

EXECUTIVE SUMMARY AND KEY RECOMMENDATIONS

EXECUTIVE SUMMARY

The Netherlands, a north-west European country, has an advanced economy, a modern energy system and well-developed energy markets. The country's strategic location makes it an important transit and trade hub for natural gas, oil and electricity. The country also has significant natural gas production and a large oil-refining industry. To further enhance continental energy security, the government takes a leadership role in the development of electricity and natural gas markets, pushing forward important policies, market design regulations and infrastructure to better integrate and harmonise the existing national and regional markets. Recently, the government has addressed the global challenge to confront climate change and create a sustainable energy future, setting ambitious targets for improved energy efficiency, greater deployment of renewable energy and reduced carbon dioxide emissions. To meet its own goals – as laid out in its Clean & Efficient programme, in the *Energy Report 2008* strategy and in the Energy Transition framework – the government has proposed strong policies and measures and increased the budget, particularly for energy research and development. The IEA applauds these efforts, and urges the government to continue on this certainly difficult, necessary and, ultimately, rewarding path. Now that the government has set out its policy framework, attention must turn to the challenging task of implementation.

BUILDING ON A SOUND POLICY-SETTING FRAMEWORK

Sound energy policy necessarily involves balancing energy security, environmental sustainability and economic growth (the so called "3 Es"). Dutch policy making has explicitly confronted these three pillars. The policies that the government has laid out in its recent Clean & Efficient programme, in the *Energy Report 2008* strategy and in the Energy Transition framework continue to balance these challenges. Furthermore, the policy-setting framework clearly identifies the need to co-ordinate policies and measures across ministries and platforms, a notoriously complex and difficult task to which the IEA encourages the government to continue to pay close attention. With respect to the Energy Transition framework, it is key that it include an international component; successful development of technological solutions to the sustainability challenge requires international collaboration along with domestic efforts.

The IEA urges the government in taking forward its policies to have particular regard to the need for policy continuity, clarity and decisiveness. The most notable case of the lack of policy continuity is the government's promotion regime for renewable energy. The old scheme ended abruptly in 2006. A new programme came into effect over a year after the previous regime had ended. Such stop-start policies drastically undermine the effectiveness of the financial support the government provides and harm the long-term development of renewables. Policies need to be stable and of a sufficient term to underpin a sustainable investment climate.

Turning to policy clarity, there are some concerns that the complex layers of efficiency and climate policies – particularly the benchmarking covenants, long-term agreements and the European Union Emissions Trading Scheme (EU-ETS) – may produce sub-optimal results in the industrial sector.

Policy decisiveness should also be enhanced. Noting the success and benefits of the Dutch polder model¹ of policy collaboration and consultation, the IEA nonetheless urges the government to be more decisive where possible. A key example is on nuclear power. It is commendable that the government is beginning to consider whether nuclear could play a larger role in the country's future energy mix. Delaying a final decision until after 2011, while leaving time to build consensus, also leaves uncertainty about a technology that requires significant lead time to be planned, built and go on line. The government should come to a clearer position as early as possible, using the time to 2011 to create the necessary building blocks and regulatory framework to allow for a timely decision to be taken.

COMPLEMENTARY, NOT COMPETING, SUSTAINABILITY TARGETS

The government has recently laid out an ambitious energy and climate agenda under its Clean & Efficient programme and its *Energy Report 2008* strategy. This agenda calls for a 30% reduction in greenhouse gas (GHG) emissions from 1990 levels, 20% renewables in the energy mix, annual energy efficiency improvements of 2% (double the current rate) and completing a big step in the transition towards a more sustainable energy system by 2020. These targets are closely linked to, but more ambitious than, the proposed 20-20-20 targets for the EU.² The IEA is pleased to see the government set such bold targets, but has some reservations that the piling on of different

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1. The traditional Dutch polder model is characterised by consensus decision making. The key characteristic of the polder model is tripartite dialogue and consultations among unions, employers and the government.
 2. The 20-20-20 by 2020 targets include: *i*) Reducing GHG emissions by 20% from 2005 levels; *ii*) Increasing the share of renewable energy in energy consumption to 20%; *iii*) Increasing energy efficiency to reduce energy demand by 20% from business-as-usual level in 2020.

targets could lead to less-than-optimal results. The government is encouraged to ensure that the targets complement each other. Taken together, the targets should help to achieve the overall greenhouse gas target, and not increase the complexity and cost of achieving it.

When considering new targets in the future, the government should continue to undertake the necessary cost-effectiveness evaluations and ensure coherence with current strategies and targets. It should avoid as much as possible political pressure to set targets or goals without undertaking these steps.

TACKLING AMBITIOUS SUSTAINABILITY CHALLENGES AND TARGETS

The Dutch government has set out clear targets to address sustainability challenges. It should now quickly put in place the bold – and potentially painful – policies and measures that will allow the country to achieve these targets. These fast-approaching targets require even more active government and policy co-ordination and co-operation than is already in place in the Netherlands. The government must continue to ensure that such collaboration across ministries and between local, regional and national authorities begins as early as possible in policy development, and continues during the implementation phase. Not only will these ambitious targets require extra attention to collaboration at the outset, but they will also require a phase shift in intensity of the policies and measures necessary to achieve them. The government also needs to implement these policies quickly. Successful implementation and meeting sustainability goals will also require continued, active and open dialogue with the public.

KEY RECOMMENDATIONS

The government of the Netherlands should:

- ▶ *Build on the sound policy-setting environment in place by enhancing policy stability and continuity, as well as timely decision making.*
- ▶ *Proceed carefully with its suite of sustainability targets, and consider elevating the carbon dioxide target to primacy, using other targets to guide the country to success.*
- ▶ *Remain aware that the ambitious sustainability goals that have been set will require effective government co-ordination, early implementation of policies and potentially painful policy choices.*