DRAFT 2

Speech by Raimonds Vējonis, Vice President of the Baltic Assembly during the seminar on "Policy Challenges in Energy Efficiency and Renewable Energy"

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Ladies and Gentlemen!
Dear Colleagues!

It is my great pleasure and honour to address you here on behalf of the Baltic Assembly. I would like to express my gratitude to the organizers of the seminar for your initiative to focus on the issue of energy efficiency and renewable energy.

There are no easy solutions to tackle the threats to the environment, but the Baltic Sea region is very promising for achieving remarkable progress in energy and climate change. I am proud to say, and with good reason, that the Baltic Sea region, when looking on the whole European picture, has become the pioneer in the area of green growth, energy efficiency and green energy. Even though someone could argue that this has currently only been on the level of political determination, the political will to think in environmentally friendly terms is a very strong signal. Although the Baltic Sea region has been criticized about the vast number of regional organisations dealing with these issues, it is thanks to the cooperation of these organisations to be able to achieve the regional consensus about our determined way towards green economy. Also we in the Baltic Assembly are highly appreciating the issue of energy efficiency and renewable energy, which is particularly dealt with in the Natural Resources and Environment Committee that *inter alia* also focuses on green growth, green technologies and Baltic energy market.

We are well aware that energy efficiency offers a powerful and cost-effective tool for achieving a sustainable energy future. Improvements in energy efficiency can reduce the need for investment in energy infrastructure, decrease the consumption of fuel, increase competitiveness and improve consumer welfare. Energy security can also profit from improved energy efficiency by decreasing the reliance on imported fossil

fuels. Only our common efforts in the region can lead to the success and mutual benefits.

We, parliamentarians, are fully aware of our continuing parliamentarian responsibility of keeping the political and public focus on the problem, and we do call on our governments of the region to take strong actions as quickly as possible and to collaborate in a spirit of neighbourliness, commitment and generosity. Together we have to work in reaching the EU commitment on climate change and energy by 2020: 20% reduction of greenhouse gas emissions, 20% increase in energy efficiency and 20% energy from renewables.

It is of utmost importance to pay our attention to the common Baltic electricity market and integration of the common market into the Nordic and European electricity market. The currently on-going negotiations between the European Commission, Russia and Belarus on the electricity system operation of the Baltic EU member states, including the long-term perspective of the Baltic power systems and markets' connection with the Continental Power Network, for operation in synchronous mode, based on the principles of transparency, equal treatment of the parties, economically viable solutions and provisions of the EU Third energy package, have been welcomed. Also establishment of Nord Pool Spot bidding areas in Estonia and Lithuania, and Latvia's progress in joining Nord Pool Spot is as an important step for continuing integration of the Baltic States electricity market to the Nordic and common European electricity markets.

With oil prices rising and energy demand from emerging economies ballooning, no single energy source will emerge to replace fossil fuels, nevertheless different regions will adapt by tapping the technologies and energy sources that suit them best. Renewable energy sources (RES) and energy sources of the future will play a major role in this low-carbon and diversified energy mix. RES cover more than ten different technologies with different characteristics, for instance, some are variable (i.e. not constantly available) while others are not. These different technologies are on different tracks to market competitiveness. Hydropower, a mature technology representing 17% of European electricity output, currently makes up the major share of installed RES capacity - and it has the potential to develop further. Other, more

recent technologies such as wind and solar are expanding considerably. Their variability will transform Europe's energy system, both networks and markets. We can also talk about geothermal, ground heat, biofuels, algae-to-fuel and hydrogen sources as alternatives for energy production. Policy must promote the integration of renewables into energy markets and networks, encourage more flexible demand and ensure that enough back-up capacity exists to take over when variable RES cannot deliver.

Ladies and Gentlemen!

For a few years the Baltic Assembly has been actively involved in tackling these issues together with the Baltic Sea region countries through meeting in the Baltic Sea Parliamentary Conference. Energy and climate change issues have been high on the parliamentary agenda since 2007, when the BSPC Working Group on Energy and Climate Change actively explored the subject and acknowledged the need to explore possibilities of diversifying renewable energy resources and switching to the most energy-efficient technologies; encourage the use of low-carbon technologies; develop an energy-efficient approach in the housing sector by focusing on innovative technologies such as solar energy, heat-recycling systems, new insulation technologies and environmentally friendly building materials. As regards the latter issue, the Baltic States have the common problem to solve. Many opportunities for economic energy efficiency measures, in particular in the residential housing sector are unexploited because of financial constraints. We should develop concrete and long-term energy efficiency strategies and measures and pay special attention to the need for renovating housing to ensure enhanced energy saving and providing a healthy indoor environment for people. Moreover, energy efficiency measures are most economical when they are an integrated part of housing production and housing renovation. Governments should take further steps to make energy efficiency a mandatory requirement in renovation projects, and encourage the production of plus-energy housing. Smart metering should enable consumers to better monitor and adapt their actual consumption, and energy billing should be made simple, transparent and accurately reflect actual consumption.

Households are one of the most energy consuming sectors, especially in the Baltic States. Attempts in reducing the use of energy, thus contributing to a larger energy independence via using sustainable and low energy building principles can also be achieved through exercising the passive building concept, which is truly efficient, comfortable, affordable and ecological, involving such important aspects as insulation, thermal bridge free design, airtight construction, highly insulated windows, heat recovery ventilation and solar heating system. Since the concept of passive house is a new one in the Baltic countries (e.g. the first passive house in Latvia was built in 2009), there have to be public awareness rising activities on energy efficient building carried out both for professionals – designers and architects, both wider audience – residents, house managers and owners.

This year the Baltic Assembly together with the countries in the Baltic Sea region voice the issues of energy efficiency and renewables through the BSPC Working Group on Green Growth and Energy Efficiency, which started its activities in 2011 with the aim to elaborate political recommendations on green growth and energy efficiency, and to bring an added political value from the parliamentary side to the process of creating sustainable growth in the Baltic Sea Region. Issues such as measuring energy efficiency, green business opportunities and green public procurement have been discussed, and it is still highly noted that awareness and information about green growth and energy efficiency has to be improved, because existing opportunities and measures for increasing energy efficiency are not fully exploited.

Allow me to introduce you with concrete findings – political recommendations that have been reached in the BSPC Working Group.

Firstly, support the Baltic Sea Region Energy Cooperation (BASREC). There is a need for strengthened, frequent and continuous dialogue between the ministers responsible for energy cooperation in the Baltic Sea Region. At the BASREC Ministerial meeting 14-15 May 2012, the energy ministers of the region agreed on a new plan of work for the next three years. The plan should be supported and implemented in order to promote concrete measures for connecting the energy grids of the region and for using the limited energy resources of the region efficiently.

Secondly, improve information about green growth and energy efficiency. There is a need to promote and support research and development on green growth and energy efficiency, and to provide consumers and businesses with concrete knowledge about and advice on the mid- and long-term gains from energy efficiency measures, both in saving energy costs and in providing business opportunities. Energy labeling of products, based on life cycle analysis, should be further developed and disseminated, and efforts to exchange information about best practices should be supported.

Thirdly, promote and allocate financial resources for initiatives on green growth and energy efficiency. There is a need for innovative financing schemes to make use of opportunities for economic energy efficiency measures. Governments, banks and financial institutions, as well as power companies, should develop and implement innovative financing for energy efficiency investments. Resources should be allocated to provide incentives to initiate pilot projects on energy efficiency and further provide financing for scale up. Financing schemes should be tailored especially to SMEs (small and medium sized enterprises), which often lack the financial capabilities to acquire expertise on and implement energy efficiency measures.

Fourthly, make concentrated and prioritized efforts on energy efficiency in the building sector. Energy efficiency measures should be accompanied and underpinned by a certified energy classification of buildings. The further development and implementation of certification systems for energy classification of new as well as old buildings should be promoted.

Fifthly, promote the development of nationally adapted binding targets. There should be binding national targets for energy efficiency that take into account the specific conditions in the individual countries. The development and implementation of EU policies for promoting energy efficiency is of utmost importance for creating a level playing field and promoting cooperation. EU also needs to set uniform methods and rules for measuring energy efficiency and its impact.

And sixthly, promote green public procurement. Each year European public authorities spend the equivalent of 16% of the EU Gross Domestic Product on the purchase of goods and services. All too often contracts are awarded based on the lowest cost, rather than the most economically advantageous tender based on life-

cycle costing, leading to an inefficient allocation of resources and losses for national economies. As a big purchaser, the public sector has a strong position to set standards that can change the behavior of producers in a greener direction. The EU should develop environmentally sound, energy efficient, and economically fair public procurement standards in order to facilitate Green Public Procurement and to support a level playing field for businesses.

Ladies and Gentlemen!

I would like to express my hope and conviction that our commitment to increase energy security and energy efficiency will continue to be the cornerstone for cooperation and new joint projects in the region.

Thank you for your attention.