

BLUEPRINT FOR THE DEVELOPMENT OF IRISH OFFSHORE WIND

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1. MAKING IRELAND'S OFFSHORE WIND RESOURCE WORK – IMPORT SUBSTITUTION AND EXPORT DEVELOPMENT

- Ireland has one of the best offshore wind resources in the world [*Riso National Laboratory, Denmark, 1989*]
- Ireland is first of the EU member states to include meaningful physical export of surplus renewable energy as an objective in their National Renewable Energy Action Plan (NREAP).
- Offshore Wind Potential indicated in the Offshore Renewable Energy Development Plan (OREDP) is 6,000 MW subdivided:
 - 2680 MW currently in planning and development process
 - A further 4,000 MW feasible within Irish coastal watersNOW Ireland and IWEA conservatively estimate another 5,000MW possible, plus further potential in the Atlantic as deeper water technology develops.
- Ireland's NREAP states that only 550 MW will be needed to help Ireland meet its current Renewable Energy Targets of circa 4,700MW in what is essentially a relatively small sized market currently using only 5,500MW peak.
- Taking the basket of renewable technologies, Ireland has potentially 10,000 MW available for export, mainly from offshore. Therefore 70%/80% of its renewable energy resources can be exported. This figure is a realistic and achievable target and is similar to the figure for agricultural export.
- On June 20th the British Irish Council indicated that they would be seeking to develop an All Island Approach to energy policy between Ireland and the UK. The UK Energy Minister indicated that Irish renewable energy would be important for the UK as they attempted to reach their RE targets.
- A third significant indigenous sector can be developed in Ireland through renewables to rival Agriculture and Tourism.

2. EU MESSAGE

- Member states are being encouraged to identify “Frontloaded Investment”, areas which can be stimulated for growth development [¹EU Annual Growth Survey]. This fits in with the policies proposed by both the IMF and EU.

¹ <http://portal.cor.europa.eu/europe2020/news/Pages/ECAnnualGrowthSurvey2011.aspx>

- EU have instructed Member states to identify long term targets, which as a result of investment can create jobs and develop exports. For Ireland, offshore wind is it.
- The EU has five major policy objectives for Europe 2020:
 1. Employment
 2. Investment in R&D
 3. Climate Change / Energy
 4. Education
 5. Mitigation of Poverty
 All five policy areas are advanced by the development of Ireland's offshore resource.
- EU targets have to date focused primarily on 2020 and to a lesser degree on 2050. A number of Commissioners have recently made the case that 2030 targets need to be created. These targets will be greater than the 2020 targets. Commissioners have repeatedly made the case that targets are likely to rise, not decrease as some domestic commentators have suggested. The Commission anticipates one third of RES target coming from offshore wind².
- The EU-RES promotes joint RE projects between countries. The NOW Ireland lobbying programme in Brussels and London has demonstrated support for direct connection of specific Irish wind farms to the UK grid.

3. MARKET SIGNALS

- Competition for investment from international utility companies and finance houses is fierce. Reducing investor uncertainty is critical when marketing Ireland as a renewables hub. Market signals which reduce uncertainty are key.
- To showcase/highlight Ireland's opportunity it needs:
 - (i) REFIT State Aids Clearance approved by Brussels. *Support mechanism signal*.
 - (ii) Export mechanism to be agreed with UK Government. *Export signal*.
- Multinational developers are holding back from investing in Ireland due to the small size of its market and lack of growth investment signals, including concerns about the sustainability of the remuneration mechanisms.
- A support mechanism is needed as soon as possible as a market signal, which will enable the small percentage of offshore wind renewable resource needed to meet Ireland's NREAP target proceed to construction, i.e. 550 MW.
- Other 90% of Ireland's offshore renewable energy potential, i.e. circa 10,000MW or 90% is then available for export, starting with the UK, where the UK Energy Regulator has expressed grave concern that the UK is heading off a cliff by 2015/2016, due to nuclear plant not being ready until circa 2020 and other factors.

² http://ec.europa.eu/energy/renewables/reports/doc/com_2011_0031_en.pdf

- UK Government has already identified the issue and the opportunity which Ireland's surplus renewable potential offers. Discussions are already advanced under the British Irish Council and between counterpart Government Departments DECC and DCENR about an appropriate market mechanism.
- Circa 1,880MW in two consented windfarms in the South West Irish Sea, which are outside of Gate 3, could proceed with development activity with a view to connecting to the UK market, subject to both Governments giving appropriate signals.
- If the existing market/code/governance arrangements for the UK Round 3 were extended to these projects, and with approval from both Governments, then these could be built with no grid/support mechanism costs to Ireland as they would not interface with the Irish grid.
- In the future, with technical and political advances, it could be possible for the connections to the UK to be extended to become an interconnector and/or form part of an Irish Sea grid as part of the North Seas Grid Initiative. Ireland and the UK are taking the lead role in this at official level.
- DECC, UK, and DCENR, Ireland, have already acknowledged that, through co-operating on infrastructure, costs can be saved. The EU has identified an even greater percentage cost saving. Given Ireland's unique declared position as a potential exporter, the EU may look favourably at some form of support.
- Offshore is No.1 in the November 2010 Structure Support Document published by DG Commissioner Oettinger re Grid Infrastructure "Energy Infrastructure Priorities for 2020 and Beyond"

4. HOW IRELAND BENEFITS

- Ireland benefits from inward investment, receipt of lease fees, corporation tax, employment taxes, VAT and direct and indirect job creation in establishing a new export sector.
- This will then attract part of the €60 billion Irish Sea supply chain investment opportunity leading to further jobs and further export of goods and services.
- The support mechanism for renewable energy exported is paid for by the recipient country, i.e. UK, France, etc, not by the exporting country, Ireland.
- The only support mechanism cost to Ireland applies to that offshore, i.e. 550MW, which Ireland needs to meet its 2020 targets. Please note:-
 - i. This will not be payable by the consumer until 2016, which is when the first offshore windfarm is expected to be operational.
 - ii. If onshore catches up, it is anticipated that by 2021/2025 this offshore could then be switched to join the other offshore being exported.

- iii. Having an offshore REFIT in place is a key “market signal” to international investors.
 - iv. Offshore provides a hedge for Ireland against increasing fossil fuel prices, thus improving our security of supply (geopolitical instability North Africa/Middle East)
 - v. EU policy is to encourage all member states to have support mechanisms in place to attract investor interest in increased renewable investment.
- Energy derived from fossil fuel is subsidised by €12bn according to the IEA. This subsidy is not sustainable and will be removed as a step towards mitigating climate change. Renewables such as offshore offer price stability and energy security to consumers. According to the European Commission, when allowance is made for merit order effect, overall cost to consumer can be heavily reduced³. Moves are afoot at the European Parliament to reflect this in electricity bills.
 - Overall market signals lead to projects, lead to investment, lead to jobs, lead to export with no support mechanism cost, lead to a reduction in balance of payments and helps repay IMF/EU debt.

5. OVERVIEW

- Combining the above:
 - (i) Ireland’s offshore resource
 - (ii) EU message
 - (iii) Importance of market signals
 - (iv) How Ireland benefits
 the message can be given to DG ECFIN and DG IND that Ireland has identified offshore wind as being one sector in which long-term growth can be stimulated by “Frontloaded Investment”.
- Current austerity is acknowledged but, through “Frontloaded Investment”, offshore can be the stimulant for part of Ireland’s future growth needed to assist payback of IMF and EU support.
- Export markets are already beginning to open up for Ireland, but energy infrastructure takes time to build. We must move quickly to take advantage of this opportunity.
- International support for investment is ready and jobs can be created based on Ireland’s enormous offshore renewable resource and its facility for export.
- The NREAP should be implemented on time. This is not merely a response to EU obligations but a means of building investment in the economy in line with the Annual Growth Survey. Our progress in this regard should be monitored on a regular basis by the Irish Government, as it will be by the EU from 2013 onward.
- Traditional orthodox thinking has to be dealt with, replacing it with the offshore wind industry/export message, targeting EU presidency in 2013, with it being a cornerstone when relaunching Ireland’s image in Europe.

³ http://ec.europa.eu/energy/renewables/reports/doc/com_2011_0031_en.pdf

- In conclusion, focus is on member states working together in the interest of an industry which creates and maintains investor confidence, i.e. UK and Ireland set example for rest of Europe, the consensus view being that most member states have produced a conservative NREAP.
- Urgency has been identified by the EU. Member states have to be converted to the fact that offshore is one of the key parts of renewables and member states who have the resource should put up their hands and contribute. Ireland has a unique opportunity to lead the way and, considering its current position, it's an opportunity that should be pursued diligently, setting itself the objective of repeating the food industry export success in renewables exports.

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