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WWF *for a living planet*

Trevor Cooper,
DETI Finance Director,
Netherleigh,
Massey Avenue,
Belfast
BT4 2JP

Reference: DETI budget 2010/11

15 February 2011

Dear Mr Cooper,

WWF Northern Ireland appreciates the opportunity to comment on the draft DETI budget for 2011-15.

The draft budget 2011-15 allocates £10 million for grid investment. The 2010 SEF stated, on page 7, that

"*NIE estimates that around £1 billion of grid investment is likely to be required to support a target of 40% renewable electricity*"

This means that only 1% of the amount NIE estimated is needed for grid improvement has been allocated by DETI in this draft budget. WWF Northern Ireland would be interested to learn what DETI's rationale is for committing only 1% of the necessary funds for a target set by DETI and restated on page 7 of the DETI draft budget? This massive shortfall also raises the question of where DETI expect the remaining funding necessary for grid enhancement will come from? Is this minimal funding from DETI an indication that DETI expects the majority of the funding for the anticipated grid enhancement and expansion will come from the private sector?

WWF Northern Ireland understands that as part of the cutbacks the Renewable Heat Initiative (RHI) is now unlikely to proceed this year, which is disappointing as there is an urgent need to decarbonise heat provision in Northern Ireland and saw the RHI as a positive means of encouraging the development of renewable heat.

A major concern for WWF Northern Ireland is that there is little or no reference to the need to develop a low carbon economy, not the means by which this might be achieved. Northern Ireland remains overly reliant on imported fossil fuels, which provide approximately 99% of our primary energy needs(1). This also means that much of the huge potential that exists for renewable based energy generation and job creation in Northern Ireland is not being developed, while more progressive economies are already moving towards a low carbon future with the added benefit of large numbers of 'green' jobs created by the new and expanding renewables industries. In the 1970's Denmark was in a similar position to the one Northern Ireland is currently in, as it was reliant on imported fossil fuel from the Middle East for 99% of its energy supply. Following the oil crisis of the early 1970s Denmark moved to tackle this problem and now 16.6% of the total energy consumption in Denmark comes from renewable sources(2). Since 1993 the

(1) AEA Technology Executive Summary of a report on the assessment of the potential for bioenergy development in Northern Ireland Report to DETI October 2008

(2) http://www.nordicenergysolutions.org/performance-policy/denmark/renewable-energy-in-denmark

Danish government has provided over £1.3 billion in support to the wind industry, which is now one of its major industries. The Danish wind industry companies now have more than a 50% share in the global market, with annual revenues from this sector of approximately £2.7 billion, the vast majority of which comes from export markets[3]. As of 2009 wind power supplied over 20% of Denmark's electricity[4] .

Germany has also realised the benefits of moving down a low carbon path. In Germany in 2009 more than 10% of all energy and more than 16% of electricity was generated from renewables[5]. Interestingly, in 2007, renewable energy sources in Germany generated more electricity than the entire UK nuclear fleet[6]. Despite the recent economic crisis, the contribution from renewables increased, and as a result of rising investment, which reached a total of €17.7 billion, employment in the sector grew. As of 2009, more than 300,000 people are employed in the renewable energy sector in Germany (as compared to 12,000 in the UK in 2008)[5]. The German government already has a target to cut CO_2 emissions by 40% against 1990 levels by 2020, which it estimates will generate savings of €5bn in private households and industry by 2020, and that on average, every tonne of CO_2 saved has a saving effect of €26[7].When Germany adopted the second package implementing the integrated energy and climate programme, Federal Environment Minister Sigmar Gabriel[8] said it

"*protects the climate, lowers energy costs for our citizens and will create more than 500,000 additional jobs by 2020*".

There are many other studies which highlight the potential employment benefits from investing in renewable energy. For example, a recent report on offshore renewable energy[9], estimated the job creation potential for the UK as ranging from 70,000 (lowest scenario where offshore renewables meet 50% of UK electricity demand) to around 430,000 jobs (highest scenario where offshore renewables meet 50% of UK electricity demand and export an amount of electricity equivalent to 25% of the EU's electricity demand).

The potential economic opportunities offered by moving to a low carbon economy were highlighted by the Carbon Trust[10], which found that there is the potential to create more than half a million jobs (564,000) in renewables in the UK with between 8,470 and 33,124 jobs, in a sector that could be worth almost £1 billion (£989M) in Northern Ireland alone. Though wind power will continue to be the dominant renewable energy source in Northern Ireland, tackling climate change needs a multi faceted approach and other options such as bioenergy and marine renewables have a role to play. According to the Carbon Trust, the UK could generate up to £70 billion for the economy and almost 250,000 jobs in offshore wind and wave power[11]. A 2009 report by IWEA and Deloitte[12] found, in order to provide the 7,800 MW of wind power needed on the island to meet the current renewable energy targets, the Irish wind energy sector will involve approximately €14.75 billion of investment, of which €5.1 billion will be retained in the Irish economy by 2020 (€4.3 billion in RoI and €786 million in NI).

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(3) REF Building options for UK renewable energy Carbon Trust

(4) Renewable 21 Global Status report http://www.ren21.net/globalstatusreport/REN21_GSR_2010_full.pdf

(5) http://www.erneuerbare-energien.de/files/pdfs/allgemein/application/pdf/ee_in_deutschland_graf_tab_2009_en.pdf

(6) http://www.greenpeace.org.uk/climate/the-case-against-coal-frequently-asked-questions

(7) "Effects of the Expansion of Renewable Energies on the German Labour Market with Special Consideration of Foreign Trade" carried out 2004-2006 by Baden-Württemberg's Centre for Solar Energy and Hydrogen (ZSW, Stuttgart; project management), the German Institute for Economic Research (DIW, Berlin), the German Aerospace Center (DLR, Stuttgart) and the Institute of Economic Structures Research (GWS, Osnabrück).

(8) http://www.erneuerbar.info/inhalt/41914/42719/pdf/pdf/41914.pdf

(9) Offshore Valuation Report (July 2010 – http://www.offshorevaluation.org/

(10) Carbon Trust Supply Chain 2008

(11) Carbon Trust *Focus for success: A new approach to commercialising low carbon technologies*

(12) *Jobs and Investment in Irish Wind Energy Powering Ireland's Economy* Deloitte and IWEA 2009

Now is the time to start making the decisions necessary to invest in a low carbon economy, as the CBI have argued[13]

"*We must not allow the global economic crisis become an excuse for inaction on climate change*" [14]

Similarly a HSBC evaluation[15] of the various economic stimuli packages around the world highlighted the benefits of tackling climate change and noted that amongst the arguments for a low carbon stimulus

"*The low-carbon economy can also be a job rich economy at a time of soaring unemployment, particularly through enhancing building efficiency, either via retrofit or new construction, and improving mass transit*."

There is also the issue of peak oil. According to the BP Statistical Review of World Energy 2008 there is only 41.6 years supply of oil left, at current rates of consumption, but global oil consumption rose 1.1% in 2007. A report by Uppsala University[16] concluded global oil production has already peaked and that

"*It is unlikely that future world crude oil production will ever return to the levels seen in 2008*"

The volatility in oil price has a major impact. In July 2008 oil reached an all time high of $147 a barrel before dropping back to under $40 a barrel by the end of the year. The impact of this volatility was highlighted by the Economist Dr. Shimon Awerbuch of the University of Sussex, UK who said [17]

"*Oil price spikes between 2000 and 2005 cost the EU EUR 400-700 billion, which is more than the estimated total investment needed to meet the EU target of 20 per cent renewables by 2020*,"

Energy policy is also key to tackling climate change as more than 75% of all man made emissions of Carbon Dioxide (CO_2), come from burning fossil fuels[18] - the remainder coming from deforestation and cement manufacture. The pressing need to find alternatives to the current system and in particular, to oil, was highlighted by the International Energy Agency in 2008 [19] which said

"*The world's energy system is at a crossroads. Current global trends in energy supply and consumption are patently unsustainable – environmentally, economically and socially. But that can – and must – be altered; there's still time to change the road were on*"

Despite all of this, the challenges resulting from the 2008 EU Energy Package, which requires the UK to generate 15% of its energy from renewables, and the Assembly motion passed in June 2008[20] which, amongst other things, called on the Executive to give further priority to measures to promote energy efficiency and combat fuel poverty, drive a coordinated energy policy to diversify our energy supplies, reduce our reliance on fossil fuels and harness the full potential of renewable energy, more than ten years after energy policy was devolved, Northern Ireland still lacks an integrated, strategic, long term plan to take Northern Ireland down a low carbon path, though this is urgently needed and a clear steer in the DETI budget would be crucial, if not essential to achieving that transition. As such WWF Northern Ireland believes that the DETI budget needs to be amended to include an outline of what actions will be taken, when and by whom and at what cost to move Northern Ireland down a low carbon path.

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(13) CBI *Climate change tracker* 2008 available at http://climatechange.cbi.org.uk/reports/00081/

(14) CBI Director-General Richard Lambert speaking at CBI's Climate Change Summit in London 2 December 2008, see http://climatechange.cbi.org.uk/press_release/00091/

(15) HSBC *A Climate for Recovery* Climate Change Global February 2009

(16) The Peak of the Oil Age – analayzing the world oil production Reference Scenario in World Energy Outlook 2008 published Energy Policy Volume 38, Issue 3 March 2010 pages 1398-1414

(17) http://www.vestas.com/en/media/win%5Bd%5D/article-display.aspx?action=3&NewsID=1823

(18) IPCC, (2007) Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change [Solomon, S., D. Qin, M. Manning, Z. Chen, M. Marquis, K.B. Averyt, M Tignor and H.L. Miller (eds.)] Cambridge University Press.

(19) International Energy Agency *World Energy Outlook* 2008 (p37).

(20) Assembly motion 30 June 2008 http://www.niassembly.gov.uk/record/reports2007/080630.htm#14

The current level of CO_2 in the atmosphere as of January 2011 is 391ppm[21]. It has been predicted that the atmospheric concentration of CO_2 needs to be stabalised at 400 ppm, as above this level runaway climate change becomes increasingly likely. As outlined in WWF's Climate Solutions 2[22], runaway climate change is almost inevitable without specific action to implement low carbon re-industrialisation over the next few years, with the point of no return estimated to be 2014.

As such, WWF Northern Ireland regards it as essential that decisions that will lead Northern Ireland down a low carbon path must be made now and equally that decisions and investments that lock Northern Ireland into a high carbon future must be avoided. In this context the fact that there is only one explicit reference to a low carbon economy, on page 29 paragraph 4.12, is disappointing and indicative of the fact that the development of a low carbon economy does not have a high enough priority.

Yours faithfully

Malachy Campbell
Policy Officer WWF Northern Ireland

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(21) http://co2now.org/

(22) Climate Solutions 2: Low-Carbon Re-Industrialisation. A report to WWF International based on the Climate Risk Industry Sector Technology Allocation (CRISTAL) model, available at http://assets.wwf.org.uk/downloads/climate_solutions_2_executive_summary.pdf