

**Address by
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Minister for Communications, Energy and Natural Resources**

**The Energy & Environmental Division of Engineers Ireland
Clyde Road**

April 2nd 2012

Thank you Chairman (President).

I am delighted to be able to join you and your colleagues in the Energy and Environmental Division of Engineers Ireland here today.

I'm sure you will agree that these are turbulent times for Ireland and the European Union. Many of Europe's major competitor economies have entered a second recession in three years and financial market turbulence and debt burden makes the road to European recovery difficult. Putting national finances on a sustainable footing, here at home and across the Euro Zone, is the fundamental task of Government. But urgent action is also needed to create sustainable growth in our economies, address unemployment and create lasting confidence for citizens, enterprise and investors.

The first priority of the Government is to secure Ireland's recovery and to ensure employment for our people. The Taoiseach has been to the forefront in pushing in Europe for new and urgent focus on growth generating policies.

If the growth agenda is fundamental to Europe's sustainable recovery strategy, energy policy has a pivotal role to play in creating the conditions for a return to economic growth and job creation.

The wellbeing of both our economy and society depends on safe, secure, sustainable and affordable energy. We therefore fully endorse the objectives of Europe's Energy 2020 Strategy for competitive, sustainable and secure energy.

Since taking office last year, I have consistently supported the imperative for Europe to take all the necessary actions to meet the energy challenge.

Everyone, including Government, enterprise and consumers, has a role to play in maximising the best energy solutions for this country, which in turn contributes to our overall competitiveness. By harnessing our collective knowledge we can put this economy on the road to sustainable recovery.

I believe that Ireland, as a peripheral island energy market, can benefit from a fundamental transformation of Europe's economy to a low carbon economy based around radically increased energy efficiency, accelerated deployment of renewable energy, smart networks and a well functioning, well interconnected internal energy market.

We have in Ireland a rich and abundant wind and ocean energy potential which I firmly believe can be harvested and exported as a real economic opportunity for this island.

The EU Renewable Energy Directive is the framework under which Ireland can develop cross border trade in renewables. I am committed to delivering on that opportunity for Ireland through our ongoing work with the UK to develop a bilateral trade in renewable energy. That work is set to intensify over the coming months, with the objective of achieving an inter-Governmental agreement under the EU Framework to underpin the export of renewable energy. I propose to outline that work in more detail as part of a Renewable energy Policy Statement that I will be publishing very shortly.

In both Europe and Ireland, we must ensure investment in new energy infrastructure as quickly as possible. Investment in the national networks will underpin economic development, as well as renewable energy. Investment in interconnection and smart grids will critically underpin the single European energy market and enhance security of supply, as well as enabling trade in renewable energy.

The proposed Energy Infrastructure Package needs to be progressed as swiftly as possible at EU level. As I'm sure many of you will be aware, the Package may well fall to Ireland to conclude next year during our Presidency.

The Energy Infrastructure Package is also a vital part of the 'Connecting Europe' Programme, which includes Transport and Telecommunications. It is obviously critical to the jobs and sustainable growth

agenda for Europe. It represents a very significant opportunity for Ireland as we work to address our national gas, electricity and renewable energy infrastructure needs.

Investment in infrastructure is critical if we are to achieve the most ambitious of our energy objectives: completing the Internal Energy Market in both electricity and gas. The European Council has endorsed the goal of achieving a single integrated market by 2014. This is a major strategic challenge for Ireland. We need to preserve the important features of our existing gas and electricity markets, while maximising the benefits which integration can bring for Irish consumers and the energy sector itself.

Energy plays a key role in modern society and we all require access to an affordable and dependable energy supply. Renewable energy will play a key role in shaping not only Ireland's but Europe's energy future by decarbonising our electricity generation over the coming years. It will do so using natural resources located primarily within the European Union's borders and will do so by reducing our dependence on fossil fuels which are increasingly expensive and increasingly victim to price volatility.

Renewable energy continues to play a key role in shaping our energy future and is critical to delivering the policy goals of secure, clean and affordable energy supplies. Progress to date has been strong, with a growing proportion of our electricity now generated from renewable energy.

Expert advice suggests that Ireland has the capability to achieve its national targets for renewable electricity from onshore renewable generation alone, with capacity to spare. This means that our offshore wind resource can be developed as an export opportunity and that there is also potential for projects of scale onshore for export markets.

With some of the best wind and wave resources in Europe, if not the world, we need to work to ensure that the resources and technologies can be harvested and developed to bring real and sustainable benefits to the Irish economy.

There is a real opportunity to develop offshore wind resources in the Irish Sea area in the short term as these are reasonably close to both coastlines and in relatively shallow waters. This means that these areas are suitable for development with existing technologies and are likely to have considerable cost advantages over projects in the North Sea area that are trying to develop further offshore and in significantly deeper waters.

Building on the Strategic Environmental Analysis of offshore renewable resources currently being finalised and the upcoming new foreshore Planning Act being introduced by my colleague, Minister Hogan, this potential is capable of being operational in advance of the EU 2020 renewable directive target deadline.

There is also the capacity to develop a small number of very large onshore projects in Ireland, some of which may include storage options that are capable of being developed in this timeline subject to being economically and environmentally viable.

In the North Seas Offshore Grid Initiative, Ireland is working closely with 9 other countries (the UK, France, Germany, Belgium, Netherlands, Luxembourg, Denmark, Sweden, Norway), the European Commission, the European association of energy regulators and the European association for transmission system operators to maximize the potential of the renewable energy resources of the Northern Seas (North Sea, English Channel, Irish Sea and Atlantic area). The region covers 55% of total EU electricity demand and provides an enormous market potential for renewable generators providing the appropriate market, regulatory and infrastructure aspects can be developed.

The EU Commission recognise the value provided by this regional initiative and in their infrastructure package proposals specifically identified the North Seas area as one of their electricity highways of the future and identified the Initiative as being the relevant body to select regional 'projects of European significance' which may receive preferential planning treatment and possible access to European funding in the EU 2014 – 2020 'Connecting Europe' financial programme.

The Government, working together with the UK Government, acknowledges the scale of the renewable energy resources of these islands and through the British Irish Council and other fora, is actively working to develop cross border trade in renewable energy initially between Ireland and the UK but also, in time, to mainland Europe.

This is very much in line with overall electricity market developments under the third package which is putting Europe on track for a single electricity market of which Ireland will become part. Our current market has served us well and in developing the integrated market process further, we need to ensure that we maintain the benefits gained by developing the all island market.

Nationally, while we have seen good progress in the last few years, going from 5% renewable electricity in 2005 to around 18% renewable electricity now, we still have a long way to go to ensure that we reach our 2020 target of 40% renewable electricity.

I was delighted to recently announce that REFIT 2 is finally open for business. The information is now available on the Department's website. I am confident that REFIT 2 provides the industry with a real platform to underpin new development.

I have also instructed my Department to seek clearance from DG Competition to extend the backstop date on REFIT 1 scheme for a two year period up to the end of 2027.

The European Commission has clearly identified the pivotal role renewable energy will play in decarbonising the European economy. In December last, the EU's DG Energy published an *Energy 2050 Roadmap* which sets out a number of different scenarios for developing a decarbonised energy sector over the coming decades. Alongside the Energy 2050 roadmap, DG Energy published a public consultation on renewable energy policy post 2020, with specific focus on potential scale of development by 2030, including any infrastructure and support requirements arising from such a strategy.

The outcome of the public consultation process will feed into a European Commission Communication on Renewable Energy, which it has signalled that it will publish towards mid year. The communication will not itself contain any new targets but it will start the process around setting new ambitions for 2030.

Investment decisions for the necessary trans-European infrastructure up to 2030 must be taken now, as a significant amount of older generation plant will need to be replaced and more interconnected transmission systems need to be developed.

The Security of Supply challenge is growing in Europe, with oil and conventional gas reserves in the EU geographical area declining, with member states becoming more dependent on imports from relatively unstable parts of the world. While some commentators stress the availability of unconventional fossil fuels in shale gas deposits or oil tar sands, there is a real environmental challenge in developing these resources and getting them to market.

It is also notable that the cost of fossil fuels is still very high. Despite the worldwide global economic slowdown in recent years, oil and gas are still very highly priced on global commodity markets.

There is a clear need for a much more flexible infrastructure involving cross border interconnections and more responsive "intelligent" electricity grids to generate, transmit and store energy at a European scale.

There are, of course, difficult challenges to deal with to ensure infrastructure projects can build out in reasonable timeframes.

One of those requires the ongoing roll out of the Grid 25 programme together with delivery of the essential North South transmission reinforcements and the completion of the East West Interconnector. This infrastructure development needs to be accompanied by a robust and dependable regulatory and market structure. Given the scale of the necessary build out required, issues that could compromise the scale or pace of development necessary are clearly matters of concern for the Government.

While maintaining a viable and effective market, we need to ensure that new projects can develop into the future. To do this we need to see critical infrastructure built out. The focus now must be firmly on delivery. In particular, the delivery of our vital energy infrastructure projects to underpin our collective security of supply. This is in the long term best interests of every citizen of this country and this is one of the key messages that I would like to highlight here today.

Development of the high voltage electricity grid as planned in the GRID25 strategy is critical to our long term economic recovery. Some have argued that the severe step down in economic activity ought to result in pulling back investment in this area.

It is true that the contraction of the economy has been dramatic but it is also true that infrastructure investments are long term investments by nature, are projects that can take as much as a decade to deliver but in turn deliver benefits to us for decades thereafter.

The current economic downturn does not in any way diminish our requirement for the North-South electricity link from Meath to Tyrone. It is a key strategic project for economies and consumers, North and South and is critical to ensuring energy supply adequacy on the island of Ireland.

Analysis has shown that the lack of the planned North-South electricity interconnector is imposing significant costs on electricity generators and consumers on both sides of the border and it is also very important for the effective operation of the Single Electricity Market. At a time when both governments are trying to accommodate significant renewable energy development, it is vitally important that the pace of infrastructure development can keep up with system requirements. It is encouraging that the necessity for this link is not disputed even by those who have protested against the methodology of implementation.

Given the crucial importance of the energy sector to the State, it is no surprise that the State will continue to have a strong and direct presence in generation; networks and supply. This must ensure that overall economic competitiveness is protected and does not deter private sector involvement in generation and supply. This approach does not however preclude extracting value from the strong and profitable State sector that we have developed and the Government has recently signalled its intention to sell the Bord Gais Energy business.

In looking ahead to Ireland's Presidency of the European Union next year, I have no doubt that the economic backdrop, for Europe and ourselves, will still be profoundly challenging at that time. As President of the Energy Council, I will be working closely with the Commission, the Energy Council of Ministers and the European Parliament to ensure successful delivery on all priorities.

These are likely to include the Energy Infrastructure Package as well as detailed discussions on setting renewable energy and energy efficiency policy post 2020. The ongoing implementation of the internal energy market will be part of the challenging agenda during our Presidency.

Given the fact my portfolio covers communications as well as energy, I am particularly keen that we use the opportunity of the Irish Presidency to move forward the joint agenda for Energy and ICT.

The alignment of Energy, ICT and Innovation can unlock vast new potential for investment and employment for Ireland and for Europe as a whole. Ireland has distinct competitive advantages in this sphere given the presence of so many of the multinational companies here.

There are also significant Energy/ICT opportunities for new innovative companies at start up and SME level. Europe needs to extend, and increasingly defend, its leadership in energy technology and innovation.

I want to ensure that Ireland seizes the competitive advantage within Europe in this area as a prime location for energy research and innovation.

We also will continue to build R&D partnerships between Energy and ICT companies and the research community. Europe's Strategic Energy Technology Plan, the Smart Cities initiative and the "Innovation Union" Initiative and "Horizon 2020" are critical to realising the potential – for Ireland and for Europe.

In conclusion, I am keenly aware of the opportunities and also the ongoing challenges as we move from an island based energy system into a more interconnected and joined up European energy market. It is my view that it will provide new and bigger market opportunities with which I hope your sector can engage.

We are well placed to become a key part of this new market and there is little doubt that this will continue to be a growing sector in our economy with excellent opportunities over the next few years.

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