

## JOINT DECLARATION OF INTENT

### BETWEEN

**THE FEDERAL MINISTER FOR ECONOMIC AFFAIRS AND ENERGY OF THE FEDERAL  
REPUBLIC OF GERMANY**

**AND**

**THE FEDERAL MINISTER OF FINANCE OF THE FEDERAL REPUBLIC OF GERMANY**

**AND**

**THE MINISTER OF ECONOMIC AFFAIRS AND CLIMATE POLICY OF THE NETHERLANDS**

**AND**

**THE MINISTER OF FINANCE OF THE NETHERLANDS**

### **in relation to further energy co-operation regarding grids and electricity transmission**

The Federal Minister for Economic Affairs and Energy and the Federal Minister of Finance of the Federal Republic of Germany ("**German Side**"), The Minister of Economic Affairs and Climate Policy and the Minister of Finance of the Netherlands ("**Dutch Side**") (collectively the "**Participants**"):

HAVING REGARD to the Joint Declaration of Intent between the Federal Ministry for Economic Affairs and Energy of the Federal Republic of Germany and the Ministry of Economic Affairs and Climate Policy of the Netherlands on Energy Transition of the 2<sup>nd</sup> of October 2019;

HAVING REGARD to the Treaty on the Functioning of the European Union and the common energy policy being implemented through Union legislation and the obligations imposed upon the Participants;

RECOGNISING that the energy transition has major implications for electricity transmission in both countries and the CWE region;

RECOGNISING that the above mentioned common energy policy and Joint Declaration on Energy Transition may require further co-operation and market integration and better co-ordination within and between Members of the Pentalateral Energy Forum;

SHARING a concern to ensure that the huge investments needed in grids and other systems required for efficient transmission of electricity, should be done in the most cost effective manner;

NOTING that a joint energy market has been established by the European Union, but that underlying transmission infrastructure and transmission system operators are nationally organized and subject to national legislation and are subject to differentiated approaches with regard to public and private ownership;

NOTING that a political discussion on the future of TenneT takes place that has resulted in a first letter to the parliament issued by the Dutch government;

NOTING that the German side reserves its right to present its strategy outlining goals and positions with respect to the transmission grid in Germany;

NOTING that TenneT Holding B.V., as Dutch State owned company, owns two TSO's with activities in both the Netherlands and in parts of Germany and is an important player in offshore wind grid connections;

ACKNOWLEDGING that TenneT plays a vital role in achieving the aforementioned targets and cooperation between Participants could be beneficial;

NOTING that in the Netherlands one transmission system operator, TenneT TSO B.V., is responsible for the whole high voltage electricity grid in the Netherlands;

NOTING that the German high voltage electricity grid and offshore grid is controlled by four TSOs being TenneT GmbH und Co.KG, 50 Hertz GmbH, Amprion GmbH and TransnetBW GmbH. Germany has recently acquired 20 % in 50Hertz;

OBSERVING that in the next ten years (2019-2028) it is expected that investments in the Dutch high voltage electricity grid total at least € 12 billion and that in Germany the expected investment for all four TSOs over that same period totals at least € 43 billion. The German grid development plan 2019-2030 foresees investments of some € 76 billion by all TSO in Germany. TenneT, being responsible for the entire Dutch high voltage grid, including the off shore grid and part of the German high voltage grid and offshore grid, expects the investment agenda to amount to at least € 45 billion until 2029;

AFFIRMING that, in furtherance of the establishment of the common energy market and an efficient energy transition, the Participants have jointly concluded that a closer co-operation between transmission system operators in the Netherlands, Germany and potentially other nearby Member States may support an efficient energy transition;

RECOGNISING that the respective strategic goals, rights and powers of the Participants under applicable Union and national legislation dealing with public order, national security and public security, including security of supply should remain unaffected and within the sovereignty of each Participant.

HAVE REACHED THE FOLLOWING UNDERSTANDINGS:

## **I Objective and status of this Joint Declaration of Intent**

1. The objective of this Joint Declaration of Intent is to facilitate policy and practical co-operation between the Participants in relation to the broader goals of the energy transition, such as amongst others, investments in grids, innovative grid solutions, implementation of cross-border redispatch mechanisms and the joint development of Offshore-Hubs.

Furthermore, this Joint Declaration of Intent expresses the intention to explore unanimously the options regarding investments and shareholding by the Participants in TenneT and to develop a joint approach to strengthen the capital base of TenneT. The participants express their interest to elaborate potential options for a potential sharing of investments on the basis of a shareholding of Germany in TenneT. Furthermore, potential options for a further cooperation between the two TenneT TSOs in the Netherlands and Germany shall be elaborated.

2. This Joint Declaration of Intent is not legally binding and does not create any rights or obligations under international law.
3. For these objectives the Participants will establish one working group elaborating on the cooperation (Co-operation working group) and another working group discussing the procedures and plan for a German investment in TenneT (Transaction working group). Both working groups shall be composed by an equal number of representatives from both, the Dutch and the German authorities.

The mentioned working groups will report to a steering committee (on DG-level) established by Participants. The steering committee will meet at least once a quarter, unless something different is agreed. Meetings of the under mentioned working groups and steering committee shall alternately be presided by a dedicated representative of a Participant.

## **II Guiding principles underpinning the co-operation**

4. The Participants intend that the co-operation established by this Joint Declaration of Intent complies with the legal frameworks established by the Treaty on the Functioning of the European Union, the legally binding obligations of the common energy and competition policy and national law.
5. To the extent that in the process of the co-operation established by this Joint Declaration of Intent issues have been identified which require adaptation of any applicable legal framework, the Participants acknowledge that the introduction of any such proposal for adaptation relies fully on the sovereign decision of each Participant and their respective governments and parliaments. Any such proposal may be co-ordinated and discussed between Participants through government consultations. To the extent that such adaptations may be required of applicable Union legislation, the Participants may develop joint positions papers and strategies to influence the Union legislator.
6. The co-operation is to be structured in such a way as to allow other parties such as transmission system operators to be closely involved in the co-operation and to allow participation of other Member States of the Union or Members of the European Economic Area.
7. The respective rights and powers of the Participants under applicable Union and national legislation dealing with public order and national security and public security, including security of supply, will remain unaffected by this co-operation and shall remain within the full sovereignty of each Participant and its government.

The reports and proposals of both working groups will also take into consideration the associated risks to national security and the conditions that may be set in connection therewith.

## **III Subjects and method of co-operation**

8. The Participants have identified the following subjects for establishing a process regarding a possible shareholding of Germany in TenneT and to develop further co-operation in relation to:
  - a. Preparation of grid development plans including fostering innovation in grid planning procedures and grid operations;
  - b. Development of a common Offshore Hub;
  - c. Cross border efficiency measures and cross border re-dispatching including all four German TSO's;
  - d. Co-operation between TSO's;
  - e. Co-operation between regulators; and
  - f. System integration and energy carriers.
9. The cooperation working group is to be tasked with developing a report and proposal establishing the possibilities for further co-operation. The participants will task the working group with the following mission statements:

*a. Preparation of grid development plans including fostering innovation in grid planning and operation*

The working group is tasked with developing and presenting an analysis what co-ordination and joint development possibilities exist with regard to grid development plans of the Dutch and German grids which go beyond legal obligations as laid down in applicable Union

legislation and already existing voluntary arrangements between the TSO's. An example of this could be sharing best practices and knowledge from each other's scenarios in the detailed grid planning. The working group is tasked with drafting one or more proposals on how to achieve this. The working group is furthermore tasked to develop and present an analysis of what kind of improvements in grid planning (new technologies that will come into the market in the future) and grid operation (digitalization), and what benefits could be achieved both for Netherlands and Germany.

*b. Development of a common Offshore Hub*

The working group is tasked with developing and presenting an analysis of what co-operation and joint development possibilities exist with regard to the "North Sea Wind Power Hub" (Denmark, Germany, Netherlands) according to Annex No. 1.19 to COMMISSION DELEGATED REGULATION (EU) .../... to amending Regulation (EU) No 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest. It should take into account the considerations of the North Seas Energy Cooperation and its sub groups, aiming at the development of an offshore grid linking the ten countries in the North Sea region as a long-standing energy policy priority for the EU.

*c. Cross border efficiency measures and cross border re-dispatching*

The working group is tasked with developing and presenting an analysis of cross border efficiency measures other than the subjects listed under paragraph 7a to c. The working group is tasked to elaborate a cost benefit analysis on how far cross-border redispatch could improve transmission of electricity in the context of the objectives of the energy transition in both Netherlands and Germany. The working group is furthermore tasked with drafting one or more proposals on how to achieve this and is invited to identify any regulatory barriers which may hinder efficiency measures without prejudice to the parameters listed above. The working group is also tasked to develop proposals - in the context of efficient cross-border congestion management - for a mechanism of cross border (bilateral or multilateral) redispatch in conjunction with a cost sharing mechanism which could provide for a bigger use of redispatch as a tool for a more efficient and cost effective transmission of electricity in case that there is a positive cost benefit analysis.

*d. Co-operation between TSO's*

The working group is tasked to present a detailed analysis of what further co-operation at the level of the transmission operators or their current holding companies are possible under both the corporate and national law and governance regimes applicable in both the Netherlands and the Federal Republic of Germany, taking into account the need for scalability in case of participation in this co-operation of neighbouring EU or EEA Member States. The working group should take into account the following parameters when analysing the possibilities:

- Investment or strategic decisions or major operational decisions affecting only the grid of one Participant shall only be subject to the influence, decisions or possible funding of the Participant concerned;
- The authorities of one Participant shall not have direct or indirect access to vital or sensitive information, systems or operational control mechanisms sited in the territory of another Participant. Potential more intensive co-operation of the transmission operators shall allow for the possibility to introduce access restrictions and prior vetting;
- Any (privately or publicly) tradable shares or shareholdings in any corporate entity which could be established to enhance corporate cooperation of the transmission system operators shall be subject to ex ante scrutiny mechanisms and subsequent monitoring mechanisms established by law of the Participants concerned in order to protect public order, national security and public security in line with Regulation (EU) No 2019/452 and national security interests of the Participants.

*e. Co-operation between regulators*

The working group is tasked with developing and presenting an analysis what co-operation is possible between the national regulatory authorities regulating the transmission system operators and the grids which go beyond the obligations as laid down in applicable Union legislation. The working group is furthermore tasked with drafting one or more proposals on how to achieve this.

*f. System integration and energy carriers*

The working group is tasked with developing and presenting an analysis what the possible advantages and disadvantages are regarding system integration and the use of energy carriers such as hydrogen and ammonia for cross border transport of energy, especially the transport from off shore renewable energy sites to major industrial sites and densely populated regions.

#### **IV Governance of the cooperation with regard to TenneT**

10. The transaction working group is to be tasked with the procedures and planning for a possible German investment in TenneT. The participants will task the working group with the following mission statements:

*a. Establishing a proper transaction process*

It is the task of the working group to establish a proper transaction process including valuation of and appropriate due diligence on the companies involved. Proper due diligence shall mean that the Dutch state asks TenneT's management to provide comprehensive legal, financial, regulatory, tax, technical, human resource and other relevant information on the target to the German side and amongst others to allow for appropriate management and expert meetings.

*b. Financing of TenneT and its investments*

The working group is tasked to develop a proposal for a possible participation of Germany participating in the future financing of TenneT. This proposal also takes into consideration the associated risks to national security and the conditions that may be set in connection therewith. In so far as these solutions may concern shareholdings or tradable securities in one or more TSO's, the working group will closely monitor the interaction with paragraph 9 item d.

11. The Participants will receive and integrate the findings through the above mentioned steering committee, which may produce reports and recommendations to the Participants. The Participants will engage in consultations and, as the need may be recommend, formal consultations and negotiations between their respective governments.
12. The Participants express the intention that the first step towards a long-term strategic interaction could be the cooperation between the Participants in TenneT. In respect of the German and Dutch activities of TenneT the Participants consider to cooperate within TenneT leading to a joint cooperation and joint strategy as defined as a task for the working groups above. Investments, strategic decisions or major operational decisions affecting only the grid of one Participant shall only be subject to the influence, decisions or possible funding of the Participant concerned. Details with regard to the terms of the participation of Germany in TenneT shall be developed by the investment working group on the basis of the principles set out below.
13. The Participants intend that as part of a possible cooperation of the Parties in TenneT the German Side will provide equity to realise the required new investments in the German grid and to become a shareholder in TenneT. Participants acknowledge the principle that the

shareholding of the German State in TenneT will be proportionate with its capital investment. A final agreement for a transaction is conditional upon agreement on a term sheet, due diligence, a national security assessment and political and final governmental support for the transaction.

14. The Participants aim to govern TenneT within the borders of the defined cooperation as set by the cooperation working group for which an agreement between the Parties will be entered into. This agreement will in any event address, among other things, the following issues:
  - a. The strategy of TenneT including the ten-year investment forecast and beyond is determined by its executive board subject to consultation of its shareholders.
  - b. Board representation in TenneT as well as a set of key performance indicators (KPI) for management.
  - c. Each Party will be only responsible for the capital contributions related to future investments of TenneT required in its own country as well as for any resulting risks thereof.
  - d. Reserved Matters, such as capital contributions, investments, capital budget and remuneration policies, for which TenneT requires prior written approval of the Dutch State or the German State or the joint shareholders.
  - e. A conflicts and dead lock resolution mechanism.
  - f. A dividend policy.
  - g. A lock-up arrangement and a limitation of transfer of shares.
  - h. In line with the open model principle as describe in V, conditions for accession of new shareholders/countries.
  
15. The Participants endeavour to follow the following time table to consider and pursue a mutual shareholding in TenneT:
  - a. Q2 2020 (after signing) - Discuss key governance/structure principles. Share of relevant information regarding TenneT (due diligence), the existing strategy and capital investment plan.
  - b. Q3 2020 - Provide a draft term sheet (Term Sheet) regarding the participation of the German State as a shareholder in TenneT.
  - c. Q4 2020 - Final agreement on Term Sheet, followed by confirmatory due diligence.
  - d. Q1 2021 - Provide a first draft for the participation documentation, notably a Shareholders' Agreement between the Parties.
  - e. Q1 2021 - Final agreement on the participation documentation.
  
16. The Participants agree on mutually exclusive negotiations to elaborate potential ways to establish a shareholding by the German Side, recognising the mutual gains from a closer cooperation between the Participants and affirming the strong will to a successful conclusion of a cooperation agreement. During the Exclusivity Period (as defined below), the Dutch Side shall not solicit, initiate, continue, encourage or participate in any discussions, negotiations or proposals for the transfer of shares in TenneT or any material part of its business operations with any third party.

TenneT has confirmed that it will facilitate the discussions between Participants potentially leading to a transaction. In line with its fiduciary duties, TenneT may also continue to explore potential equity funding alternatives internally and with its advisors, to provide for the case that the Participants and TenneT do not, or not timely enough, reach an agreement. The Dutch Side shall cause TenneT not to negotiate, approach or be involved with third parties on a due diligence, concrete offer or equity transaction without prior consent of the Dutch state as a shareholder. The Dutch Side shall inform the German Side immediately, when TenneT asks for such an approval.

The "Exclusivity Period" shall commence with the signing of this Joint Declaration of Intent and shall end on the earlier of (i) the 12.31.2020 unless the participants agree to prolong the exclusivity period (ii) the date on which a final and binding agreement is reached on the participation documentation (item 15.e.) and (iii) the date on which either the Dutch Side or the German Side expresses its view in writing that no final agreement shall be concluded and that the negotiations have ended.

17. Whereas in paragraph 10-16 is stated TenneT, this can be on the level of TenneT Holding B.V. or one of its subsidiaries. This is subject to further analyses.

## **V Costs**

18. Each Participant shall bear its costs with regard to the activities to be undertaken in furtherance of this co-operation established by this Memorandum.
19. The Participants may consult one another from time to time regarding the division and sharing of any third party costs that arise in relation to any activity undertaken under this Joint Declaration of Intent.

## **VI Review and amendments and additional Participants**

20. The Participants intend to review this Joint Declaration of Intent regularly, with a view to ensuring that it continues to be effective.
21. This Joint Declaration of Intent may be amended only with the joint approval of the Participants in writing.
22. The Participants confirm their intention to allow – if so requested and desired - participation of other Member States of the European Union or Members of the European Economic Area. Such additional participation may be implemented after the joint approval of the existing Participants in writing.

The foregoing record represents the understandings reached between the Federal Minister for Economic Affairs and Energy and the Federal Minister of Finance of the Federal Republic of Germany and the Minister of Economic Affairs and Climate Policy and the Minister of Finance of the Netherlands upon the matters referred to therein.

Signed in duplicate on the 19<sup>th</sup> of May 2020 by:

THE FEDERAL MINISTER FOR ECONOMIC AFFAIRS AND ENERGY OF THE FEDERAL REPUBLIC OF GERMANY, Peter Altmaier

THE FEDERAL MINISTER OF FINANCE OF THE FEDERAL REPUBLIC OF GERMANY, Olaf Scholz

THE MINISTER OF ECONOMIC AFFAIRS AND CLIMATE POLICY OF THE NETHERLANDS, Eric Wiebes

THE MINISTER OF FINANCE OF THE NETHERLANDS, W.B. Hoekstra