

**Prof. Arthouros Zervos, President of EREC
2007 Renewable Energy Policy Conference
Opening Speech**

Check against delivery!

Dear Eluned Morgan

Dear Minister Gabriel,

Your Royal Highness,

Dear Mr Ruete,

Dear Participants,

First of all let me thank you all for your overwhelming interest in this conference and in particular renewable energies. Welcome to the 2007 European Renewable Energy Policy Conference!

Let me also thank the previous speakers for their warm words and inspiring outlooks on the future of renewable energy development. What we have heard is a strong commitment to the need for a rapid development of renewable energy sources in Europe and all over the world. This in particular will not only contribute to increasing the security of our energy supply, but also to reducing greenhouse gas emissions significantly and contributing to the Lisbon strategy of the European Union by creating new jobs and delivering economic development. As president of the European Renewable Energy Council let me use this opportunity of addressing to this interested audience and many decision makers some of the crucial needs and preconditions for a rapid renewable energy development.

More than 750 participants at this event including Commissioners, Ministers, and Parliamentarians from more than 25 Countries show to us, in the industry, that renewable energies are becoming mainstream, or to put it another way let me say it shows that renewable energies are already mainstream. They are accepted as a major part of our future energy supply, their role and contribution today and in the coming decades is not underestimated anymore by most of our EU citizens.

European citizens have shown in many surveys that they want an increased use of all renewable energy sources far ahead of any other energy source.

But, if we want to follow the European citizens' call for increasing the share of renewables, we need to get the framework and the conditions right. The European Union and many Member States as frontrunner in the development of renewable energy sources have already shown the way forward.

Ladies and Gentlemen,

I remember standing at the 2004 renewable energy conference in Berlin, which we also organised in collaboration with the German Environment Ministry and the Commission. I presented our latest report, called "New renewable energy targets: 20% by 2020".

Just three weeks ago President Barroso announced exactly this number as the new political goal for the European Union. I would like to thank him for announcing this ambitious goal. The 20 % by 2020 for Europe is a realistic goal. Just recently we have shown a way for a global sustainable energy supply in our report which we written together with Greenpeace. The Energy Revolution Scenario, a sustainable world energy outlook report, demonstrates that we can reach a share of renewables of 50% by 2050 globally and thus limit the global temperature increase to below 2 degrees. And on top of that we believe it will, in the medium term be more cost effective than the alternatives of a business as usual.

Ladies and Gentleman

Let me come back to the European Union. Legislation was introduced in the field of biofuels and renewable electricity. The RES-E directive, the most important piece of legislation in the world for renewables, as the industry calls it, has brought a framework that guaranteed growth and showed the necessary stability, which is crucial to investments. Even though the development of RES-E could have been expected to be more rapid than it was, this directive is a success from our point of view.

Past experiences with any support mechanism has shown us that no legislation has a Harry Potter effect and works from the first day like magic. Legislation needs time, it needs to be implemented fully not only in its words, but also in its spirit. It needs especially stability and will not work if it is subjected to constant changes.

This is why it took some years to work as was expected by the designers of this piece of legislation. The same is true for the directive on biofuels. It was only adopted later as expected and foreseen due to the Council linking a decision on this directive to another one. But finally it delivers growth rates in the biofuels market of more than 35% in the last couple

of years. And as it seems this impressive development will continue in an even more rapid way.

So, what does the real world look like?

[Slide 1]

As you can see in the fields of renewable electricity and biofuels a very clear trend and success can be seen after the introduction of the directives. As said, one could have expected more, but all in all, from our point of view, these directives are the decisive elements for growth. They are the best in the world and have been modelled by other countries.

Comparing these two sectors to the development in the so important field of renewable heating, we can observe that there is a huge difference.

The explanation for this is as obvious as it is logical: Clear, concrete, specific and targeted legislation in the field of renewable heating is missing.

As already recognised several times by all three institutions, the Council, the Commission and especially the European Parliament, this gap needs to be filled in order to tap the gigantic resources in this field. Renewable heating needs attention, renewable heating needs specific legislation.

Let me quote the Commission on this: “The differences in the regimes for electricity, biofuels and heating and cooling established at EU level are reflected in the development of the three sectors: clear growth in electricity, the recent start of solid growth in biofuels, and slow growth rates for heating and cooling.”

The success of renewable electricity and the rapid uptake of biofuels are happening because of this specific legislation and the creation of investor certainty by setting concrete targets. This gives the necessary certainty for a long-term development pathway in the broader context of the European Union.

Putting the implemented and achieved frameworks at stake by exposing them to a new legislative process between the institutions would with certainty create investor insecurity and a legislative vacuum for the years to come.

Especially at a time where the existing frameworks deliver the results as expected. If you want to research how you should change a running system one of the best acid tests you can

get is by asking the banking community for their opinion. If you want huge investments you need the financing, and you need to give the power sector the correct stable and positive signals. If you would ask them what incentives to change the running EU legislation, I am pretty sure what the answer will be.

Improve by all means but do not change!

[Slide 2]

The development in renewables electricity as you can see is impressive and well on the way to deliver the results and targets that were set. The production of 'new' RES-E, without large hydropower, in 2005 is more than the combined overall electricity production in Denmark, Portugal and the Slovak Republic.

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In the first years of this century the development of RES-E was happening only in some frontrunner countries, but as the example of wind energy shows, now we can see a second wave of countries with significant growth rates in wind energy and also other renewable energy technologies. This is in our opinion the real success of the existing directive. Member States that were behind the frontrunner countries have implemented national support mechanisms in order to reach their targets.

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This brings renewable electricity development into the mainstream of new electricity generation capacities. During the past five years more renewable energy capacity was installed than coal, oil, nuclear or other technologies together.

According to the European Commission we might fall short of reaching the target of 21% of electricity from renewable energy sources and only end up with about 19%, if no additional measures are taken. Still, the Commissions own words are:” in the electricity sector has substantial progress been made, on the basis of the Directive on renewable electricity adopted in 2001, and the targets set will almost be met.”

Our own expectations are slightly different to the Commissions observations. With a growth rate in the same range as during the past couple of years, taking into account especially the increased efforts in the “second wave” of countries, we believe that we still can meet the target of 21% by 2010.

Ladies and Gentleman,

What we will not achieve is the overall political target that was set in 1997 in the Whitepaper on renewables: A share of 12% renewables in total energy consumption by 2010.

The analysis made by the Commission shows that this is mainly due to the missing framework in renewable heating&cooling. I quote again the Commission:

“As a result of the inertia in the heating and cooling sector, even where some of the technologies are cost competitive, the lack of an appropriate policy including targets and the inability to remove administrative barriers and provide consumers with information on available technologies and inadequate distribution channels very little progress has been achieved in this sector. As a consequence, the contribution that the heating sector should have provided towards meeting the 12% overall renewable target in 2010 is insufficient.”

In my personal view and in the industries view all evidence and logic tells me the following: Successful legislation in the fields of renewable electricity and biofuels should be continued and the gap in legislation on renewable heating&cooling should be closed as soon as possible!

The Commission now suggests that a new approach is necessary to tap the potential of renewables in all Member States. We certainly support the binding 20% target from the Commission. In our discussions with the Commission leading up to January 10, we made this clear. With its proposal from the 10th of January, the Commission is suggesting a changed approach to renewables legislation by introducing binding targets while abandoning the sector specific targets used in the past years.

Why should they not be combined as binding sector specific targets ?

We need more detail to judge if the Commissions approach will be successful. The approach can be described as an agreement with the Member States: EU legislation gives you more flexibility and in return for the flexibility the targets are made binding. The approach may or

may not work - time will be the judge of that. We welcome the proposal of introducing binding targets for renewable energies.

But the devil is, as very often, in the detail.

The foundation of setting targets for the renewables industry is that these targets clearly show the way ahead and therefore they need to be set by specific sector for the three different sectors involved:

- Electricity
- Heating/cooling and
- Biofuels.

These three different sectors all contribute to a sustainable, secure and competitive energy supply, but the industries, the needs, the barriers to growth and the necessary legislative frameworks behind each are fundamentally different.

Do you think that we would come to the conclusion that we need a single directive on oil? Just because you can use oil in the sectors of transport, electricity and heating? I do not think so; it is treated under the respective legislation in the three sectors, but not by source. And this to me is very logical.

Reaching technological diversity within the renewable energy sector is crucial and the aim of any support mechanism should be to encourage and strengthen this diversity. Different renewable energy sources cover different energy needs and therefore also need different targets and legislation.

The success of European renewable energy legislation is lying in the guidance given to the Member States in defining their specific targets – so far only for electricity and biofuels. We believe that it is vital that this guidance for each of the sectors by the European Union is maintained. A step towards leaving it completely up to the Member States would mean a re-nationalisation of European policy in the field of renewables. and in a worst case scenario become involved in national self interest as we see in the conventional sector

The justification for moving away from the sector specific approach lies fully within the nature of the targets, the binding nature.

The logic of the Commission and the Member States is, that more flexibility is necessary in how to reach the targets if they are set as mandatory national targets.

What is absolutely certain, though, is that if the Council rejects the tough part - binding targets - it can not at the same time expect Europe to abandon the sector approach. A situation with an indicative overall target combined with so-called flexibility, would be a big step backwards compared to the existing framework

It would be an excuse to do nothing!. That was never the intention of either the Council, the Commission or the European Parliament. Should the Council reject the binding nature of the overall national targets, it must expect the Commission to react by continuing the sector approach.

I urge the Member States to rethink this, because this would definitely not fit in a time where all your citizens expect the opposite from you.

Without accepting binding targets there is no justification anymore to change the successful approach that we currently have.

Anyway, we do accept that Member States want to have a certain flexibility in developing different renewable energy sources according to the different potentials in different regions.

But we are firmly convinced that at least a minimum target for all sectors in all countries needs to be specified by the EU in order to guarantee technological diversity and a broad development of all sectors and continued European leadership in the renewable sector.

Therefore we urge the institutions to come forward with a proposal that guarantees the continuation of existing legislation – and I am very clear on this point- which means to not put the directives on renewable electricity and biofuels on the table for a new and full legislative process, but to at a minimum maintain them and at best strengthen them.

But, we urge the Commission to fill the gap in legislation for renewable heating&cooling as it was demanded strongly and nearly unanimously by the European Parliament. It is vital for a credible state of the art European energy strategy

Ladies and Gentleman,

The industries renewable energy roadmap, which we have prepared, shows our expectations and development forecasts of the different sectors as you can see. It shows how we can redefine the energy mix of the future but the key to its this is political vision. Good political vision leads to a stable investment environment.

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We are convinced that a share of 20% renewables by 2020 can be achieved and we are convinced that this can only be achieved with a simultaneous development in all three different sectors. Therefore clear targets must be set for all sectors in order to guarantee investor confidence all over Europe and to guarantee a broad mix of technologies in all countries. Also for correct statistical and evaluation reasons .

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If this approach is maintained, we project that a share of renewables in electricity production by 2020 of between 32% and 40%, depending on the total electricity consumption by then is a realistic goal.

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In the field of biofuels a share of about 12% seems to be realistic to us.

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If we rapidly introduce specific legislation on renewable heating&cooling, as it was demanded by the European Parliament nearly a year ago, we see a share of more than 25% as feasible.

If these developments are realised, with the necessary legislation, the overall share of renewable energies to final energy consumption of 20% by 2020 as announced by the Commission can be reached and will be a major step towards a sustainable energy future.

We, the industry, are prepared and ready to contribute to the three goals in energy supply – competitiveness, security of supply and environmental protection- as it is expected.

What we need are clear goals and stable frameworks.

Decisions need to be made soon; according to many studies our time window of keeping climate change under control is very limited. Renewable energies will deliver their contribution to fight climate change.

The energy supply structure of the European Union as of today does not guarantee a long-term stability for a secure supply. Renewable energies will deliver their contribution to increase the security of the European energy supply.

Future oil and gas price and supply development is not easily predictable and therefore the base of EU competitiveness and industrial development is unclear as long as we rely mainly on fossil fuels. Renewable energies will deliver their contribution to predictable energy prices and future competitiveness of the EU.

I very much hope that the debates during this conference will help to shape the future framework for renewable energy.

I wish you all interesting and stimulating debates during the coming two and a half days. I am glad to again welcome you all on behalf of the European Renewable industry to this event which is the most important conference on renewables held in Brussels ever, and I sincerely hope that it will form a basis for a more stable, competitive and job creating Europe. Thank you for your attention.