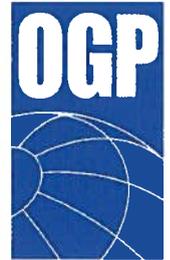


Hans Van Steen
Head of Unit C1 RES & CCS Policy
DG Energy
rue de Mot 24-26
1049 Brussels.



**International
Association
of Oil & Gas
Producers**

OGP Transparency Register number: 3954187491-70

7 February 2012

Public Consultation on Renewable Energy Strategy (Parts A, E, F, G and I)

Dear Mr Van Steen,

Many thanks for the opportunity to comment on the future Renewable Energy Strategy as part of the public consultation.

Following the adoption of the Low Carbon Economy Roadmap and the Energy Roadmap 2050, it is clear the internal energy market will have to adapt to new circumstances given the integration of significant amounts of low-carbon energy sources.

The EU has set clear CO₂ reduction targets for 2020 and 2050. Beyond 2020, OGP believes it would be more helpful for the Commission to focus on reductions in emissions of Greenhouse Gases (GHGs) rather than setting further targets for renewable energy sources. The Energy Roadmap 2050 rightly acknowledges this technology neutral approach is, as one would expect, a lower cost route to achieving carbon reductions

In order to facilitate a shift to a low-carbon energy system, OGP believes it is important to support low-carbon technologies, such as CCS, during the R&D phase. All renewables should be fully integrated into the market under normal market conditions (including exposure to price risk) as soon as possible. In doing so, cost-effective renewables will compete with conventional energy sources and a level playing field amongst low-carbon energy sources is maintained. This is consistent with the principle of the Emissions Trading Scheme in that emissions reductions are made in the most cost-effective manner.

Whereas many regions are setting ambitious targets to promote renewable energy sources, we note that various studies have shown the largest reductions in global emissions of GHGs by 2030 will actually come from a switch from coal to gas in the power generation sector (especially in non-OECD countries) and from energy savings through efficiency gains (more in OECD than non-OECD). Each of these two areas individually is expected to contribute more than renewable energy sources to savings in carbon emissions. Renewable energy mandates when supporting electricity production, distort the market and thus send inappropriate price signals for efficiency investments and fuel switching.

We are concerned that new targets for renewable energy sources may exacerbate the perverse outcomes already evident at national level where RES and CO₂ targets conflict. For example, the reliance on generation from biomass to reach targets (especially where these

Bd. du Souverain, 165 4th Floor B-1160 Brussels (Belgium)
Tel: +32 (0)2 566 9150 Fax: +32 (0)2 566 9159
Internet: www.ogp.org.uk

E-mail: Marcus.Wiemann@ogp.be Rachel.Bonfante@ogp.be crh@ogp.be Bernard.Vanheule@ogp.be
Kamila.Piotrowska@ogp.be Christine.Glorieux@ogp.be Veronique.Luyten@ogp.be

A company limited by guarantee. Registered in England, No. 183064.

plants are co-fired with high carbon energy sources) is unlikely to be an optimal solution without agreed criteria for evaluating sustainability and life-cycle emissions.

Likewise new RES targets do not take energy efficiency into account. Using electricity for heating (regardless of source) is less efficient than using gas. Gas to heat has a very high efficiency (around 80%), whereas gas to electricity for heat is less energy efficient overall, at only about 55% efficiency, even though gas-fired power is the most efficient form of power generation (i.e. better than coal, oil or nuclear). According to National Grid, this means that, on a very cold day in the UK, for example if the volume of gas required for heat was converted into electricity to deliver the same amount of heat, the UK's electricity system would need to be four times bigger in terms of size than it currently is.

We challenge the view that RES can efficiently and cost-effectively replace oil totally throughout the transport sector. Advancements in internal combustion engines and hybrid electric vehicles combined with high energy density fuels, including some cost-effective biofuels, provide the most cost-effective solutions for short and medium-term reduction opportunities of GHG (hybridisation, combustion efficiencies, light-weight materials etc.).

Finally, when considering the regional and international elements of RES development, notably offshore wind, we urge DG Energy to ensure a level playing field among the various offshore energy sectors, bearing in mind the work taking place on Maritime Spatial Planning under DG MARE.

For these reasons, OGP believes energy sector investors would have greater certainty if the Commission were to take a technologically neutral approach, one that is consistent with the EU's CO2 targets for 2050, rather than a closed approach where different energy sources are allocated a specific percentage of the EU energy market.

We trust you will take these points into consideration as part of the public consultation.

OGP remains at your disposal should you have any further questions or wish to discuss the contents of this letter in detail. Please do not hesitate to contact us.

With best regards,



Marcus Wiemann
Director EU Affairs, OGP