completion of a fully interconnected Internal Energy Market, along with appropriate back up capabilities will allow a cost-efficient

¹ Commission Communication – Achieving the 10% electricity interconnection target – Making Europe's electricity grid fit for 2020 – COM(2015)82 of 25.2.2015.

decarbonisation of the energy mix by favoring a better integration of intermittent renewable energy and contributing to deliver collectively the EU targets of at least 27% for the share of renewable energy consumed as well of the at least 40% domestic reduction in greenhouse emissions by 2030 compared to 1990. Spain, France and Portugal recall the EU's ambition regarding a successful agreement during the COP 21 to be held in Paris.

(ELECTRICITY)

Recalling the October 2014 European Council Conclusions, all efforts must be mobilised as a matter of urgency, to achieve a minimum target of 10% of electricity interconnections and no later than 2020, via the implementation of Projects of Common Interest.

Furthermore, at the European Council of October 2014 the Member States and the European Commission committed to "facilitate the implementation of projects of common interest, which link in particular [...] Spain and Portugal to the rest of the internal energy market" and "ensure that they have the highest priority and will be completed by 2020".

France, Spain and Portugal welcome that the development of these interconnections represents a key priority of the European Fund for Strategic Investment which has been recently presented by the European Commission and the European Investment Bank, as well as of other financial instruments.

Finally, new interconnections will also require additional reinforcements of the existing grid in order to fully use their capacity.

In order to fulfill this mandate, the development of these infrastructures should benefit from the full support available at the European level, notably through the Connecting Europe Facility, the Structural Funds and the European Fund for Strategic Investment which has been recently presented by the European Commission and the European Investment Bank.

In this context, on the European Commission initiative and with its support, the Spanish, French and Portuguese transmission system operators (TSOs) have prepared a "Common strategy paper for the development of interconnection of the Iberian Peninsula with the internal electricity market and beyond" including concrete projects in order to increase the electricity interconnection capacity.

The European Council welcomed, as a first step, this common strategy, called for its implementation and encouraged the transmission system operators and regulatory

authorities to include relevant projects in the upcoming ten-year network development plans.

The European Commission, Spain, France and Portugal welcome the recent inauguration of the new electrical interconnection line between Spain and France on 20 February, which represents a very positive development, doubling the interconnection level capacity between Spain and France to 2.800 MW. The line (at a length of 64.5 kilometres) is a world technology first at this voltage level in direct current. To enable the full use of the interconnection, in direction of Spain to France, a phase-shifter transformer, planned for 2017, will be built in Arkale (SP).

This new line means a significant milestone, but additional efforts should be undertaken to go beyond the current Spanish level of interconnection, around 5% with France and Portugal together, achieved with this new line and to reach the above mentioned 10% objective for each country.

To this end, the European Commission, Spain, France and Portugal also stress the importance of the completion of the electricity interconnection Portugal – Spain, between Vila Fria - Vila do Conde – Recarei (PT) e Beariz - Fontefría (ES) which will, upon completion, allow Portugal to attain the level of 10% of interconnections.

As the ten year network development plan 2014 (TYNDP 2014) highlights the need to significantly increase the capacity between the Iberian Peninsula and mainland Europe, and the projects currently included in the PCI list are not enough in any case to reach the European interconnection target, the President of France, the Prime Ministers of Spain and Portugal, call the TEN-E Regional Group and the Commission to identify additional projects to be included in the upcoming PCI 2015 list.

On this basis, and following the "Common strategy paper", the TSOs have advanced in the assessment of the relevant projects, so that the following ones will be addressed in parallel in order to raise the capacity of electricity exchanges between Spain and France to 8.000 MW in 2020:

- The Biscay Bay project already included in the list of Projects of Common Interest intended to connect the Biscay/Gascoigne Bay in Spain to the Aquitaine area in France, with current costs estimated of 1.9 billion €. This project is now under technical studies, which benefit from the maximum support of 50% of all eligible costs under the Connecting Europe Facility and amount to 3,25 million €. The realization of this project should be initiated as soon as possible in order to double the

interconnection capacity to 5000 MW. This project could help rebalance the flow of electricity between east and west of the French-Spanish border. This project should benefit from significant financial support at the European level.

- Two additional projects through the Pyrenees should bring the interconnection level between France and Spain to around 8000 MW. A first project concerns Cantegrit and Navarra or País Vasco, and the other one Marsillón and Aragon, with current costs estimated for each of between 0.9-1.2 billion €. . The best available environmental-friendly and cost-effective technologies will be guaranteed to increase the acceptability by local populations. They should benefit from the full support of the governments concerned and from the European funding sources through the Connecting Europe Facility, the Structural Funds and the European Fund for Strategic Investments.

Spain, France and Portugal will continue to closely coordinate, including with all relevant parties in each country, with the aim of developing and following-up on the electrical interconnection projects, assessing the corresponding financing needs and monitoring progress of the same projects.

The three Governments also 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. It will ensure regular monitoring of progress of the projects and provide adequate technical assistance to the Member States with a view to monitor the definition the exact routes between the selected start and ending points of the Pyrenees projects, therefore facilitating the construction, presentation, selection and financing by the EU of Projects of Common Interest to attain the interconnections objectives established for 2020. This High-Level Group will consult all the concerned key players, considering also the environmental and financial dimensions.

In order to reach the 10% interconnection objective by 2020, this High-Level Group will facilitate an agreement on the detailed routes before the end of 2015. On this basis and consistently with the studies carried out by the TSOs, it will inform the President of France, the Prime Ministers of Spain and Portugal, and the European Commission President with the aim of ensuring the most rapid early initiation, if possible in 2016, of the administrative processing for the permit granting, accordingly to the TEN-E regulation².

In this context, it is welcomed that the transmission system operators have agreed on the start and ending points for the two interconnection projects through the Pyrenees, to be immediately proposed for inclusion in the 10 year network development plans and the PCIs.

As previously agreed by the European Council, Spain, France and Portugal recall that the Commission will also report regularly to the European Council with the objective of arriving at a 15% target by 2030, as proposed by the Commission..

(GAS)

France, Spain and Portugal welcome the European Commission plans to prepare a comprehensive Liquefied Natural Gas (LNG) strategy and stress the importance of accepting the strategic role of infrastructures for energy security, whether those infrastructures fulfill transport, storage or import needs. The three countries are happy to contribute to that strategy with robust LNG infrastructures in our countries. We must diversify our gas supply with a comprehensive LNG strategy that addresses also geopolitical concerns.

Regarding the gas interconnections, the parts recognize that a fully and integrated gas market, eliminating bottlenecks, connecting the regional markets, maximizing the diversification of the gas portfolio through new sources and routes, will reinforce the negotiating capacity and increase the European security of supply. In this sense, the President of France, the Prime Ministers of Spain and Portugal, also agree on the need to actively assess in order to complete the Eastern gas axis between Portugal, Spain and France, allowing bidirectional flows between the Iberian Peninsula and France through a new interconnection project currently known as the MIDCAT. The 3rd Portugal-Spain interconnection should be developed in accordance.

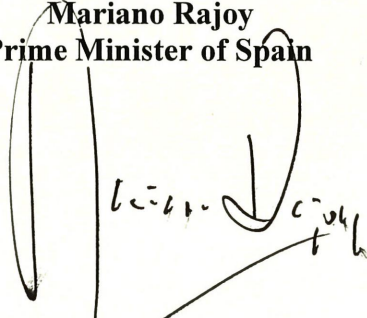
In order to ensure this commitment, the new regional High-Level Group will assess within the next 6 months the compatibility of the MIDCAT project, the national plans and the EU security of supply needs and whether it allows delivering bidirectional gas flows between the Iberian Peninsula and the French gas systems through the Eastern axis. This High-Level Group will also facilitate the permit granting procedure of MidCat at the soonest possible date and will support MidCat as a priority project to be funded by EU funds.

Given that the increase of transit capacity through France is a necessity to maximize the effect of the interconnections and to enable the achievement of the European market integration, and ensuring

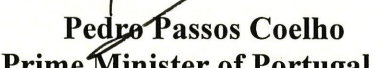
the commitment that the "Val de Saône" project will guarantee the Spanish and Portuguese access to the European Gas Market , this project should also benefit from the support of the European and national authorities and have access to the financial support available at European level, such as the Connecting Europe Facility, the European Structural and Investment Funds and the European Fund for Strategic Investment.

In keeping with the conclusions of the October 2014 European Council, the development of new gas markets, such as the organized Iberian Gas Market (MIBGAS) that will provide the EU with greater diversification of supply and increased competition in the energy sector, should be enhanced in the short term. To this end the successful and pioneering example of MIBEL will continue to be developed, benefiting from the interconnections the Juncker Plan currently promotes.

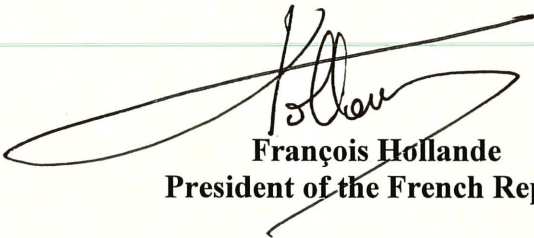
Spain, France and Portugal also welcome the new impetus given to the Euro-Mediterranean cooperation on the occasion of the Rome Conference last November and the prospect of creating an energy hub in the Mediterranean region. This cooperation will offer new possibilities in the areas of gas, electricity, renewable energy and energy efficiency for the mutual benefit of the economies and populations of the EU and its Southern and Eastern Mediterranean neighbours. The concrete roadmaps towards an Euro-Mediterranean gas hub and integrated electricity systems in the Mediterranean could be encouraged in the margin of the celebrations at the occasion of the 20th anniversary of the Barcelona Process in the last quarter of 2015.



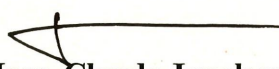
Mariano Rajoy
Prime Minister of Spain



Pedro Passos Coelho
Prime Minister of Portugal



François Hollande
President of the French Republic



Jean-Claude Juncker
President of the European Commission

