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EU Commissioner for Energy

The opening speech of Commissioner Oettinger at the European Wind Energy Association 2012 Conference

Copenhagen, 16 April 2012
Ladies and Gentlemen,

- The development of renewable energy sources in Europe has so far been a success story: the introduction of mandatory targets has led to much progress compared to the situation under the old directives. Expectations have so far been outperformed and many Member States are currently above their trajectories as envisaged in their national action plans. Overall we have moved from 8.5% renewable energy share in 2005 (the base year when the Directive was being negotiated) to 12.4% in 2010. The Commission will, however, continue to monitor the situation closely and ensure that this does not change.

- The role of wind power in this is crucial. Member States envisage in their action plans that the production of energy from wind will multiply until 2020, from 70 TWh in 2005 to almost 500 TWh in 2020. And 2020 will only be the beginning for the development of wind, in particular when one looks at offshore.

- However, it is less clear that recent positive trends will automatically continue into the future as some of the recent developments in Member States are less encouraging. Abrupt changes in support schemes have been witnessed for both solar and wind recently and investment conditions in the renewables sector as a whole are currently seeing a turn to the worse in a number of countries.

- Of course, there are also positive examples. As we are in Denmark I want to stress that I have followed with great interest the recent announcement that the country aims at full independence from fossil fuels by 2050 and to double the share of electricity from wind to almost 50% by 2020. These are ambitious projects that we will surely discuss in detail during this conference.

- However, other countries have recently gone in another direction. Support levels have been cut drastically in a number of countries, in some cases retroactively, and this has led to negative consequences which I have repeatedly referred to. If renewables support is stopped entirely from one day to the next this will negatively impact on the industry and destroy confidence.

- In some cases it seems that renewables support has been used as a scapegoat by governments in economic or financial difficulties. However, public deficits are not caused by support for renewables. In total numbers, support for renewables is not that high; moreover the money usually does not come from the public budget.
These problematic developments happen against a difficult economic background: it becomes increasingly hard to secure the necessary financing for any investment with a long payback period. This is especially the case for wind where upfront capital needs are very high. All these elements add up to a mix which might lead to significant slowdown in renewables growth if we do not reverse the trend.

We therefore want to pick up on those elements in the **Renewables strategy** that the Commission is planning to publish before the summer. It will contain some key elements that are also of high relevance to the wind power industry.

**Our support schemes**: continuous reform is necessary. Support levels have to be revised as technologies mature. Also, more market elements have to be introduced gradually in order to prepare renewables producers for a future where they will have to act in the market. This implies, for instance, a wider use of feed-in premiums rather than pure feed-in tariffs. With the former, the producer is, at least partially, exposed to market price risk and can be integrated into the market. As the renewable energy technology and market matures, it should be capable of bearing more market risk.

However, the experience with support scheme reform has not always been smooth. Although the design of support schemes is explicitly put under national responsibility in the current Directive, it might nevertheless be necessary to give clearer guidance to Member States from the side of the Commission. This should also accelerate the trend of convergence in support schemes that we are already witnessing.

**Need for closer cooperation** both between Member States and with our neighbours: Member States are still hesitant to pick up on the cooperation mechanisms in the Directive. Of course it is legitimate that their first focus is on developing their own renewable resources. However, cooperation can be expected to become more important as renewables shares increase and once "low-hanging fruit" have already been exploited. It will become more important for Member States to cooperate with a view to cost-effectiveness as we move closer to 2020 and beyond. The development of the wind resources in the North Sea is a very obvious example for this.

The Commission is also willing to provide additional guidance on how the potential of the flexibility mechanisms can be more fully exploited if this is considered helpful or necessary.
• We also need to further explore possibilities to cooperate both with each other, for example through the Helios project, and with our neighbours on renewables development, for instance through cooperation with MENA countries. The Communication will also point to further ways in which this can be enhanced. From the side of the industry there is certainly a high willingness to engage in such projects.

• Wind and solar also face increasing difficulties to exploit their full potential because of infrastructure constraints. We urgently need to increase the speed with which we adapt our networks to the new requirements. Therefore the Commission has proposed an ambitious infrastructure package, comprising both a proposal for a Regulation on the Connecting Europe Facility and a dedicated comprehensive regulation on energy infrastructures replacing the existing TEN-E framework. This sets 12 infrastructure priorities, including the development of an offshore grid.

• This new framework will propose a region-based method that will allow focussing on a limited number of projects of common interest (PCI). The selection will use the ten-year network development plans as starting point and build as much as possible on existing regional cooperation structures, while safeguarding the right of Member States to approve projects on their territory.

• Let me also welcome Denmark's active involvement in the North Seas' Countries Offshore Grid Initiative and encourage cooperation with all Member States in the upcoming exercise of identifying strategic projects in view of the implementation of the identified energy infrastructures priorities.

• The energy infrastructure regulation also offers a toolbox to deliver all the necessary trans-European energy infrastructure investments on time, with measures in the field of permit granting, regulation and financing.

• It is of key importance to build public acceptance for needed new energy infrastructures through greater transparency and better and earlier involvement of concerned stakeholders. The package addresses the need to speed up the permit granting process as well as the need for appropriate cost-allocation rules for cross-border investments.

• There will also be incentives for projects facing particular risks. The "Connecting Europe Facility" proposes to allocate about € 9.1 billion to energy infrastructures, using both financial instruments (equity and risk-sharing instruments) and grants in a flexible way ensuring optimal use of EU budgetary
resources. Such support could concern projects that inter alia deliver Union- or region-wide security of supply, contribute to solidarity between Member States or use innovative technologies.

- Open access to markets: investment in renewables is sound and has already created a high number of jobs in Europe. A continuation of this could lead to up to 2.8 million in the sector in 2020 if we meet our targets. However, in order for the sector to be able to deliver these employment benefits, we also have to insist that markets in third countries remain open to EU producers. This is of paramount importance also to the European wind power industry as the Chinese and US markets can be expected to grow strongly. We will continue to insist that European industry with its technological advance can access these markets and the Communication will stress this.

- Finally, to keep our own market attractive we will have to start the debate on how to assure continued growth of renewables and wind in particular beyond 2020. The Roadmap 2050 leaves no doubt that this will be necessary, but the best instrument has yet to be determined. It is clear that a functioning ETS and a credible CO2 price is a pre-condition. Particularly so if wind is in the future expected to compete fairly in the market. However, we also cannot ignore that it is currently the binding targets which drive the development in the Member States. So this will also have to be reflected in the debate.

- There is a need to open this debate about the post-2020 framework now as investors require early visibility on the medium-term growth perspectives. If I take the example of the emerging offshore industry, a lot of day-to-day business decisions depend on the perspectives of the sector post-2020. Industrial up-scaling, and therefore cost reductions, will only happen if there is confidence that growth will continue well into the next decade.

- We therefore have to start to look at energy policy beyond the current 2020 horizon now. The **Commission's Energy Roadmap 2050** adopted in December last year is our first strategic document to open up this perspective.

- It examines a set of possible transitions to work out our strategy for the long term. It uses different scenarios to explore trade-offs, costs and timing, but not in order to choose one scenario over another!

- Three major common elements of all future scenarios are what we call the "no-regrets" options: Energy efficiency, infrastructure and renewable energy. But this needs investment, and lots of it! In the Energy Roadmap 2050, we show...
that the transformation of the energy system is not only technically possible but makes economic sense, too. However, our calculations make clear that the costs are very similar in comparison with the current trend scenarios.

- In this context, I am especially grateful to Denmark and the Danish government, which during the Danish presidency of the EU makes all efforts to get Member States to agree on an ambitious direction of EU energy policy.

- With the **Renewables Communication** we intend to focus the debate on the future renewables framework in order to provide the needed clarity on time. Experience has shown that predictability and stability are absolutely essential for growing shares of renewable energy. This is what we policy makers can deliver.

- But it is for you, the industry and the technology developers, to continue to make sure that wind energy delivers a strong contribution to our European energy system, based on cost-effectiveness, security of supply and low CO2 emissions. I am therefore pleased to see such a dynamic gathering of practically the entire industry here in Copenhagen. I wish you a successful conference!