

Toespraak bij CIEP seminar Clingendael

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Engelstalige toespraak door minister Van der Hoeven bij het energiesymposium Clingendael in Den Haag

Introduction

I very much appreciate the opportunity to speak at this venue and look back on my years as the Dutch Minister of Energy. I have worked with many of you. What has bound us is our joint endeavour to create a secure and sustainable energy future that promotes economic growth.

We have lived through eventful times. Tumultuous times, I'd even say. We had to deal with the worst economic crisis in half a century. Energy prices first soared, then collapsed. Pressure mounted to address climate change. The new government will have to deal with these challenges in their complex economic and financial context.

Looking back, it strikes me how emotional the debate about energy and energy policy has become. This is only to be expected. After all, the energy debate is about the future of both our economy and our planet.

It is for this reason that I am an advocate of a more pragmatic energy policy. This means focusing on what works, what we are good at and what makes economic sense.

Therefore, I believe an effective energy policy must stand on two pillars:

First, energy policy is economic policy. Increasingly, we are integrating energy policy into our overall economic and industrial policy. Solving the energy problems requires a strategy for the long-term that focuses on innovation.

Second, energy policy is international policy. We cannot go it alone. We need international alliances, be it to build the right infrastructure or to secure energy supplies.

I would like to elaborate on both the economic and international aspects of energy policy.

But let me first compliment our host, the Clingendael International Energy Program, and in particular professor Coby van der Linde and Lucia van Geuns. You have provided us with a steady flow of research papers and countless opportunities for debate. This is important work. Because it is rational analysis, thorough understanding, and an open debate that underpin and promote an effective energy policy.

Economic perspective

Ladies and gentlemen, energy is business; big, international business. Turnover in the Dutch gas industry alone amounts to 41 billion euro's, or 7 percent of GDP. We have the Energy

Valley in the North, energy ports in the West, and innovative energy companies all over the Netherlands.

Energy is not only important as a sector; our whole economy would come to a standstill without it. Energy keeps the wheels of the economy turning.

Clearly, energy policy is economic policy.

Our energy policy has focussed on securing a reliable, clean and affordable energy supply. A reliable and affordable energy supply is crucial for the global competitiveness of our industry.

If we want to stay ahead of international competition, our energy policy must first and foremost be economically sustainable. Government needs to have the money. And we must strike a balance between green and growth. This holds all the more true today, in the wake of the worst economic crisis in half a century, which depleted our public reserves.

Renewable energy policy

This brings me to the heart of the debate about renewable energy policy.

It's time for a change. Until now, renewable energy policy has been seen mainly as an instrument of climate policy. This approach disregards the economic reality of an exploding demand for energy around the globe. Have we even begun to grasp what it means for energy demand when all people in Asia will have light in their houses? Do we realise what it takes to increase energy production by forty to fifty percent in the next two decades?

Renewable energy policy, too, is primarily economic policy. We need to increase renewable energy production to meet the exploding demand. And we need to make sure our industry can take advantage of the many business opportunities it represents.

What does it take?

First, we need to differentiate between short and long term goals.

In the short term, we want to meet the 2020 goals for renewable energy. Not less, not more. Not more, because the transition to a sustainable energy system is not a sprint, but a marathon. Our horizon for completing the transition is not a single decade, but forty to fifty years.

Second, we need to make clear and economically sound choices.

If we continue to go down the present road, we will need some 50 billion euros worth of subsidies for the next ten years. This is simply financially unsustainable.

We face a number of complex choices. At present, we are keeping all our options open as far as the energy mix is concerned. We do a little bit of everything to meet the 2020 targets.

Instead, we should choose what is cheapest in the short term and focus on a few areas in which we can excel beyond 2020. This is exactly what Jules Kortenhorst of the European Climate Foundation has been promoting here today.

In the short term, to meet the 2020 goals, we should go for the cheapest techniques that allow us to substantially increase the share of renewables in the energy mix.

This prompts a choice for wind onshore (and offshore) and biomass in coal-fired power plants. The rollout of these technologies can be done quickly and without massive government funding. Instead of increasing subsidies, we can also require the industry to meet compulsory renewable energy targets.

For the long term, it is wise to focus on innovation. Innovation will deliver the future solutions to the energy problems. It also creates jobs and generates structural economic growth.

This is why innovation is one of my priorities. I am proud of the Energy Innovation Agenda this government adopted two years ago, committing a total of 440 million euros. This was double the amount previously allocated. And it has been effective. Those 440 million euros are expected to lead to a total investment of 2.7 billion euros -- six times the public investment !

I agree with the Dutch Innovation Platform that wants us to choose technologies that can generate innovative jobs and give the Netherlands a true comparative advantage over other countries.

So what should the Netherlands focus on in its energy innovation policies? Taking into account our strengths and our geographic location, it makes sense to put our efforts and our money in developing new techniques for wind offshore and bio-energy, and make room for nuclear energy. And I am not going to forget about gas.

Bio-energy, because we are leaders in food, agribusiness and logistics. And the ports of Rotterdam and Amsterdam are among the biggest fuel ports worldwide.

Wind offshore, because of our strong offshore industry, our long coastline, ports and expertise. The North Sea is already an import source of fossil energy and will become an important source of renewable energy as well, with offshore windparks and other innovative techniques

So, in the long run, we can become a leading producer of wind and bio-energy. Does that mean that we have to dispense with solar energy, for instance? Not as a technology. We cannot compete with Spain or Algeria when it comes to the production of solar energy. But we can compete on the technology, and in fact we already do.

And why more nuclear energy? Because it makes perfect economic sense. The Netherlands is a strong player worldwide in the field of nuclear energy, with companies like Urenco and ETC.

My view is that we cannot rule out nuclear energy. To restrict nuclear energy in the Netherlands, but at the same time import it from other countries, is hypocritical and short-sighted. And I don't see how we can decrease our dependence on fossil fuels and lower our carbon emissions, if we do not also embrace nuclear energy.

International dimension

This brings me to the second pillar of energy policy. Energy policy is international policy.

While energy resources are becoming scarce, the role of governments in the global energy market is increasing. At the same time, we must prevent that energy in itself becomes a source of violent conflict. That prompts us to embrace energy diplomacy as a vital part of our overall energy strategy.

That is why I have made a strong case for energy diplomacy. I have put a lot of effort in maintaining and strengthening good relations with oil and gas producing countries, such as Russia, Algeria, Qatar and Saudi Arabia. We are already reaping the benefits. Just think of Yamal, Nord Stream and the energy dialogue within the IEF.

Energy policy is also European policy. I strongly believe in close cooperation among EU Member States on external energy policy. It is in the interest of all of us and will further the cause of energy security.

Within the EU, we should also keep on working towards a strong single energy market, including renewable energy. It makes sense to embrace an international approach, in which each country focuses on what it does best in the context of a European internal market.

Other forums are important as well. The Pentalateral Forum is a good example. In it, we address specific infrastructure bottlenecks, contributing to the further integration of our electricity markets.

Gas hub

Ladies and gentlemen, let me finally go into our gas hub strategy. It clearly illustrates how our energy security policy, too, firmly rests on the economic and the international pillar. Let me first make some remarks on the positioning of gas. As Mr. Lankhorst indicated, there is an image problem for gas that we should work on. We have to get gas out of the wrong corner. Gas is not just one of the fossil fuels, it is also a valuable fuel in the transition to renewable energy.

Within the European context, the Netherlands can contribute significantly to meeting infrastructural and supply challenges in the North-West European market and beyond.

Gas will remain important to our energy mix for decades to come. It is the cleanest of all fossil fuels. And it is a flexible backup resource to renewable supplies. The wind doesn't always blow and the sun doesn't always shine.

The Netherlands is currently a major player in the gas market. It accounts for one third of all gas production in the EU. Mr Lankhorst's Gastera is a major gas trading company, and the Dutch Title and Trading Facility has the highest volume of traded gas of the continental European hubs. Dutch gas exports amount to 14 billion euros a year. That is close to the level of spending cuts that political parties are currently negotiating.

However, our indigenous supplies are decreasing. The Netherlands will become a net importer of gas, including LNG, around 2025.

Our gas hub strategy aims at capitalising on our existing industry and skills and sustaining the

Netherlands' central role in the European gas industry beyond the life-span of the existing gas fields.

That is why, for instance, we welcome innovation to explore the reserves of unconventional gas in the Netherlands. And that is why Mr Kramer's Gasunie participates in Nord Stream. Marcel, I enjoyed working with you and for that I want to thank you. I am convinced that Gazprom will appreciate your expertise.

I have commissioned a study to evaluate our gas hub strategy. It is due later this year. I expect the study will show that the Netherlands is in a strong position to keep and develop its lead as a European gas hub. The gas hub should generate new jobs and billions worth of economic activity.

I am particularly glad about our recent success in establishing The Gas Hub Consultative Platform. This Platform brings together all stakeholders, including many of the companies represented here today. I expect that my successor will make the most of your advice. After all, people from the industry are in the driving seat!

Conclusion

Ladies and gentlemen, to conclude, energy policy is economic policy with a clear international dimension.

An effective energy policy needs to make economic sense. I believe such a clear focus leads to a better energy policy.

On renewable energy, too, we should make clear and economically sound choices. We should differentiate between short-term exploitation and long-term innovation.

To meet the EU 2020 renewable energy goals, we need to focus on the most effective and efficient techniques.

At the same time, for the long-term solution to the energy problems, we need to focus on what we do best and stimulate innovation.

I see a huge potential for the Netherlands in offshore wind and bio-energy. I believe we cannot disregard nuclear energy.

And we should develop our position as a leading gas hub.

If we make these clear choices, we promote long-term economic growth and stay the course of a secure and sustainable energy future.

Thank you.