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Letter from: A.P. Bader

Trade Counsellor

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To: Mr Ruete

Dated: 7 January 2008

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Reports pursuant to Directive 2001/77/EC

Please find enclosed two reports pursuant to the European Directive on renewable electricity (2001/77/EC).

Annex 1:

Report pursuant to the European Directive on renewable electricity (2001/77/EC) (Article 3(2): indicative targets and measures)

1. Introduction

With this report the Dutch Government is fulfilling the requirement in Article 3(2) of Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market. Article 3(2) requires Member States to adopt and publish, not later then 27 October 2002 and every five years thereafter, a report setting national indicative targets for future consumption of electricity produced from renewable energy sources in terms of a percentage of electricity consumption for the next 10 years. The report is also to outline the measures taken or planned, at national level, to achieve those targets.

2. Objectives for renewable electricity, renewable energy and climate

Until the beginning of 2007 Dutch policy on renewable energy and climate protection had the following objectives:

- for renewable electricity in 2010: a 9% share of total electricity consumption (as formulated in Directive 2001/77/EC);
- reduction in emissions of greenhouse gases: 6% in the period from 2008 to 2012 compared with emissions in 1990 (the Dutch contribution to the apportionment among Member States of the EU commitment on the basis of the Kyoto Protocol to the Convention on Climate Change);
- for renewable energy in 2020: a 10% share of total energy consumption (laid down in the Third Energy Memorandum of 1996).

On taking office (in February 2007) the present Dutch Government, in keeping with the new ambitions expressed by the European Commission in January 2007, announced considerably tougher objectives for sustainable energy and climate protection. In connection with the climate problem and the desired sustainable energy supply, the Dutch Government has opted for the following new objectives:

- a 30% reduction in emissions of greenhouse gases in 2020 (compared with 1990), preferably in a European context;
- improvement in energy efficiency over time to a level of 2% a year in 2020;
- a 20% share for renewable energy sources in 2020.

These objectives are set out in the Clean and Economical Work Programme (September 2007). The programme describes by sector what measures and initiatives the government is planning in order to be able to achieve the intended objectives. In general it can be stated that all measures which contribute towards increasing renewable electricity's share of national electricity supply also contribute to the climate objective.

3. Targets for renewable electricity

The following is to be noted regarding renewable electricity in particular:

- The objective of a 9% share of total electricity consumption in 2010 (on the basis of EU Directive 2001/77/EC) continues to apply in full. According to current perceptions, this objective will be met.
- For the period after that (2010 to 2020) in the Netherlands to date no formal targets have been set specifically for renewable electricity.

4. Measures taken and planned at national level

4.1 *Financial measures*

- Environmental quality of electricity production: this subsidy scheme was introduced in July 2003 to promote investment in sustainable electricity. It was available until 18 August 2006 for new subsidy applications for sustainable electricity projects supplying the public network. The scheme offers a fixed payment per kWh for a guaranteed period of 10 years. The subsidy amount covers the unprofitable tip and (therefore) varies according to the sustainable energy option, the maximum being the subsidy amount for offshore wind energy. In 2004 an evaluation of the scheme was carried out which showed that a number of amendments would be desirable in order make the scheme more effective and manageable. Analyses in mid-2006 subsequently showed that, thanks to the scheme, the objective of 9% renewable electricity in 2010 (in compliance with Directive 2001/77/EC) would be met. This outcome was the reason for setting the subsidy amounts for new applications at zero on 16 August 2006. Projects already decided on before that date of course retain the subsidy for the 10-year period. The scheme is therefore closed to new applications. By taking this action the then government placed decisions about the continuation/introduction of a new promotion instrument for the period possibly after 2010 in the hands of the prospective new cabinet.
- The transitional or fermenters' scheme: subsidy scheme for farmers with advanced plans for a relatively small fermentation installation (<2 MW) which were thwarted by setting the subsidy amounts for new applications for the environmental quality of electricity production scheme at zero (in August 2006). By means of this scheme (introduced in December 2007) subsidies (comparable to the Environmental quality of electricity production scheme) were still made available to a specific target group after August 2006 subject to conditions. The scheme has since been closed. Total power of the fermenters receiving support: approximately 50 MW.
- Decree on promoting sustainable energy production: the improved successor to the environmental quality of electricity production scheme. The decree covers subsidy provision for the production of renewable electricity, the production of electricity using the combined heat and power process and (new compared with the environmental quality of electricity production scheme) the production of renewable gas. This scheme will have to make a significant contribution towards achieving the new sustainable energy and climate objectives for 2020. In contrast to the environmental quality of electricity production scheme, it is not open-ended. Each year the Minister for Economic Affairs sets by ministerial regulation a maximum budget for the provision of subsidies. In doing so, a distinction can be made by main categories and categories of production installation (for renewable electricity: wind energy on land and at sea, biomass, solar energy, etc.). The main category renewable electricity means in practice that the possibility of subsidy for sustainable electricity under the environmental quality of electricity production scheme is continued under the decree on promoting sustainable energy production. The previous scheme's subsidy period of at most 10 years continues to apply in principle. A new feature is the possibility of shortening or lengthening the subsidy term for certain categories of production installation. Another major difference between the two schemes is how the subsidy amount is determined. In both cases this is done on the basis of the unprofitable tip (the difference between the costs and the profits). The distinction between the two schemes is that under the environmental quality of electricity production scheme the subsidy was based on the expected unprofitable tip, whereas under the new scheme the subsidy is based on the unprofitable tip

actually achieved. Subsidies will finally be allocated through tenders or according to the order in which applications were received. In the meantime the Dutch Parliament has approved the scheme, subject to approval by the European Commission. It is expected that the scheme will be able to enter into force at the beginning of 2008.

- Energy Research Subsidy: an energy-wide programme aimed at expanding knowledge in the Netherlands of (inter alia) sustainable energy (including renewable electricity). The programme comprises four subsidy schemes for non-conventional research, long-term research, medium-term research, and demonstration projects. The budgets made available each year are allocated to project proposals via tenders.
- Energy Investment Allowance: a tax-incentive scheme to promote investment in inter alia renewable energy projects. Enables those undertaking renewable energy projects to deduct a certain percentage of the purchase value from the taxable profits.
- Green investment: means that (subject to certain conditions) an investor in a renewable energy project can obtain finance from a Green Fund on favourable terms. The interest which a Green Fund charges is 1-2% below project financing.

4.2 *Non-financial measures*

These comprise a large number of activities and measures. Particularly important are the efforts directed at the two renewable electricity options biomass and wind energy. A brief summary of the most striking initiatives and measures is given below:

- In 2005 an amendment was made to the Law on spatial planning (Article 39a et seq) enabling central government to coordinate decision-making on projects of national importance. This is known as the national projects procedure. In connection with that, the Bureau for Energy Projects was set up with effect from 1 January 2006; it coordinates the granting of licences for energy projects (including particularly wind projects) undergoing the national projects procedure. Coordinating licences, exemptions, dispensations, etc. from various authorities such as municipalities, provinces, water boards, etc. can save a lot of time during the preparatory phase of a project.
- Through the DEN programme (run by the Ministry of Economic Affairs' implementation organisation SenterNovem), supporting and promoting initiators and local authorities in carrying out biomass projects – including via the Centre for Bio-energy Licensing.
- (Further) shaping and introduction of sustainability criteria, including a certification route for biomass coupled with development of a reporting manual for biomass in relation to granting subsidy through the Decree on promoting sustainable energy production.
- For wind energy on land, shaping and implementing a national action Plan for wind energy as a follow-up to the agreement (BLOW) which was concluded in 2001 between central government, the provinces and the municipalities and which aimed to build at least 1 500 MW of wind power by 2010. That goal has since been achieved. The new action Plan will be directed at doubling present wind power (2 000 MW) by 2011. This means at least a commitment to 2 000 MW extra power by 2011.
- For wind energy at sea, over the forthcoming period the problems relating to choosing a location in the North Sea will have to be resolved. This will make it possible to offer spatial prospects from 2011 for strong growth in wind energy at sea until after 2020. The starting point is that in the period 2007-11 a commitment for 450 MW of wind energy at sea is made via the Decree on promoting sustainable energy production. A demonstration project initiated by the Ministry

of Economic Affairs officially started operating in the spring of 2007. Over the coming years the research programme linked to that project will generate new knowledge and information (technical/economic and ecological) about wind at sea.

Annex 2:

Report pursuant to the European Directive on renewable electricity (2001/77/EC) (Article 3(3): achievement of national indicative targets)

1. Introduction

With this report the Dutch Government is fulfilling the requirement in Article 3(3) of Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market. Article 3(3) requires Member States to publish, for the first time not later than 27 October 2003 and thereafter every two years, a report which includes an analysis of success in meeting the national indicative targets taking account, in particular, of climatic factors likely to affect the achievement of those targets and which indicates to what extent the measures taken are consistent with the national climate change commitment. The following report under Article 3(3) concerns 2005 and 2006 (the previous Article 3(3) report having described the situation in 2003 and 2004).

2. The Dutch objectives for renewable electricity and climate protection

The following objectives are important:

- for renewable electricity in 2010: a 9% share of total electricity consumption (as formulated in Directive 2001/77/EC);
- reduction in emissions of greenhouse gases: 6% in the period from 2008 to 2012 compared with emissions in 1990 (the Dutch contribution to the apportionment among Member States of the EU commitment on the basis of the Kyoto Protocol to the Convention on Climate Change);
- for renewable energy in 2020: a 10% share of total energy consumption (laid down in the Third Energy Memorandum of 1996).

In general it can be stated that all measures which contribute towards increasing renewable electricity's share of national electricity supply also contribute to the climate objective.

In the meantime (2007) the Dutch Government, in keeping with European policy, has introduced new, considerably tougher objectives for sustainable energy and climate protection.

3. Production figures for renewable electricity in 2005 and 2006

Production of electricity from renewable energy sources in the Netherlands comprised 7 020 GWh in 2005 and 7 589 GWh in 2006. Total electricity consumption in 2005 and 2006 was 114 471 GWh and 116 085 GWh respectively. Nationally-produced renewable electricity's share of national consumption therefore came to 6.13% in 2005 and 6.54% in 2006. Table 1 gives an overview of the contributions of the various production technologies for renewable electricity towards total production for 2003 to 2006. The main growth is in the application of biomass and wind energy. Based on the current trend, it is expected that the objective of 9% in 2010 will be achieved.

Table 1: Electricity production (GWh) from renewable energy sources in the Netherlands

	2003	2004	2005	2006
Flow sources total	**1 421**	**2 006**	**2 189**	**2 874**
Water power	72	97	88	106
Wind energy	1 318	1 876	2 067	2 733

Solar energy	31	33	34	35
Bio-energy total	**1 716**	**2 441**	**4 311**	**4 132**
Waste incineration	959	902	1 001	1 029
Biomass incineration	757	1 539	3 310	3 103
Other	508	509	520	583
Total national production	**3 645**	**4 956**	**7 020**	**7 589**

Reduction in CO2 emissions
According to the methodology laid down in the Protocol on monitoring sustainable energy, national production of renewable electricity led to a reduction in CO2 emissions of 5.66 Mtonnes in 2005 and 6.17 Mtonnes in 2006.

Climatological factors
The only climatological factor with a possibly significant effect on the production of renewable electricity in the Netherlands is the amount of wind.
The annual amount of wind is recorded using an index comprising the quotient of the amount of wind measured in a year and the average amount of wind (since 1988). In 2005 the amount of wind comprised 92% of that average: index = 92. In 2006 the amount of wind comprised 95% of that average: index = 95.
(*source: Wind Service Holland*)