

Speech by the Minister of Economic Affairs, L.J. Brinkhorst, on the occasion of the DOW Energy Award, 1 September 2005, Van Nelle Ontwerfabriek, Rotterdam

[Intro]

Ladies and Gentlemen,

I am very pleased to be able to address you today on the occasion of the 50th anniversary of DOW Benelux. Fifty years ago, DOW Benelux started with a small sales office right here in Rotterdam. Today, the company is one of the largest employers in the southwest of the Netherlands, with 2,200 employees in Terneuzen alone.

I am equally pleased I have been asked to present the DOW Energy Award after my address. This is an annual award that was established in 1983 for energy innovations in the process industry.

To be honest, I consider myself almost the godfather of this award, as it came into being as a direct result of the energy efficiency trophy DOW received from my Ministry in that year. I was also asked to present the award on a previous occasion, when I was still a Director General of the European Commission.

The DOW Energy Award is representative of the value DOW places on sustainable development. This is also recognised by the rest of the world: last June DOW received the Responsible Care Award from the Association of Dutch Chemical Industries for the second time running.

[Ambitions of the Ministry of Economic Affairs and petrol prices]

My Ministry is also dedicated to sustainable development. The energy policy is an important way of giving shape to our ambitions.

Concerns about the diminishing security of supply, rising prices and potential climate change require an ambitious energy policy, aimed at improving the security of supply and combating climate change. 'Clean', 'reliable' and 'cost efficient' are the keywords in this endeavour.

The issue of cost efficiency, especially with regard to petrol, has been in the news a lot recently. In the Netherlands, the high price of oil has resulted in calls for tax reductions. I am not a proponent of such reductions, for two reasons.

Reason one: the high price reflects the scarcity in the market. Government intervention in the way the market functions generally does more harm than good.

Reason two: energy taxes serve an important purpose, namely highlighting and combating the social cost of energy consumption, which is environmental pollution. Reducing taxes would send the wrong signal. Rather, the high energy prices must be used as an incentive to limit usage and preserve supplies.

However, the Government did want to make a goodwill gesture and it was therefore decided to skip the annual petrol price indexation for one year.

[Three policy directions from the Energy Report]

I have documented my ambitions with regard to energy in the Energy Report that was submitted to the Lower House in July.

It is obvious that the Netherlands cannot single-handedly realise its energy policy. This is why, in the Energy Report, I opt for increased focus on the international energy policy. An international climate coalition is an absolute condition for effectively combating the climate change. Equally, security of supply can only be improved by means of international energy diplomacy.

A second important policy direction is increased focus on energy efficiency. With the emphasis on the spectre of sustainable energy provision, this aspect has recently gained not enough attention. However, the transition to sustainable energy sources will take several decades. In the meantime we must use our fossil fuels with the utmost care.

Thirdly, the way to achieve sustainable energy provision is by means of transition. Transition stands for collaboration between all the stakeholders, the joint formulation of objectives and the creation of room for experiments and innovation. The metaphor that is often used for transition is that of a journey. Together we choose our destination, but the exact route may differ for each stakeholder and will also depend, to a large extent, on developing insights.

I would like to further clarify these three policy directions from the Energy Report. Needless to say, I will be paying the necessary attention to the role of industry.

[1. Increased focus on the international energy policy]

I would like to start with the international dimension. The energy policy is increasingly becoming a matter for international collaboration. The diminishing security of supply in Europe demands an active energy policy from the EU, aimed at changing geopolitical relations.

The Netherlands wants to make an active contribution. Via the International Energy Forum, among other routes, the Netherlands is and remains closely involved in international energy diplomacy.

With regard to the climate problem an isolated EU policy will not be effective. The European contribution to global carbon dioxide emissions is too limited for that.

Fortunately, there has been positive news from the US in recent months. The US Congress has adopted a new Energy Act. When the House approves the Act a long-term impasse will have been broken. The new Act gives a considerable impulse to more sustainable energy provision. Nearly 15 billion dollars have been reserved for tax-deductible items. Of this, some 3 billion will go to sustainable energy and over 2 billion to energy efficiency.

I applaud the efforts of the US in the area of technology. In Dutch energy policy innovation also plays a crucial role, both in improving the security of supply and in climate policy. In my innovation policy I aim to promote sustainability even more intensively.

However, I must make an additional comment with this last statement. The technology push in my view is not sufficient. A sound climate policy with accountable objectives is an essential pre-condition for actual implementation.

The invitation to the US to join the existing climate coalition remains open. This remains the way *par excellence* to make a true global stand.

In Europe we also need more collaboration. The Sustainable Energy Forum will open in October. At the request of the European Commission, the Netherlands will be hosting this European platform for the next five years. The objective of the Forum is to coordinate policy with respect to sustainable energy and energy efficiency at EU level.

[2. Increased focus on energy efficiency]

This brings me to my second policy direction: energy efficiency. In recent years there has been relatively little focus on this aspect. However, it remains an important way to improve the security of supply and combat climate change.

In the Energy Report I have included an energy efficiency objective per supplied product or service of 1.3 percent by 2008 and 1.5 percent by 2012. In transport and residential areas in particular, a lot of savings can be made.

Consider, for instance, putting a price on mobility or issuing homes with energy labels. Another option is the introduction of 'smart meters' that provide consumers and suppliers with more insight into energy consumption and so encourage energy efficiency.

In industry a lot has already been done in the area of savings. But there is always room for improvement. An aspect like chain efficiency offers opportunities for saving even more energy. Collaboration within the production chain is complex. Parties have to get to know and trust each other and learn to work together. However, good results can be achieved with chain efficiency.

The paper industry may be considered a forerunner in this area. With the support of the Ministry of Economic Affairs this sector has been working on chain efficiency for the past two years, with the objective of reducing energy consumption per product by 50 percent in the year 2020. In November I will be receiving the strategic innovation agenda that must realise this objective, something I look forward to.

What I look forward to even more is rolling out this approach to other energy-intensive sectors. The chemical industry is certainly one of these. As an important player and socially aware company I would like to invite DOW play a leading role in this rollout. You can count on my support in your efforts. The Ministry of Economic Affairs is working on a special leader's programme to stimulate chain efficiency in other sectors.

The existing benchmark agreement continues to be an important policy tool for the Ministry of Economic Affairs to stimulate energy efficiency in industry. DOW is one of the parties to this Agreement, which came into effect in 1999. The objective is for all parties to be world leaders in the area of energy efficiency by 2012.

Because of the introduction, this year of carbon dioxide emission trading system, the agreement was amended slightly. Companies that are subject to this trade no longer need to submit a savings plan because they can meet their objective by means of emission trading. The Ministry of Economic Affairs is therefore studying the different definition of the benchmark agreement, for instance by means of a stronger link to chain projects.

We are considering innovation performance contracts, to be signed within an operational chain. These contracts would specifically focus on improving energy efficiency in the chain.

For those sectors that are not subject to emissions trading I would like to introduce a tradable energy efficiency certificate. Energy suppliers would be obliged to save a certain amount of energy by implementing energy efficiency measures for their customers. In exchange, the energy company would receive certificates that are tradable. Initial consultations about these plans with energy companies have already taken place.

[3. Transition]

The third policy direction I would like to highlight here is transition, although this is more a method than a policy direction.

It is expected that, until 2050, the global demand for energy will only increase, whereas the supply of oil and gas will decrease. It is therefore essential to make the transition to a sustainable energy system. This will be one of the major challenges of this century.

The consequences of the transition will affect our existence in a number of ways. The transition requires new technologies, international collaboration, the sharing of knowledge. The Netherlands can make a contribution, whereby we must concentrate on the areas in which our country excels. These are, for instance, natural gas and transport, but also efficiency in industry and the use of more sustainable feedstocks in the chemical industry. This way, we also uncover new opportunities for the Dutch business community.

The Dutch objective is to generate 10 percent of our energy use in a sustainable manner by 2020. Whether we will succeed in this endeavour depends on a lot of factors, one of which is technological breakthroughs. One way or another, we want to travel in the right direction by means of energy transition.

As I mentioned before, transition stands for collaboration between all the stakeholders *and* for innovation. Transition is *the* way to get the learning curve of sustainable energy system going and keep it going. Companies, knowledge institutes and the Government must search for a new division of roles. After all, steep learning curves are not achieved with the old pattern whereby the Government sets the rules, the knowledge institutes do the research and the companies make the money. The objective is to complement and encourage each others' efforts.

Finding out how this is best achieved is also a learning process. This is why, among other things, we are currently gaining experience with our policy with regard to offshore wind energy. This is given shape as a transitional path whereby permits and subsidies are issued in rounds.

It is the intention for every new round to get the benefits from the previous round in terms of lower costs, improved insights in natural and environmental effects and gradual integration in the National Grid.

For instance, as early as this year Shell and Nuon are starting the construction of the Offshore Windpark near Egmond aan Zee. The Ministry of Economic Affairs will contribute 27 million Euro and also support the operations. A lot of research will be carried out as the park progresses, for maximum learning benefits.

[Conclusion]

Ladies and gentlemen,

I herewith conclude my speech. I have talked about internationalisation of energy policy, about energy efficiency and about transition, with the ultimate objective of sustainable energy system. It is for this reason that the Energy Report bears the title 'Now for Later'. The task is huge, but the same applies to the benefits for our society: innovative opportunities for the business community, competitive advantages and an energy system that will not cause further climate change, but that will have inexhaustible sources. Companies like DOW have an important role to play in these efforts, and are already doing so. I encourage you to proceed in your chosen direction.

[Award]

The moment has arrived that I may announce the winner of the Dow Energy Award 2005. The winner is someone who has greatly contributed to the development of a new generation Diesel engines. Engines that are cleaner, more quiet, energy efficient and also more powerful. I'm talking about mister Peter Kok. Peter Kok heads a team at DAF Trucks that has been working on the new MX motor. According to the jury mister Kok combines a vision on sustainability with creativity, innovation and technical ingenuity. I'm therefore very pleased to present him with this Award.