



E3G

SUMMARY NOVEMBER 2015

NORTH SEAS COUNTRIES OFFSHORE GRID INITIATIVE

OUTCOMES FROM THE 2015 OSTEND CONFERENCE AND PATHWAYS FOR THE DUTCH PRESIDENCY

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Where we are now

The North Seas Countries Offshore Grid Initiative (NSCOGI) was established in 2010 following a meeting in Ostend where the then Belgian Minister for energy Mr Paul Magnette set out a vision for how we could develop and share power in the North Seas. That was followed by the signing of a Memorandum of Understanding between ten Governments and the establishment of three intergovernmental Working Groups on the design of a future grid, market mechanisms to support regional cooperation and ways to improve the planning process.

For five years these working groups were organised by the Benelux Secretariat and on the 23rd of October this year the Secretariat organised a one day conference, again in Ostend, to consider where the Initiative should go from here. The conference concluded with the Belgian Minister for Energy Ms Marie-Christine Marghem saying she would write to her nine Ministerial colleagues, looking for them to join her in moving the project to the implementation phase. She will raise the prospect of a new five year plan for the NSCOGI on the sidelines of the meeting of the European Council of Ministers on the 26th of November next.

At the conference a representative of the Dutch Ministry of Economic Affairs also indicated that her Government would be willing to promote the development of the Initiative within the 6 months of their upcoming Presidency of the European Union starting in January. On the 4th of February they will hold a high level meeting of officials on regional co-operation and in early April an informal meeting of Ministers will consider what wider electricity market reforms are needed.

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Vice President Maroš Šefčovič has made it clear that the European Commission sees an important role for a revitalized NSCOGI within its flagship Energy Union Project. It was one of the earliest and most ambitious examples of regional cooperation but since then a variety of initiatives including the Pentalateral Energy Forum (PLEF), the Baltic Energy Market Interconnection Plan (BEMIP), the Madrid Declaration and the South East Europe Grid Initiative have advanced further and faster. A draft of the “State of the Energy Union Package” set to publish on the 18th of November indicates that the Commission intends to create a High-Level-Group for regional cooperation in the North Sea.

We need to make sure that there are no perverse incentives that maintain the current system either through incumbent generators protecting the higher returns they receive from inefficient markets or else from rents raised from congested grids, which may be used to reduce network charges in the short-run but which promote long-term inefficiencies. It is time for our political leaders to give a more powerful mandate to NSCOGI, to break this logjam and create a more efficient system.

The alternative might be to extend the Pentalateral forum or Madrid Declaration into the North Seas area. However, such a region would either be too large or it might exclude the UK and Ireland, leaving those two countries as isolated and expensive energy islands and the other countries also missing out on the savings that will come from a more collaborative approach.

A step-by-step approach is required

The implementation phase of NSCOGI will start with a series of measured steps rather than an immediate leap towards a European “Super Grid” where large offshore installations and DC circuit breakers collect and redistribute power from off-shore wind farms.

At the Ostend conference the European Wind Energy Association set out a series of practical measures, which if addressed could have an immediate effect in lowering the cost and effort in building out offshore wind farms. Such measures range from agreement on common safety standards for hoisting repair staff onto turbines to agreement on common blade design so that delivery ships do not have to be reconfigured for every individual project.

The European Commission also outlined the variety of military, marine, tourism, industrial and other energy organisations with an interest in development in the North Sea. A second important step will be to map the variety of different interests and to coordinate the environmental legislation that regulates development and planning in the area.

Public support for any development will be critical, particularly within communities that have an interest in the sensitive coastlines that border the North Seas. NSCOGI



can provide a facilitation role in sharing best practice in public consultation and ownership of new energy assets.

A further step forward could be the identification of test projects which could be supported by the European Fund for Strategic Investments (EFSI). The creation of a Special Purpose Vehicle under the EFSI would foster, and lower the capital costs of, delivering anticipatory investment in grid infrastructure and help promote common financing models which recognise the wider societal gains and not just a narrow cost benefit analysis of a particular interconnector.

Political agreement on the next phase of NSCOGI would provide a further piece in the jigsaw of market reform and governance measures that the EU is putting together to implement the 2030 climate and energy package. The legislation to deliver it will not be completed until the latter half of the lifetime of the current Parliament and Commission. This gives us time to put in place the necessary executive team that would be charged with implementing NSCOGI.

Successfully completing these immediate steps would build the confidence and mutual trust which is needed to establish the sort of Independent System Operator that could oversee the design and regulation of the regional grid. It provides the framework for a zero-carbon electricity system for Europe that could really work.

The prize

The primary beneficiary of regional cooperation has to be the end use consumer. The system benefits from trading power across borders will lower the overall cost of electricity for everyone.

Increasing interconnection will reduce the need for back-up generation capacity in each national market. This will help us manage synchronised electricity systems which have to balance increasing volumes of variable power supplies.

We are going from integrating renewables into the existing energy system to changing the energy systems to suit renewables. Markets will be designed to balance flexible generation with flexible supply rather than around large, centralised generators chasing electricity demand.

Regional electricity markets will allow us scale up the roll-out of new digital energy services to better manage the demand for electricity in this more flexible way. The resulting evolution in new “smart grid” technology will make this a “Silicon Valley”-scale industrial project, where Europe can end up selling our expertise to the rest of the world.

Lower oil prices and the depletion of fossil fuel reserves in the North Seas will see a major contraction in the marine engineering capability that has been built up over the last forty years. Investment in North Seas wind power and grid infrastructure



provides one of the best ways of retaining employment in the same industrial ports which would otherwise have to contract.

Ten gigawatts of offshore wind power has already been installed in the Northern Seas and a further twenty gigawatts of installed capacity is due to be delivered. By designing the offshore grid in a coordinated way we can keep down the option cost of a much bigger level of offshore wind power. This is one of the largest power supplies we have available to us. It could provide 8% of Europe's electricity needs by 2030, dramatically lowering our reliance on imported fossil fuels and improving our overall energy security.

The creation of this free-trade zone for renewable power is also critical to the next phase in the transition to a zero-carbon electricity system. This is one of the critical projects to give public confidence that we can do what it takes to keep within a 2-degree rise in global temperatures.

Last but not least this is a European political project where there appears to be no red line objections to greater cooperation. The market orientated nature of the project is exactly the sort of initiative that the UK Prime Minister says he wants as part of a reform of the EU. Regional cooperation will be critical to the next phase of the German Energiewende. France is the country that might benefit most from the trade and each small country has something to gain from being part of a larger interconnected system.

All that is missing is the political will to make it happen. Thankfully, the Belgian and Dutch Governments have just put this leadership issue back on the agenda. It is all to play for.

About E3G

E3G is an independent, non-profit European organisation operating in the public interest to accelerate the global transition to sustainable development. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

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