

**Speech by Minister Rabbitte at the Meeting of
Chairpersons of Environment and Energy Committees**

Dublin Castle 13 May 2013

**Opportunities to exploit the potential of renewables in
energy production**

Introduction

Fellow parliamentarians, Senator Keane, Commissioner and distinguished guests, good morning.

I would like to mirror the Senator's sentiments and I am very pleased to welcome you all today to Dublin Castle and would like to thank you for your invitation to speak to you today on the vision for and potential benefits of renewable energy.

The current economic environment, allied to EU and international energy developments, requires us to assess energy policy directions and ensure that we set the best course for the short, medium and long term.

While it is true that many of the key drivers for energy policy have changed in the last five years, the overriding policy

objectives remain the same. Security of supply, competitiveness and sustainability will continue to be the pillars of energy policy. A fourth and critical consideration is the role that the energy sector can play in driving and underpinning sustainable economic and employment growth.

We remain all too heavily reliant on imported fossil fuels for our energy needs. In Ireland alone we currently import approximately 6 billion euro worth of fossil fuels per annum.

The on-going economic turmoil and geo-political uncertainty only further underline the risks associated with a dependency on imported fossil fuels.

This dependency underlines the immediate and long-term imperatives of enhancing energy security, reducing price volatility and ensuring energy sustainability at competitive prices for both individuals and businesses while meeting our demanding renewable energy, energy efficiency and climate change targets.

In April we held an Informal Meeting of Environment and Energy Ministers here in Dublin Castle. At the back-to-back lunch the discussion was focused, in the context of the Commission's Green Paper on post-2020 on how to ensure a

coherent EU climate and energy policy framework whilst renewing economic growth and competitiveness.

Later during the informal, energy ministers discussed a number of issues each of which is of direct relevance to the role of renewables:

1. the Internal Energy Market with the focus on consumers, demand-side management and distributed generation;
2. financing energy efficiency;
3. the impacts of unconventional oil and gas on security of supply, competitiveness and prices; and finally,
4. the integration of intermittent renewable sources into the networks.

While significant efforts continue to be made to diversify transport and heat energy sources to renewable energy, the reality is that in the medium to long term, oil will continue to play a pivotal role in the energy sector. Until we achieve a fully decarbonised economy, there is a need to ensure secure and competitive oil supplies, without ignoring the unconventional oil and gas revolution which is already reshaping global energy markets.

The issue is what do we need to do to ensure investment, maintain competitiveness and avoid carbon leakage?

Many at the meeting agreed that achieving the internal energy market is critical if we are to optimise, in a cost effective manner, the penetration of renewables and achieving energy efficiency targets are going to be key to achieving our renewables and greenhouse gas emissions goals. In Ireland for example, energy efficiency will deliver 2% of our 12% renewable heat target.

For the EU, the implementation of the 3rd Package is an absolute must. Ireland strongly supports its full implementation and in the completion of the Internal Energy Market, but this should not be regarded as an end in itself. It is a means to benefit all EU citizens, by contributing to economic growth, to security of energy supply at affordable prices, and to sustainable energy use through the development of secure and sustainable energy sources.

The Renewables Directive, which was instrumental in providing the necessary stability for development of the renewables sector in Europe, and the Commission's June 2012 Communication on the future of Renewables, and we await its

guidance papers on support schemes and cooperation mechanisms. In addition, the Energy Efficiency Directive and the Energy Infrastructure Regulation were agreed under the Danish and Cyprus Presidencies respectively.

The post-2020 Framework discussions during our Presidency, which will also continue into the Lithuanian Presidency, will support this process of making an informed and equitable decision.

The scenarios envisaged in the Commission's Energy 2050 Roadmap foresee significant development of renewable energy up to 2050 as a "no regret" option. The Renewables sector requires investor certainty on the energy landscape post-2020. While I agree with this, one thing is clear: renewable energy will continue to play a significant role and we can plan for, and invest in it on a "no regrets" basis.

So, while we do need to decide on a post-2020 Framework, we already have a direction to take and the most immediate issue is to ensure we continue on the path to 2020.

Renewable Energy Targets

The 2009 Renewable Energy Directive has set very ambitious targets with the objective of achieving 20% of all energy in the

EU to be from renewable sources by 2020. Not for the sake of it but because a vibrant renewable energy sector can deliver on a number of fronts: it can help wean Europe off imported fossil fuels, enhance security of supply, create employment opportunities and deliver competitively priced sustainable energy. It will also be critical to decarbonising our economies and assist with the treatment of wastes.

How we achieve these challenging targets will have a major impact on our future economic prosperity and wellbeing and here in Ireland the de-carbonising of the entire energy system will continue to be a central tenet of Irish energy policy over the short, medium and long term.

Renewable Energy

In relation to renewable energy, wind energy has been a significant driver of growth. Like many European countries, Ireland has seen enormous growth in wind-generated electricity in recent years. Since 2003, approximately 1,250 turbines with a total capacity of almost 1,800 MW have been commissioned and almost 18% of our 2012 electricity consumption drawn from renewable sources, to make the single greatest contribution to achieving our 2020 target to deliver 40% of electricity demand from renewable sources.

As we move towards more integrated European wide electricity and gas markets, it gives Ireland a real opportunity to develop new markets for our renewable resources and we can become a net exporter of renewable energy and technology. These all mean that renewable sources of energy can play a critical role in our economic recovery offering enterprise and job creation opportunities.

The significant development of renewable energy is linked to the potential for international trade in renewable energy. In January this year we signed a Memorandum of Understanding with the UK on energy cooperation. That Memorandum sent a strong signal of our shared interest in developing the opportunity to export green energy from Ireland to Britain. I believe trading of renewable energy must seek to achieve more cost efficient uses of resources, drive down deployment costs, be sustainable in the long term and reduce dependence on fossil fuels.

The enabling cooperation mechanisms under the 2009 Renewable Energy Directive are in their infancy and are not being used as expected. They have to result in clear benefits for governments and developers. The benefits of such projects will not only be felt in the renewable energy sector but it has the real opportunity to deliver significant high quality employment.

Our intention is that, subject to such an arrangement being mutually beneficial to both countries that an inter-government agreement can be signed by early next year.

There is a risk when talking of renewable energy that the focus of debate gravitates towards electricity sector to the exclusion of the two larger and more challenging sectors of transport and heat.

Biomass will play a critical role in the development of renewable energy in Europe and, as for Europe as a whole, in Ireland it is expected to deliver up to half of the renewable energy targets – principally in the heat and transport sectors as well as co-firing with fossil fuels. The development of a vibrant bioenergy sector can further stimulate local economic activity, displace imported fossil fuels, enhance waste management policies, improve water quality and enhance the ability to achieve the even more challenging climate objectives for 2030 and 2050.

On the transport side, like most Member States, Ireland will meet its 10% target mainly by the increased deployment of biofuels but also by the replacement of part of our transport fleet with Electric Vehicles.

Increased demand for biofuels is acting as an incentive for the indigenous production of sustainable biofuels and when made from waste materials deliver significantly greater environmental benefits. It is critical that biofuels be sourced in a sustainable manner and deliver real benefits in terms of emissions reductions. In Ireland last year, 99% of all biodiesel placed on the market was sourced from waste materials. Just as biofuel production presents enterprise opportunities for Europe – and these investments will be critical to achieving the ambitious transport targets -the discussions on the role that biofuels play in energy policy must take cognisance of the potential risks of food versus fuel conflicts and this is a view I conveyed at the Energy Council earlier this month. Biofuels, particularly advanced second and third generation biofuels, will play a critical role in de-carbonising our transport fleets and promoting their development lies at the core of the Commission's ILUC proposal which has been the subject of challenging debate during our Presidency.

Despite the slower than anticipated uptake, both here and across Europe, Electric Vehicles will become a mainstream mode of transport especially post 2020 and will play an important role in the decarbonisation of transport.

Infrastructure must be put in place to support an increasing number of EVs and development of this infrastructure is providing opportunities both to local manufacturers in the production of charging points and to the ICT and engineering sectors in the design of hardware and software for this infrastructure.

Ireland, I am glad to say, is at the vanguard of the deployment of intelligent charging infrastructure. In many ways the benefits of electrifying our transport fleets will manifest themselves outside of the transport sector. The electrification of transport by acting as an energy store will also provide a means of better balancing electricity supply with demand which will greatly assist with further increases in the penetration of wind and other intermittent power on the system and lead to lower, more competitive energy costs.

Energy Efficiency

The twin of renewable energy is of course energy efficiency policy. It is one of the key priorities to achieve the 2020 objectives of a 20% reduction in primary energy use in 2020. Furthermore, it is a no-regret option for the EU economy acting as a vector for recovery by making the EU economy more

competitive, creating jobs and new business opportunities, while reducing the public sector energy bill.

Therefore, decisive action across the EU is necessary to reverse the drastic economic and social effects of the current crisis. For governments, this means a focus on stability, jobs and growth and specifically on facilitating the conditions for job creation and sustainable employment, for which energy efficiency is a key driver. In this regard it is worth noting that it is estimated that up to 2 million jobs can be created or retained because of energy efficiency.

Energy Efficiency Directive

Central to and underpinning all our future energy efficiency policy across Europe is the recast EU Energy Efficiency Directive, which will pave the way for further energy efficiency improvements up to and beyond 2020.

The focus has now shifted to all Member States to translate the Directive into national law and put its provisions into practice. Successful implementation of the Directive has the potential to realise huge environmental, social and financial benefits.

The time line for transposition of the Directive is narrow, with a

number of highly complex policy decisions and reporting requirements to be notified to the Commission by governments over the next few months.

The first of these, a report on the indicative national target for energy efficiency, was due by 30 April 2013. I am happy to state that this report, confirming Ireland's 20% national target, and sectoral target of 33% for the public sector, was sent to the Commission in advance of the deadline.

Here in Ireland, my Department has established a subgroup of the relevant stakeholders and I anticipate a formal consultation on the transposition and implementation of the Directive over the summer months.

National Energy Services Framework

Implementation of the Energy Efficiency Directive is well underway, but in common with many public policy initiatives, financing continues to be one of the key barriers to making sure energy efficiency happens in practice.

To support the development and implementation of energy efficiency projects, my Department and the Sustainable Energy Authority of Ireland launched the a National Energy Services Framework, which will standardise energy performance

contracting in Ireland and provide a robust process for establishing investment-ready projects.

Energy Performance Contracting provide a valuable method for developing and implementing comprehensive projects focused on energy reduction or energy efficiency improvement measures which, especially in these difficult economic times, may not otherwise be possible. The National Energy Services Framework standardises energy performance contracting in Ireland, providing a robust process for establishing investment-ready projects.

The Energy Efficiency Fund

The Framework will be underpinned by an Energy Efficiency Fund, to which Government has already committed €35 million in the 2013 Budget as seed capital. The Fund is being established to provide finance to energy efficiency initiatives in the public and private sectors. The aim is to attract matching funding from the private sector, such that the overall amount available for investment is greater than €70 million. I will be putting out a call for expression of interest to establish the fund in the coming days.

It is envisioned that the Fund will finance two main types of energy efficiency projects in public and commercial sectors,

Energy Performance Contracts where funding is lent to an Energy Services Company and direct lending to the client company.

Financing Energy Efficiency

However, the private sector will not be persuaded to invest unless Member States produce a holistic and credible view of the case for investment in energy efficiency projects. Policy levers may start with government subsidies and supports, given the potential for impact on growth and jobs at national and EU levels. However, to achieve the level of investment required the private sector needs to see the value of energy efficiency projects and part of the role of governments will be to set up the frameworks that allow the market to function competitively.

As a programme country, I believe that Ireland has some real experience with the difficulties inherent in falling levels of public finance, and I am keen to take the advice of my colleagues here today who may have identified innovative ways to encourage the private sector to step in and finance energy projects.

Conclusion

Developing renewable energy and energy efficiency is an integral part in achieving sustainable energy objectives and climate change strategy. Along with smart networks, it will assist in transforming Europe's economy from one based on a predominantly import based fossil fuel dependence to a more indigenous low carbon economy.

While much of the focus to date has rightly been on achieving our 2020 targets, the international agenda is very much moving out to 2030 and 2050. Energy is at the heart of all economic development and growth, and security of supply is the life blood.

A fully integrated and interconnected internal energy market will ensure the future of the energy sector in Europe with positive consequences for business, consumers and growth. The shift from traditional carbon-based energy sources to alternative sources, especially renewables as well as improved interconnection and greater energy efficiency measures, will all require increased coordination at EU level. The aim of these efforts is not simply to achieve the 2020 targets, but beyond that to 2030 and towards the 2050 goal of a decarbonised economy.

Renewable energy will clearly have a central role to play over the coming decades in the context of EU energy and economic policy. It is the “no regrets” option. Renewable energy and improved energy efficiency are the only long-term solution to the energy problem. The challenge for us all, however, is to leverage the resources we have to maximise the benefits that accrue to the economy and our citizens.

Thank you.