

December 15, 2010

Interview with Sandor Liive, Chair, WEC Estonian Member Committee



Mr. Sandor Liive is Chairman of the Management Board of Eesti Energia and Chair of the Estonian Member Committee of WEC. Eesti Energia is a company driven by innovation in global oil markets and by the emergence of a European common market for electricity.

What are your views on the European common market for electricity?

Energy companies in Estonia are looking forward with anticipation to the full liberalisation of the electricity market and to an increase in the number of interconnections to the Nordic and Central-European electricity markets. Today, Estonia is already quite well connected to the regional market, which lets us sell up to half of the electricity we produce to our southern neighbours, Latvia and Lithuania, and, through the 350-MW Estlink cable, to Finland and the wider Nordic electricity market. We welcome enthusiastically the second link to Finland, the 650-MW Estlink2, which we expect will be commissioned in 2014, as it will allow more transmission and trading and thus also increase the stability of the energy market in the region.

Eesti Energia is a 100% state-owned company that provides over 90% of the electricity in Estonia and is constantly introducing more energy saving and renewable

energy products to meet increasing customer demand

What are the main energy resources in Estonia and how are they being developed?

Estonia's main energy resource is oil shale, which is found in large amounts all around the world. The amount of oil in the world's oil shale deposits is actually estimated at between three and nine times more than proven crude oil reserves, giving clear energy security and economic benefits to countries where it is found. However, the know-how and technology needed for extracting and processing oil shale is not yet widespread outside of Estonia. Here, we have almost one hundred years of experience in commercial shale oil production and we have more experience than anyone in the world in converting oil shale into energy. More than one billion tonnes of oil shale have been mined here, nearly 200 million barrels of shale oil have been produced, and more than 550TWh of electricity have been generated from oil shale.

We know that mining and using oil shale has an impact on our environment, and so we are upgrading our technology for both electricity and shale oil production. By 2012, a new shale oil production unit, the Enefit 280, will be in operation, offering cleaner and more efficient production of shale oil, which will then be further refined into synthetic fuels. A tender is underway for construction of a new oil shale power plant of up to 600 MW that will enable us to replace some old units with new technology and will provide more environmentally sustainable energy production. We also plan to diversify our energy portfolio in the short term by using renewable energy resources and waste-to-energy generation, and in 10-20 years by using nuclear energy as well.

John Drzik, CEO, Oliver Wyman Group reflects on his key takeaways from the 21st World Energy Congress in Montreal



Mr. John Drzik is CEO of the Oliver Wyman Group, a WEC Patron since 2009 and the official Project Partner for WEC's annual Assessment of country energy and climate policies. The 2010 iteration, 'Pursuing Sustainability', was presented at the 21st World Energy Congress in Montreal.

The key message delivered by the 2010 Assessment study (outlined above) is that countries are struggling to balance the conflicting agendas of providing stable, affordable and clean energy. The study introduced a new framework for assessing whether countries' energy policies are sustainable, by examining how they are doing on each of three measures: energy security, social equity, and environmental impact mitigation. By so doing, this assessment crystallised the areas in which countries need to catch up with their peers. While countries such as Canada, Switzerland, and Brazil ranked in the top ten nations for two out of the three measures, there was no country that scored well on all three.

While there was healthy debate at the World Energy Congress around how countries might best balance these conflicting agendas, one area where there seems to be strong convergence is that developing more robust

energy efficiency programmes is an underexploited path to improving energy sustainability. If countries reduce their energy demand, the degree of challenge on the supply side will be decreased. As such, policymakers should devote as many resources to managing their demand for energy, as they do for their supply.

Expanded energy efficiency programmes can also assist with a concern that was raised at the Congress: by setting ambitious policy targets to reduce carbon emissions, some countries will be forced to import renewable energy to keep their aggregate supply mix clean enough to meet the targets as their local renewable sources will not be robust enough in the right time frame. The problem here is that there may not be enough renewable energy exporters to match the increased demand created by ambitious policies – and this new import dependence could create new energy security issues.

In a survey taken at the Congress, 70% of participants said that they believe the world's energy mix will radically change over the next 20 years. It has therefore never been more important for policymakers to examine seriously which energy policies are working, and which ones are not, worldwide. In energy policy making, it's clear that one size will not fit all. But it's also apparent that countries can learn a great deal from policies and practices that have been tried elsewhere – whether they succeeded or failed. Oliver Wyman Group look forward to continuing our work with the World Energy Council, in order to refine our research towards this goal.

WEC Agenda

We invite our members to attend the following events:

January 11; Copenhagen, Denmark

- WEC Danish MC Conference: 'The Development of the Global Energy Policy'
- Contact the Danish Energy Association: +45 35 300 400

January 12; Tallinn, Estonia

- Conference: 'Rational Energy Policy'
- Organised by WEC Estonia
- Contact: mihkel.harm@wec.estonia.ee

January 20; London, UK

- UKWEC Workshop: 'UK Electricity Market Reform – Imperative! Will we get it right? How long will it take?'
- Contact: UKWEC@energyinst.org

January 25; Madrid, Spain

- Meeting of the WEC Performance of Power Generating Plant (PGP) Committee, hosted by the WEC Spanish MC
- Contact: nurse@worldenergy.org

February 28 - March 2; Johannesburg, South Africa

- Energy Indaba Conference and WEC Africa Regional Meeting, hosted by Energy Indaba, with SANEA
- Regional Meeting to take place on February 28 and to be preceded by a WEC Africa Mentor Workshop on February 27; Indaba Conference will take place on March 1 and 2.
- Contact: info@siyenza.za.com

For further events and more details, please check the Events page on the WEC website...

http://www.worldenergy.org/news_events/18.asp

WEC Debrief, by Seijin Kim, WEC Director, Global Agenda

COP16 ended by adopting a 'Balanced Package' without a second commitment period to the Kyoto Protocol

Over 190 nations attended the recent UN Climate Change Conference in Cancun, Mexico from 29 November to 10 December. After the disappointment of last year's meeting in Copenhagen, the main aim of Cancun seemed to be to rebuild trust between parties, by debating issues slightly less controversial than headline emission targets. Mr. Ban, the UN Secretary General, said "We may not achieve a comprehensive legally binding agreement in Cancun," but highlighted four areas where progress was possible: finance, adaptation, technology dissemination and deforestation. Patricia Espinosa, President of the COP16 and Minister of Foreign Affairs, Mexico, was also aiming for a Cancun deal to include agreements on several smaller parts such as those outlined by the UN Secretary General.

The COP16 agreed to: anchor pledges in the UN made under the Copenhagen Accord; outline the rules on monitoring, reporting and verification (MRV); establish a framework to help countries adapt to the effects of a changing climate; set up a mechanism for technology transfer; create a framework for reducing emissions from deforestation and degradation (REDD); and launch a new fund to handle climate finance, which aims to raise US\$100 billion per year by 2020. All delegates apart from Bolivia approved the package.

Few cast the Cancun Agreements as a major step forward, but most said it did repair the damage done to the UN climate negotiations by the chaotic and contentious 2009 meeting. "We should not see the Cancun conference as the end, we should see it as the beginning," said Ms Espinosa. Christiana Figueres, the UNFCCC Executive Secretary, said the results had "reignited hope" in climate change talks, claiming that "nations have shown they can work together under a common roof, to reach consensus on a common cause".

There was, however, significant disagreement over whether the Kyoto Protocol (KP) is the appropriate framework going forward. China, Brazil, South Africa and India wanted it to remain central, but Japan, Canada and the USA did not agree. There seemed to have been little progress on this topic this year. As the Kyoto Protocol doesn't actually expire until the end of 2012 all parties have more time to negotiate, so are unlikely to back down at this stage. Until this is agreed, the future of CDM, which operates under the Kyoto Protocol, will remain uncertain. Key rationales against a continuation of the Kyoto Protocol include its incapacity to deal with carbon leakage (to non-Annex I countries) as well as its incapacity to deliver on the agreed 2°C climate objective. The question of whether to carry on with a Kyoto Protocol framework, or to start again, was the key point of contention between conference participants and looks to be the major area of discussion in 2011.

Towards the end of the final day, parties agreed to make the carbon capture and storage (CCS) projects eligible under the CDM. This agreement could allow developers to earn carbon credits from the CCS technology in developing countries, as long as issues over leakage, liability and environmental impacts are addressed.



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This official WEC publication, jointly produced with First Magazine, was launched to mark the 21st World Energy Congress and is the first edition of WEC's annual publication containing content highlights and energy leaders' perspectives.

Special Notice: Please note that the London Office will be closed from 12.00hrs on December 24 until January 4, 2011. As a result, there will not be an issue of the WEC Inside on January 1 – the next issue will be sent out on January 15.

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World Energy Council

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'The WEC London staff would like to take this opportunity to wish all WEC Inside readers a very happy holiday season and all the best for a prosperous New Year.'