

## Second Annual Offshore Wind Conference

# Empowering Ireland's Energy Exports

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***Brendan Halligan***

*Chairman*

# 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

# Starting Point: 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 – 400,000 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 published
- Basic Proposition – Ireland a Small Open Economy
- Had to export into a Large Single Economy
- Growth formula based on Food plus FDI, and
- Low Labour Costs/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 - and urgently needed
- It will provide the springboard for economic 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 smart grid
- Although energy efficiency will be the norm
- The electricity intensity of the economy 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 is currently 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 to the EU
- 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!

# Summary of Plan



- Wind is medium term solution to decarbonised power gen
- Ireland has Comparative Advantage in wind
- We have a major potential export market on our doorstep - EU is on once-off transition to Green economy
- Plan to get ahead of the curve – by accepting that Green Power Gen and Electric Economy are inevitable

# 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
- A Single Electricity Market will be created by 2025
- Based on massive interconnection/SuperSmart Grid
- Plus uniform regulatory regime throughout EU
- And harmonised 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 export opportunity

# Policy Framework



- Separate our thinking about domestic demand and exports.
- Let On-shore satisfy domestic demand
- Devote Off-shore to exports
- Think grass as the analogy – was basis of the Whitaker plan
- **Wind is the new grass** – will be basis of new Green Economy
- 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 Wind power

# Near-term Actions

- Set ambitious long-term targets
- Supported by predictable policy
- Develop long-term strategic grid expansion plans
- Streamline planning and consenting regimes
- Raise public awareness of the benefits of wind power
- Have targeted cost reduction programmes
- Supported by R&D programmes AND
- Introduce best REFIT scheme in Europe!



# 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
- Let's help meet Germany's RE targets
- We know the UK is next door
- But first let's help meet their targets

# Open Electricity Market



- Ireland should 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/President Putin our allies

# National Development Plan



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

# Present Chaotic Structure



- 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 etc

# Development Agency



- Identify Development Zones
- Prioritise grid reinforcement
- Ensure socialisation of grid connection costs
- Choose on-shore 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 ten years up to 2020
- Target of 2 GW in total
- Phase Two will take further 15 years to 2035
- Target of 1 GW pa or 15GW in total
- Phase Three runs from 2035 to 2050
- Target of 2 GW pa or 30 GW in total



# 2050 Target



- Build about 50 GW by 2050

# Phase One Essentials



- Policy certainty for debt providers
- Fast track planning/consent procedures
- Grid reinforcement
- Socialisation of grid costs
- Build strategic partnerships with suppliers
- Set up Green Banks to provide debt
- Gain access to UK market on bi-lateral basis

# Economic Benefits

- End to hydrocarbon imports
- Creation of major export sector
- 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 real Smart Economy
- Embracing the Inevitable
- Making good use of Comparative Advantage
- And using our imagination

# Last words



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