Pacific Economic Cooperation Council (PECC)
From Prototype to Market: Development of Marine Renewable Energy Policies and Regional cooperation
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Ladies and Gentlemen

It is a great pleasure for me to be able to participate in the opening ceremony of this second PECC seminar dedicated to a theme of monumental importance, namely energy transition and the promotion of renewable energies in this aim.

This area is not only a key issue within the EU but also of increasing magnitude in the EU's relation with the Latin America region of which 5 countries are also members of the Council (PECC).

Within this context I would like to highlight some key outcomes of the EU-CELAC Summit that took place in Santiago last year, and whose focus was on “Alliance for Sustainable Development: Promoting Investments of Social and Environmental Quality”.

The Santiago Declaration along with respective Action Plan reiterate the importance of implementing actions to fight climate change and the need for investments to provide positive spill-over effects that are in turn conducive to economic growth. Two actions are to: (1) improve energy efficiency and saving as well as accessibility; and (2) develop and deploy renewable energies and to promote energy interconnection networks, ensuring the diversification and complementarity of the energy matrix.

(1) ENERGY TRANSITION AND RENEWABLE ENERGIES IN THE EU

The EU is facing a tough challenge designing an energy policy for the coming decades that will meet the competing aims of providing secure and affordable energy in an environmentally sustainable way. The EU’s domestic supply of fossil fuels is declining as gas reserves are running down. Gas imports are expected to increase to 85% of total demand by 2020 while 6 Member States depend on Russia as single external supplier for their entire gas imports. The EU’s high import dependency on natural gas (66%) poses a very real security issue to the EU in addition to highlighting the need to facilitate further development of own environmentally friendly energy sources.

High energy prices impact the EU industry's competitiveness and the rising prices for households are becoming an increasingly sensitive political issue. These are challenges faced by several economies in the world that aim to remain competitive while also promoting sustainable development. For this reason the EU has developed policy frameworks to guide Member States in this aim, i.e., *The 2020 Climate and Energy Package* and the new Communication on the *Energy and Climate Framework 2030* as a continuation to the first.

The 2020 Climate and Energy Package lays out a set of binding legislation which aims to ensure that the EU meets its ambitious climate and energy targets for 2020. These targets, known as the "20-20-20" targets, set three key objectives for 2020: A 20% reduction in EU greenhouse gas emissions from 1990 levels; raising the share of EU energy consumption produced from renewable resources to 20%; and a 20% improvement in the EU's energy efficiency. With this 20-20-20 policy framework the EU took a bold decision that was nothing short of a needed revolution for Europe's energy markets. The package and its binding renewable energy targets provided the energy sector with the necessary stability and predictability that was needed to kick start investments into immature technologies with low market shares.

Renewable energy is not anymore a wishful thinking or a utopia: it is a tangible reality, catalysing research and innovation, boosting energy markets and creating jobs (ca. 2.7mn jobs in the EU in the renewables sector by 2020).

In 2013, renewables represented the majority of new electricity generating capacity for the 6th consecutive years with a 72% shares. This is in stark contrast to a decade earlier when conventional fossil fuel accounted for 80% of new capacity in the EU plus Norway and Switzerland. Today Europe has the unique opportunity to leap into a new economic era of green growth, employment and innovation. The successful economies of the next decades will be those which decrease resource use and greenhouse gas emissions while creating businesses. We applaud that discussions on the design of a policy framework for the development of renewable energy to facilitate energy transition are taking place around the world such as in this particular forum today.

While the EU is making good progress towards meeting its climate and energy targets for 2020, an integrated policy framework for the period up to 2030 is needed to ensure regulatory certainty for investors and a coordinated approach among Member States. The framework presented by the European Commission seeks to drive continued progress towards a low-carbon economy. It aims to build a competitive and secure energy system that ensures affordable energy, increases the security of the EU's energy supplies, reduces dependence on energy imports and creates growth and new jobs. EU leaders should decide on the framework by October.

A centre piece of the framework is the target to reduce EU domestic greenhouse gas emissions by 40% below the 1990 level by 2030. This target will ensure that the EU is on the cost-effective track towards meeting its objective of cutting emissions by at least 80% by 2050. By setting its level of climate ambition for 2030, the EU will also be able to engage actively in the negotiations on a new international climate agreement that should take effect in 2020.

(2) EU TECHNICAL COOPERATION ON RENEWABLE ENERGIES

European institutions and the 28 Member States together provide for more than half of global official aid, making it the largest aid donor in the world (€55.2bn in 2012). Cooperation targets an array of areas to foster social and economic development of which renewable energies is a key field. In the case of Latin America there are regional projects aimed at the integration of climate change mitigation policies and plans into public development policies (Euroclima), the promotion of renewable energies such as solar and wind in remote areas (Eurosolar), and a newly launched project related to watershed and coastal management in the context of climate change (Waterclima).

There are also financing facilities available to projects in the region aimed at climate change mitigation and renewable energies – namely, the European Investment Bank and the Latin American Investment Facility – that provide attractive opportunities for the public and private sector to foster greater incorporation of renewables in respective countries' energy matrix.

LAIF: is a financing mechanism aimed at mixing grants (from the Commission or other donors) with loans of multilateral/bilateral public European Development Finance Institutions and Regional Latin American Banks. The main purpose is to mobilise additional financing to support investments which could not be otherwise financed either by the market or by the development financial institutions alone in areas such as: improving interconnectivity, in particular establishing better energy and transport infrastructures including energy efficiency, renewable energy systems, sustainability of transport and communication networks; and the protection of the environment and support climate change.

At the end of 2013 a €343mn solar project was signed between the Chilean government and German development institution KfW with a LAIF grant of €15mn. The aim of the program is to foster the development of concentrated solar power (CSP) as well as large-scale photovoltaic projects in Chile, which will reduce the country's dependence on imported fossil-fuel for electricity generation. One specific component of the program is to enable the construction of the first CSP power plant in South America with a targeted capacity of at least 50MW.

EIB: the EIB is the EU's non-profit lending institution - the biggest multilateral bank in the world (€242 billion capital in 2012) with competitive rates and projects in over 150 non-EU countries of 17 in Latin America. The EIB's first priority in the region is to support projects that strive for climate change mitigation and adaptation projects (e.g. renewable energy, energy efficiency, urban transport and other projects that reduce CO2 emissions). The EIB can either lend directly to a project promoter (public or private) for a project above €25mn or indirectly through a government or financial intermediary. For smaller projects the EIB can lend through credit lines to selected financial institutions, which then on-lend the funds mainly to smaller companies.

In the case of Chile, there are examples of both: (1) the EIB approved the financing of Chilean Laja Hydro Power Plant Project with a direct loan (€60mn) to the promoter GDF Suez, which provides for increasing demand of electricity from renewable energy sources, supporting EU priority objectives related to climate change; and (2) the EIB expects to finance a credit line of €200mn with Banco Santander Chile to support renewable energy and energy efficiency projects of medium to large size.

For the period 2014-2020 the EIB's mandate counts with €3.4 billion for financing projects in Asia and Latin America so there is plenty of room for collaboration on projects related to energy transition, energy efficacy, and promotion of renewables.

(3) DEVELOPMENTS ON MARINE ENERGY IN THE EU

The ocean is an enormous source of energy. The development of this emerging sector would not only help achieve our renewable energy and greenhouse gas reduction targets but it could fuel growth via innovation and create high-quality jobs. The EU has supported ocean energy research and development for years through funding research projects and promoting cooperation between stakeholders.

Ocean energy covers around 0.02% of EU energy needs and is primarily used for electricity production. Ocean energy technologies for electricity generation have progressed at different speeds. Wave energy and tidal/current energy have been actively and increasingly investigated at international level for years, whereas research into ocean thermal energy and salinity gradient energy is still in the early stages.

We believe ocean energy can play an important role in developing the full portfolio of low carbon energy sources in the medium to long term. The Commission wants to give a push to the industry to join forces to develop the technology needed for this. Therefore the Commission launched the "Ocean Energy Forum" as a platform for industry, experts and public sector representatives, which aims to accelerate the industrialization of the promising ocean energy sector. The Ocean Energy Forum was set up as a consequence of Commission Communication of last January entitled "Blue Energy: Action needed to deliver on the potential of ocean energy in European oceans and seas by 2020 and beyond". Its task is to come up with a Strategic Roadmap to tackle the obstacles in the way of tapping this vast potential. The Strategic Roadmap, which should be completed by the end of 2016, is expected to set out timelines and milestones.

The key challenge will be to move from the current phase of testing and demonstration to large-scale production and bring down costs. The onus is mainly on industry, but as with other low-carbon technologies, the Commission is willing to assist this process. We also see potential synergies between the ocean energy sector and the offshore wind sector. This concerns common challenges as regards building up a supply chain, ensuring maintenance at sea etc., but particularly the common challenges related to expanding our electricity network infrastructure.

Besides, last May the Commission presented an Action Plan for Innovation in the 'Blue Economy' to help use ocean resources sustainably and drive growth and jobs in Europe. The Commission action plan proposes among others to: deliver a digital map of the entire seabed of European waters by 2020; create an online information platform, to be operational before the end of 2015, on marine research projects and to share results from completed projects; and set up a Blue Economy Business and Science Forum, which will involve the private sector, scientists and NGOs to help shape the blue economy of the future and share ideas and results. A first meeting will take place in the margins of the 2015 Maritime Day event in Piraeus, Greece.

In addition to cooperation provided at EU level in the field of renewable energies, there have also been several actions at Member State level across the globe. As a quick example of collaboration in marine energy, the UK has cooperated with the Chilean government in the development of the policy framework for marine energy in Chile and supported two research-based projects that were developed in collaboration with Chilean stakeholders from the public and private sectors.

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Thank-you for your time and for the possibility to share the EU's experience and developments on energy transition and renewable energies. I wish for what will surely be a very successful two day seminar with fruitful discussions that can hopefully transcend into policies.