

Second Annual Offshore Wind Conference

Empowering Ireland's Energy Exports

12th October 2009

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Schema



- The Economics
- The Politics
- The Policy
- The Plan

The Economics

- Accept who, where and what we are
- Look for Comparative Advantage
- Anticipate the Inevitable
- Let the Imagination loose
- Plan accordingly

Starting Point: Who Are We?



- Ireland is a Small Open Economy
- We must export to survive and thrive
- By exploiting comparative advantage
- In growth sectors
- This is a well known formula

StartingPoint:Where Are We?



- An island off the NW coast of Europe
- Best EU wind resources due to longitude and latitude
- Adjacent to UK and Germany
- Which both need green Energy imports

Starting Point: What Are We?



- A failed economy – 500,000 unemployed
- With a failed banking system
- A Public Finances Crisis - €25bn borrowing pa
- Totally reliant on ECB and German banks
- But strong political/social infrastructure
- And high calibre human capital

Comparative Advantage



- Basic insight into rationale for international trade
- A country will specialise in that commodity
- In which it has the greatest comparative advantage

- We specialised in grass derived products
- And manufacturing based on low cost labour
- Plus services built on high calibre workforce

The Politics:1959



- Whitaker Report – Grey Book
- Basic Proposition – Ireland a Small Open Economy
- Had to export into a Large Single Economy
- Growth formula based on Food plus FDI
- Low Cost/Low Tax Regime

The Politics: 2009



- This model no longer works
- Exports flat this past decade
- Social Partnership process recipe for cost increases
- No agreed means for controlling competitiveness inside Euro zone
- Need a new Whitaker – need vision

Look for the Comparative Advantage



- It's a function of market demand
- The market needs Green Products
- Especially Green Energy
- Ireland has a comparative advantage in wind
- Particularly in Offshore Wind

- Ergo – We should specialise in Offshore Wind

Golden Rule of Politics



- Never ignore the inevitable!

The Inevitable



- **Rule One:** The inevitable always happens
- **Rule Two:** Let it happen – don't fight it
- **Rule Three:** Embrace it – be ahead of the curve
- **Rule Four:** Claim credit for making it happen!

Internalising the Inevitable



- The 'low carbon' society is inevitable
- This will be the biggest societal transformation since the Industrial Revolution
- A vision of the inevitable is essential
- Will provide a springboard for action

Let the Imagination Loose



- Vision for 2050 – The Electric Economy
- Complete switch from hydrocarbons to -
- RE Power Generation
- Electric transport (cars, trains, metro, trucks, buses)
- Sustainable communities
- Smart buildings and grid

- Energy efficiency the norm
- But electricity intensity will increase

Re-invent the Irish Economy



- Based on Comparative Advantage
- Based on Being Ahead of the Curve
- Based on Exploiting a Huge Export Market
- Based on Creation of Value Added

Unoriginal

- Nothing unusual in that formula
- But nobody thinking in this mode
- Climate Change Challenge is obvious
- Must be met – Key Policy Question is
- How do we do it – and take economic advantage?

The Plan



- Export Green Energy
- We already export 80% of GDP
- It's the logic of the Small Open Economy
- Apply that logic to Green Energy
- And so exploit Wind – for export!

Wind is the Answer



- Medium term solution to decarbonised power gen
- Comparative Advantage – Best Wind Resources
- Ahead of the Curve - Green Power Gen and Green Economy inevitable
- Huge Export Market - EU on once-off transition to Green economy
- Value Added - Huge employment potential of wind sector

Policy Ambition



- Become Europe's largest supplier
- Of Green Energy
- By exploiting the potential of the sea
- And using the latest technology to sell power into
- A Single European Electricity Market

Single Energy Market



- Energy/Electricity last piece of Internal Market to be completed
- Single Electricity Market will be created
- Based on massive interconnection/SuperSmart Grid
- Plus uniform regulatory regime
- And common support regimes

Market Potential



- EU power market will treble by 2050
- Arrival of the electric economy will transform demand
- Such as all-electric transportation
- Most Member States will need to import RE
- This is Ireland's opportunity

Policy Framework



- Separate our thinking about domestic demand and exports.
- Let On-shore satisfy domestic demand
- Devote Offshore to exports
- Think grass as the analogy
- Wind is the new grass
- We export 90% of grass production - Do the same with Wind

The Plan – Basic Requirements



- Means of exporting electricity
- Access to other Member States' markets
- Level playing pitch with brown power
- National Development Plan
- The engineering capacity to build, generate and service Offshore windpower

Stop Thinking in a Box



- We are not “an island off an island”
- We are at the heart of Europe
- Need three Power Super Highways to get us there
- **North:** Scotland-Norway-Denmark-Germany
- **East:** Wales-England-Netherlands-Germany
- **South:** Cornwall-Brittany-France-Germany

Berlin is Next Door



- Dublin/Berlin is 1,300 km
- Shorter than HVDC interconnection in China
 - Xianjiaba – Shanghai: 2,400km
- Only costs €15 to get there by air – plus taxes!
- Think local – Berlin is next door

Open Electricity Market



- Ireland to initiate and drive the ‘Open Electricity Market’
- By creating a ‘Common Electricity Policy’ - like CAP
- And applying competition rules to competing forms of power generation
- Have the vision and courage of a Peter Sutherland
- Climate Change and President Putin are our best allies.

National Development Plan



- Modern Ireland built on a Singular Vision
- IDA + Low Corporate Tax + grants
- And exclusive focus on food, pharma, IT and finance
- Freedom given to IDA – state within a state
- Remember also ESB, BnM, DDDA and NTMA
- Similar body required for Offshore Wind

Present Chaos



- Policy - DCENR
- Price support - Finance
- Grid - Eirgrid
- Planning - County Councils & ABP
- Regulation - CER
- Licences - Dept. Ag & Food / DHELG
- Other - ESB, SEI, EPA, Dept E&E

Development Agency



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- Identify Development Zones
- Prioritise grid reinforcement
- Ensure socialisation of grid connection costs
- Choose onshore support/supply centres
- Plan labour force development
- Select value-added activities to be developed
- Start the build programme

Creating Critical Mass

- Offshore wind is a new industry
- Not onshore with wet feet
- Need to learn how to manage development risks
- And to build the onshore and offshore infrastructures
- First phase –lay the foundations
- Second phase – create the critical mass
- Third phase – start exporting

Timing

- Phase One will take about five years
- Phase Two will take a further ten years
- Focussed on building 2000 MW
- Phase Three starts around 2025
- Target of about 20,000 MW by 2050

Phase One Essentials



- New form of Public Private Partnership
- REFIT giving developers a return to match risk
- Policy certainty for debt providers
- PPAs giving comfort to long term investors
- Fast track planning/consent procedures
- Grid reinforcement
- Socialisation of grid costs
- Building strategic partnerships with suppliers
- Green Banks

Economic Benefits

- End to hydrocarbon imports
- Creation of massive exports
- Revenue benefits – IT, SI, CT, VAT, Rates
- Reduced exchequer payments on SW, health etc
- Increased competitiveness
- Constant stimulus to job creation
- Regional development – especially coastal areas
- Stimulus for innovation/entrepreneurship
- Continuous need for R&D

Conclusions



- This will be the Smart Economy
- Embracing the Inevitable
- Making good use of Comparative Advantage
- And using our imagination

Last words



- THANK GOD WE'RE SUROUNDED BY WATER!
- CARPE DIEM!