



# Speech

## **Speech by the Minister of Economic Affairs, Henk Kamp, at the Informal Energy Council on 11 April 2016**

Commissioner Arias Cañete,  
Ladies and gentlemen,  
Colleagues,

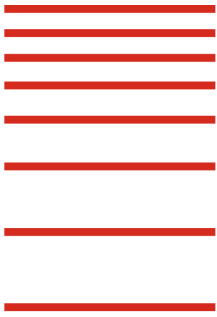
Welcome to the second day of this Informal Energy Council. I hope you've had a good night's sleep. And that you are re-energised to work on one of the biggest challenges of our generation: securing a sustainable and affordable energy supply for our children and their children.

Let me start with some good news. A few weeks ago, the International Energy Agency reported that worldwide, CO2 emissions in 2015 remained flat for the second year in a row, while the global economy grew by three per cent. Emissions were decoupled from growth mainly because renewables accounted for 90% of all new electricity generation in the world.

Bearing in mind that European businesses already own 40% of all patents for renewable technology...imagine what more they could achieve if we gave them the space they need and created a strong internal market. Moreover, in an optimal scenario of full integration of electricity markets in the EU, it's estimated that welfare gains could rise up to forty billion euros a year!

But let's be honest. The completion of the internal market still faces many challenges, in spite of the liberalisation and integration of our energy markets over the past 15 years, and in spite of increased competition and cross-border trade in electricity.

So if we're serious about market integration and internal market completion, we need to put more effort into aligning and coordinating our energy policies.



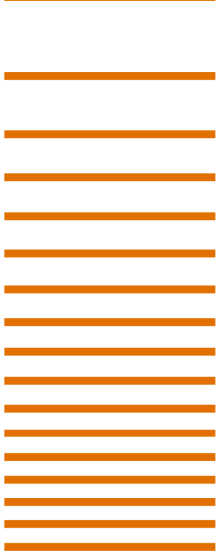
With our current patchwork of different national energy policies, we're not only failing consumers and businesses, we're making it hard to achieve our energy and climate goals. Last year's binding Paris agreement calls on the world to limit the effects of climate change and shift to more sustainable sources of energy. And the EU has presented plans to reduce carbon emissions by 40% by 2030.



To achieve these goals we need to reduce energy consumption and generate more energy from renewable sources. We have to do so while entering an era of mass electrification: new and sustainable applications in transport, housing and industry increase rather than decrease demand for electricity.



During this transition, all our countries face similar challenges:



- the cost-efficient integration of renewable energy;
- the shift from centralised conventional power plants to decentralised renewable energy production;
- the increase in demand-side participation in electricity markets;
- and the difficult task of safeguarding security of supply efficiently, now and in the long term. The lights need to stay on, but against an affordable price.

All of this requires enormous investments both in electricity generation and in our networks. To attract these investments we need to create a stable regulatory environment and make sure our markets are sending out the right price signals.

That, in turn, requires a well-functioning internal market. We all know that. However, our national policies tend to overlook cross-border effects and potential market distortions. And the market is easily distorted by capacity mechanisms and renewable support schemes, as well as other public interventions like national tariff systems, or subsidies for specific technologies.

This could fragment the existing internal market, which we would be wise to avoid. If we don't, consumers and



businesses will end up paying the price and badly-needed investments won't be made. This would further remove us from our 2050 goals and make our energy supply less secure.



The first step that member states should take to facilitate a single European energy market is to connect with their neighbours. Regional cooperation can vary in scope and focus, and the extent to which it is politically driven. Some member states are already aligning their interests and connecting networks and markets.



The Central and South Eastern European Gas Connectivity, for example, focuses on connectivity and market integration.



The Pentilateral Energy Forum promotes the integration of electricity markets by sharing capacity and through closer cooperation on security of supply. And the countries in the Northern Seas area intent to work together to cut the cost of offshore wind energy.



Regional market integration can increase energy security, reduce prices and promote further integration of renewable energy. Moreover, it will lead to more cross-border cooperation between our businesses and institutions. To more innovation, new business models and valuable market opportunities. And in the end, it will be easier to integrate a small number of regional energy forums than 28 separate national policies.



Ladies and gentlemen, colleagues,



I started with some good news and I'd like to end on a positive note.



Yes, the challenges are big. Yes, things need to change. But the good thing is: we can change. Our businesses have shown they are ready to change, too. All we have to do is make the right choices.



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We have an ambitious commissioner who has said he's preparing ambitious legislation. So today, let us be ambitious as well. Let's give him the best possible input for a clear European framework that will help us meet our common challenges and goals. For a sustainable



world and a competitive Europe.

Thank you.

