

Energy Policy in Denmark and the Danish Affiliate

By Jesper Munksgaard and Anders Larsen*

This article addresses some features in recent Danish Energy Policy and briefly describes the activities of the Danish Affiliate of the IAEE .

Danish Energy Policy

Danish energy policy is targeting increased energy efficiency, security of supply and reduced environmental impacts. Means to fulfil these targets are the liberalisation of energy markets including the use of market based instruments such as energy taxes and tradable CO₂ permits. Danish Industry and Energy Minister, Flemming Hansen says: "It is important to the government to select those means for regulation which give highest environmental benefits and best security of supply to the Danish society considering the public budget constraint". The development of Danish industries producing new and efficient energy technologies have been upgraded in Danish energy policy. The success of the Danish wind industry on the world market is, of course, a challenging example to be copied.

Recently, Danish energy policy has been investigated by IEA – The International Energy Agency. IEA is satisfied with the overall energy efficiency of the Danish economy. Energy use per value of production is among the lowest among the IEA member states. However, IEA also has some recommendations to the Danish government: Make an inspection of the energy and environmental taxes in order to get more efficient price signals; change the taxation of cars so as to take energy efficiency more into consideration; supervise carefully the ongoing concentration in the Danish energy sector in which the former gas transmission company DONG has turned into an integrated gas and electricity company. Moreover, IEA recommends the government investigate the design of the present CO₂ regulation based on grandfathering and the exclusion of minor industries and private households. Free CO₂ permits given to power producers and big industries bear the risk of extraordinary windfall profits.

AKF has pointed to the problem of potential windfall profits given to private wind power producers using wind turbines raised before the Danish power market was liberalised. Danish electricity customers have to pay a total subsidy of around DKK 2 billion per year to private owners of old wind turbines. Contrary, new private wind turbines on shore have to face the market price of Nordpool including a low subsidy. Consequently, wind power development on shore has stopped and off shore wind farms founded on tendering procedures have taken over.

A hot issue right now is biofuels. The European Union (EU) is blaming Denmark for being reluctant to develop biofuels for the transport sector. The attitude of the Danish Government is that the development of biofuels is expen-

*Jesper Munksgaard is Associate Professor at AKF, Institute of Local Government Studies and Anders Larsen is Chairman of the Danish Affiliate of IAEE and Assistant Executive Director at AKF.

sive compared to the use of biomass for combined heat and power production. In that area Denmark holds a leading position compared to other EU member countries. However, this position is founded on past political action. Actual political action is needed in order to develop new positions for the Danish energy industry. Besides the energy industry Danish agriculture could potentially benefit from a transition from food production to renewable energy supply.

Danish Affiliate

The Danish affiliate of the IAEE was founded in 1986. In 2006 we are 20 years old. This will be celebrated with a conference 16 November 2006 in Copenhagen. The theme for the Anniversary Conference is: *Liberalisation of the Danish Energy Sector – What have we learnt? Where are we now? and What should happen?*

We will address the background of the liberalisation of the sector. The Minister at that time, Svend Auken, clearly was against the liberalisation. So he will explain why he after all suggested to parliament the re-regulation and why it contained what it did. During the one-day event we will have presentations from the academic world and from policy-makers. Professor Einar Hope (member of the Council of IAEE) will give us his perspective on the experiences with the liberalized energy sector in Europe. A representative from The European Commission will give his point of view: *How far is the Liberalisation of the European Energy Sector? What Challenges Lie Ahead?*

In the wake of the liberalisation a state owned company, DONG-Energy, has taken over many other energy companies. The Director of DONG-Energy, Anders Eldrup, will give us his view.

Thus 2006 is a special year for the Danish Affiliate. We are a small affiliate in the sense that we have only 62 members. But we are big in the sense that we have all major players in the energy sector in Denmark as members. The secretariat is taken care of by the Association of Danish Energy Companies. In a normal year we have four after hours meetings, one of them containing an excursion. We have recently visited the nuclear Swedish power-plant, Barsebäck (now closing), the off-shore windfarm outside Copenhagen and last year an



Amagerforbrædningen

incineration plant; all interesting installations in Danish energy policy. The power plant on the Swedish side of Øresund is now closing after Danish protests for many years. That the Swedes actually carried out the closing decision came as a surprise to many. The incineration plant (Amagerforbrændingen) is interesting because incineration in Denmark is very popular; approximately 52% of Danish municipal solid waste (MSW) is incinerated with energy recovery (power and heat). This is one of the biggest incineration percentages in Europe. Only 10 % of Danish MSW is land filled.

The other arrangements in 2006 included projecting oil prices, a discussion on the use of models in energy policy with focus on modelling imperfect competition, a discussion on the mergers in the Danish energy industry. Finally we arranged, in co-operation with other parties, a seminar on the new more commercial take on energy efficiency.

Our association is not keen on bigger conferences, the after-hours meetings turn out to be a niche for an association like ours; in the future, however, we will try to foster networks among our members.



Anders Larsen, left and Jesper Munksgaard, right, leaders of the Danish Affiliate

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The Swedish IAEE Affiliate in 2006



SEEF, the Swedish Affiliate of IAEE, was founded in the early 1980s. The aim was to create a meeting place for discussion of energy market and energy policy issues. The same aim applies today, and the association has remained a fairly exclusive "club" with around 130 members. The majority of the members are decision makers in the energy sector, professors and other researchers in energy economics, and

energy sector regulators and analysts. In recent years efforts have been made to attract young academics, specialized in energy economics or related fields. In the coming year more will be done to inspire PhD-students to focus on energy economics, and to become members of SEEF & IAEE.

SEEF typically has two meetings in the fall and two meetings in the spring. Most meetings are held at the Stockholm School of Economics in the center of Stockholm. The format is that an invited speaker gives a 25-30 minute presentation. Two invited commentators then speak for about ten minutes each, and after that there is an open, usually very active, discussion. The discussion continues at a buffet dinner. The dinner is made possible by generous financial support by Nordea, Svenska Handelsbanken, Swedbank, Vattenfall and the National Swedish Energy Administration.

In terms of background the invited speakers and commentators in general is a mix of academia, industry and ministry/public agency. This reflects the aim of the association to serve as a meeting place for decision makers and energy specialists in different sectors of society. The theme of a meeting is almost always related to the functioning of energy markets or to current issues in Swedish or European energy or environmental policy. Needless to say Swedish energy policy makers have been very efficient in providing interesting and controversial themes to discuss at SEEF meetings!

Two examples from 2005/06 illustrate the nature of SEEF activities: One meeting focused on the international oil market and the Swedish petroleum industry. The main speaker was Mr. Michael G. Löw, CEO of PREEM, Sweden's largest oil company. Professor Marian Radetzki was the invited commentator. Another meeting focused on the soaring electricity prices and the impact on Sweden's energy intensive industries. The discussion was opened by Mr. Jan Johansson, CEO of Boliden, which is a major mining company. The invited commentators were professor Lennart Hjalmarsson and Kjell Jansson, Director General of Statistics Sweden and former under-secretary at the Ministry of Energy.

It is hard to measure to contribution of SEEF. However, I often meet members who praise SEEF for enhancing the understanding of energy markets and energy policy by bringing different types of energy specialists and decision makers together for open discussions.

Lars Bergman