

THE BROOKINGS INSTITUTION
FALK AUDITORIUM

UKRAINE AND THE NEW EUROPEAN (CLEAN) ENERGY DEBATE

Washington, D.C.

Tuesday, May 6, 2014

PARTICIPANTS:

Introduction:

WILLIAM ANTHOLIS
Managing Director
The Brookings Institution

Moderator:

BRUCE JONES
Senior Fellow and Director, Project on International Order and Strategy
The Brookings Institution

Featured Speaker:

MARTIN LIDEGAARD
Minister of Foreign Affairs
The Kingdom of Denmark

* * * * *

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MR. ANTHOLIS: Well, it's a pleasure to welcome all of you here to Brookings today and to welcome our friends from Denmark for this discussion with Foreign Minister Lidegaard. I'm also happy to welcome Ambassador Peter Taksoe-Jensen in the front row. And we're talking about an issue as we were just talking before coming out that we at Brookings talk about all the time across the Institution. We just had a senior management meeting today and climate and energy issues have been an institution-wide priority since Strobe Talbott became President 12 years ago and I became Managing Director about 10 years ago. It's an issue that scholars from all five of our research programs work on, not just our Foreign Policy Program which is here today, but our Global Economy and Development, our Metro Program, our Governance Studies and Economic Studies Program. And in fact just yesterday we launched our newest Brookings blog which brings together scholars from all five of those programs on this, called Planet Policy. I encourage you to check it out. Strobe Talbott did the first blog, and I did the second one. And it's launched with an appreciation of the most important policy questions around the world, often tied back to energy concerns and increasingly to climate and clean energy concerns. Just from our Foreign Policy program, Bruce Jones has a new paper out on the topic, "Fueling a New Order," which he's done with David Stern and Emily O'Brien which I also recommend to you. And so we're really delighted to be able to talk on this topic today.

The situation in Ukraine stems from a number of geopolitical issues as we've all been seeing every day in the newspaper and on TV, radio, the blogs, et cetera. But energy has been to the core of Ukraine. At some level we can say that energy issues were in some ways part of how Ukraine established itself again as an independent

country with Chernobyl disaster which led in many people's minds to the rise in environmentalism, the questioning of government in the former Soviet Union and eventually the creation of the number of newly independent states including Ukraine. I know this from personal experience because when I was at the White House working on the G7 Summit that became the G8 Summit one of the things that we worked very closely on was with the EBRD on Ukraine's energy future after the shutdown of Chernobyl. And Ukraine's challenges in addressing its energy future have been ongoing for 17 years now and I think we're still very much with those issues as we think forward in the current crisis and out of the crisis.

The crisis raises concerns about Europe's broader energy dependence on Russia. And to discuss this relationship between Europe and Russia on energy we're delighted to welcome the Danish Foreign Minister. Minister Lidegaard has been the Foreign Minister of Denmark since February 2014. Previously he was the Minister for Climate, Energy and Buildings from 2011 to 2014. And prior to that he founded and directed a Danish climate think tank, CONCITO. He has extensive background in environmental policy and is a leading proponent of renewable energy. And we were just before talking about Denmark's extraordinary energy accomplishments and also its very promising energy future. He has recently travelled to Georgia and Moldova after the events in Crimea. He can offer European perspective on how the Ukraine crisis demonstrates the need for a coherent European energy policy and in particular the central role that strategic investments and renewable energy and green technology can and should play. With less imports from Russia there are many policy options on the table including importing American shale gas potentially if we can get our own regulatory act together, and improvements in energy and efficiency in green technologies in Europe

and beyond. Denmark is a trailblazer when it comes to translating ideas into practice and making the transition from carbon based energy sources to low and non carbon.

So I'd like to turn the floor over to Minister Lidegaard for his remarks followed by a question and answer session moderated by Bruce Jones who as I think you all know is a Senior Fellow in our Foreign Policy Program where he also directs the Project on International Order and Strategy. Mr. Lidegaard, we are delighted that you and your colleagues could join us today and the floor is yours. (Applause)

MINISTER LIDEGAARD: Thank you well much. Thank you to Brookings for arranging this, for inviting me, and for taking such a lead on this important subject. I will try -- this is very difficult for a Minister -- to be brief. Although we use hours in the plane to discuss the speech, lengthen it, and cutting it again, but I think I will do it hopefully in 20-25 minutes and then there will be good time to discuss afterwards. And I have been really looking forward to this opportunity to share my thoughts with you such an enlightened audience.

In short my message will be the following: Ukraine is a reminder of the long lasting fact that energy policy is also foreign and security policy and it must be on top of our common agenda. Of course the crisis of Ukraine has reminded us of many things, that we cannot take freedom and peace for granted right at our borders, that the European way of life is attractive to many, and that strong trust with transatlantic relations are more important than ever. But most importantly to my mind for the next steps to be taken in the future also is that energy security is one of the most significant geopolitical challenges of today. Energy has huge consequences for our security, our economies, and the daily lives of our citizens. But it also plays a determining role for climate change, the single largest threat against us as human beings. Energy plays so

many different determining roles and therefore we also have to figure out how we can make it better, cleaner, and a more stable energy sector. And the solution is threefold. We must deliver on resources, energy efficiency, we must diversify our energy supply with much more focus on renewables, and we must increase interconnectivity and liberalize our energy markets to decrease the price of renewables and to ensure that no country is unduly vulnerable to disruptions from a single energy supplier. The good news is that it is doable and it is payable. That is for the Danish -- boiled down to one sentence the Danish economy has nearly doubled the last 30 years but our energy consumption as almost remained at the same level. At the same time we have strengthened our markets for gas, electricity and make a remarkable increase of renewables. That has benefitted our society, our environment, but not least our economy.

But before I return to that let me begin with the situation in Ukraine.

Once more we are confronted with a scenario many of us had left behind and ascribed to the historical literacy of the 20th century. Once more we are confronted with crude power politics taking advantage of all levers available. The Russian illegal annexation of Crimea and the current dangerous and troublesome developments in Eastern Ukraine has christened our dream of a Europe whole and free. Therefore Denmark has been supporting Ukraine in this critical situation. We have contributed to NATO's reassurance policy, we have supported sanctions, and continue to push for more if this situation escalates. We don't believe in Russian's path of coercion and intimidation. European partners and the U.S. stand firmly against it. I visited Ukraine with my Swedish colleagues recently. Together we stood at the Maidan Square a few days after the huge demonstrations that changed Ukraine. It made a deep impression to feel the energy of the Maidan and to feel the ambition of Ukrainian people to move ahead, to create a better

future politically, economically, and a more transparent society. But I also saw the great obstacles Ukraine is facing. In the southeastern Ukraine we are faced with a spectrum of Russian challenges to a territorial integrity of a European country. Ukraine is also in the middle of a difficult political process and major reforms lie ahead. Ukraine must for all Ukrainians both on the west and in the east, both Ukrainian speaking and Russian speaking. And we were reminded of Ukraine's economic and financial vulnerability not least when it comes to energy and the Russian energy supply. This issue might be decisive for the future of Ukraine. The Ukraine crisis is also a story about how energy and foreign policy intersect. Ukraine needs to make the right long term choices about secure and free society and energy independence plays a key role.

The way to change this is to start investments in energy efficiency, in diversifying the energy supply and making investments in the energy infrastructure and grid. There are many low hanging fruits in particular on energy efficiency. You, the U.S. have already launched an energy support package for Ukraine. Denmark is now as we're speaking working to launch an initiative on Ukraine-Danish energy cooperation which hopefully will help Ukraine increase its energy efficiency and diversify its energy supply by using Danish experiences, Danish models with simulation of energy scenarios and integration of renewable energy sources and grid management. To do it right we have to see the Ukrainian energy system in a wider European perspective. In Europe we are going to replace or renew 80 percent, 80, percent of our present power production capacity in the next 20 years not matter what because the energy sector is old in Europe. So we are facing a defining moment in the European energy history. The current crisis in Ukraine has been a wakeup call on energy security and dependence. Europe, for all its diversity shares a common challenge. We are simply over-dependent on imports of fossil

fuels. For the last three years fossil energy has accounted for 25 percent of the total EU import, 25 percent. Fossil energy import is thereby contributing heavily to the EU's massive trade balance deficit amounting to 3 billions of euros. This challenge leaves our consumers and businesses vulnerable to harmful price shocks, threatens our economic security and contributes to climate change. Continuing our current pattern of resource is simply not an option if you ask me. We need to be ambitious in Europe. This is not easy in a time of economic crisis and troubles where people suffer from high unemployment and difficult circumstances. But based on the Danish case I would argue that our current circumstances are exactly why we need to invest more in the green transition. It benefits our economies and competitiveness if we look just a few years ahead.

The European Union is working on stepping up to our responsibility as world leader in this area. We are currently negotiating new EU targets on climate and energy for 2030. There are considerable overlap between the suggested policy instrument and those needed to increase EU energy security. The two agendas are mutually reinforcing rather than contrary priorities. An ambitious climate and energy policy for 2030 can both ensure the EU's relative competitiveness and reduce the codependence on energy imports by improvising certainty and incentives for our businesses to invest in green technology. The primary responsibility for alleviating the urgent energy security challenge in Europe east and west lies with the EU. But the U.S. is already making a very important contribution for the regional global dynamics that U.S. energy and climate policies create. Denmark, the EU, and the U.S. share common challenges and potentials when it comes to green transition and we need to show common leadership on a number of issues. First there is climate change. When Secretary of State John Carey recently compared climate change to a fearsome weapon

of mass destruction I very much agreed. As documented recently by the UN's Intergovernmental Panel on Climate Change climate change is a threat not only to the environment but also to global economic prosperity, development, and more broadly, human security. Global competition for natural resources will only intensify to the years to come and put pressure on the world's ability to adapt and to mitigate. A second common challenge is energy supply. Year after year Europeans face the risk of new crisis of supply shortages. This is testing European solidarity but also creates opportunities to build new partnerships between people, countries, regions, and operators in order to increase integration of national networks, diversify energy sources, and increase focus on energy efficiency. I would like to see Denmark and the U.S. working together on energy supply. We are already cooperating on expanding offshore wind production where Danish expertise in renewable energy is used in the State of Maryland. But we should do more on energy efficiency. Reducing the use of coal in our power systems and expanding renewable energy production domestically. Thirdly we need to create a closer transatlantic energy market. The effects of the U.S. shale revolution have failed on the global energy markets and a clear medium and long term perspective for transatlantic energy market sends a strong predictor to policy makers as well as private investors. We need to have clear internal energy strategies on both sides of the Atlantic and intensify our discussions of common interests based on this. In this respect a timely agreement on an ambitious transatlantic trade and business partnership is highly important to sustain the strong relationship. On the economic potential of opening the energy markets, set global standards, and win the geopolitical benefits that would come from that.

Ladies and gentlemen, when I read this year's edition of *World Energy*

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

Outlook I was struck by what has not changed. CO2 emissions continue to rise, oil prices will continue to rise despite new oil discoveries, electricity prices will remain high in the European Union, and today's share of fossil fuels in the world energy mix is the same as it was 25 years ago; it is 82 percent. The message is clear. We will not be saved by market developments alone. We have to save ourselves. And we have to start now, work where we can, and do it smart. Denmark has shown that we can limit CO2 emissions and secure solid economic development at the same time. Since 1980 the Danish economy has grown by almost 80 percent while our energy consumption has remained more or less constant and CO2 emissions have been reduced dramatically. We have also laid our call for the future. We will move towards a fossil fuel free society with 100 percent renewable energy by 2050, but we aim for 100 percent renewal energy in electricity and heat supply already in 2035. Coal is set to be phased out from Danish power plants by 2030. And already by 2020 more than 50 percent of our power will emerge from wind. And we have a set a target to cut our emissions of CO2 by 40 percent compared to 1990 levels.

That's one thing. But the real interesting thing and the most important message I think today from my side would be that at the same time Danish market prices for power have remained among the lowest in the EU because the introduction for renewable was done at the same as we were liberalizing our market. This could and should be an inspiration all over the world where the course is yet unclear and important decisions have to be made in the coming years. That goes for the new emerging economies where demand for electricity would grow dramatically. That goes for Japan where the Fukushima catastrophe has had the consequence that the Japanese are searching for new alternatives to nuclear. That goes for U.S. and Europe as well.

Investments in energy are needed everywhere but when we construct new power plants we must keep in mind that these plants will last for 40 or 50 years so it's crucial that we make the right decisions now. You'll get no second chance.

I often hear that renewables are too expensive; that it cannot compete with coal at the current price level. And for this I have three clear messages. Firstly, this argument does not have the necessary nuances. Land based wind power has come a long way during the last 10 years and is now almost able to compete on market terms with conventional fuels and solar cells are just behind. Secondly, if you take a look at the world energy outlook oil prices will rise despite new oil discoveries. Gas prices will remain higher in Europe than it is in the U.S. And coal, well, many coal plants are old, inefficient, and are facing replacement. And thirdly, the price of renewables very much depends on the market where it's introduced and the framework created. In short the more market is liberalized the less support you need. Add to that the enormous costs burning coal incurs on the climate and on the general health from air pollution. In my view world energy outlook confirms that we have chosen a wise energy policy pathway by emphasizing viable long term solutions. By remaining world leaders on green transition we can also enhance the competitiveness of our green tech companies. This has been the case in Denmark and has benefitted our economy.

One of the primary things that this year's World Energy Outlook emphasizes is the importance of energy efficiency. This is also good news. Denmark has focused on that (inaudible) and what I was really stunned about was the still unrealized global potential of energy efficiency. Two thirds of the global cost effective potential has not yet been realized. Two thirds of the cost effective potentials. In other words investments here are profitable within a relatively brief time span. Few other types

of investments are that profitable. It simply is good business. The cheapest energy is the energy you don't use. And as the Ukraine's situation reminds us the return of our investment will be paid back in more than just cash. With the investment in energy independence comes more stability, more freedom, and more security. There are some tough decisions to be made and it is important that the decisions we make these years are the right decisions. We get no second chance. I encourage anyone facing these decisions to take note of the mix of issues, climate change, security, and the resource prices, and the possibility to find combined solutions.

Let me end by highlighting some very fascinating facts and figures; at least I find them interesting. The world is growing; we all know that. You will probably be aware that in 2050 we will reach 9 billion people on this planet and it will be 11 billion in the year 2100, 11 billion people. But did you also know that in the last 35 years we have become 1 billion more middle class people on mother earth. Having their first car, house, food, with of course, enormous, of course, changes in resource demand and climate changes. In the next only 20 years it is estimated that we will be 3 billion more middle class people and the world economy will double. It will double compared for today. What has taken generations to create over 1000 years of production, consumption, and welfare, we will double our generation in the next only 20 years. That will change everything. And we have a very big interest in ensuring that that growth will happen in a way that is social, environmentally, climate wise, a stable and sustainable growth. It is a development that would pose huge challenges but it will also give us, our societies and economies huge possibilities. You have to deal with both issues at the same time, energy security and climate change. And in encourage anyone to look beyond short term damage control and find a balance so that we can lay the foundation for the most viable

solutions for ourselves and not in the least for the generations that follow. Let's help each other to move forward together. Thank you very much. (Applause)

(Interruption)

MR. JONES: So, Minister, thank you very much for that. Let me start by joining Bill and welcoming you to Brookings and thanking all of you for coming out today on relatively short notice; we appreciate you doing that. I was extremely happy to host you on this topic. Ukraine has generated an enormous amount of attention as you know and the question of energy security has been part and parcel of that discussion from day one. But I have yet to see the issue you've raised of how do we think about that in connection with climate change raised and so I'm very happy to have you have you raise that.

Before we get into that I just want to talk to you briefly about NATO and then we'll come more to the climate pieces. I was just struck watching events of the last few days and saw that Denmark has sent four F16s to Estonia as part of the NATO response. Maybe just talk a little bit about that, sort of are you concerned about the next phase of Russian aggression or is that a signal to Russia in the Crimean and Ukrainian context? What was the decision making in the Danish context there?

MINISTER LIDEGAARD: That's true. We have decided to contribute with the six F16s in the reassurance with maneuver towards the Baltic countries. And the reason why we have done that of course is that many of the Eastern European countries, members of NATO, are feeling very unsecure. You should remember that some of the Baltic states have got 30-35 percent of their population has being Russian speaking and they have a history which is very recent. They made it clear to them that peace and stability cannot be taken for granted. I find it very hard to imagine that Russia really

should step into the NATO countries' territory, but it also find it necessary to show a very clear signal to Russia in this situation. I put it out this way to the Danish media, I think that Russia would be wondering if we didn't do that, if we didn't send that very strong signal that members of NATO are covered by Article 5 which is a solidaric, you know, way of saying that we will stand firm and we will guarantee sort of security. And that's simply why Denmark would -- we have a special history with the Baltic countries and we wanted to send that signal to our (inaudible) there.

MR. JONES: All right. It seems to me that in sense we're in two different games at the same time here. There's a short term question of how we try to deter a worsening of the situation in Ukraine and reverse potentially some of those Russian actions and of course there's the longer term game of changing the calculation, and the question of energy independence plays heavily into that. But what is the timeline of the kinds of investments that you were talking about the ability to shift the energy mix towards efficiency and renewables. What's the timeline that you would envision over that happening?

MINISTER LIDEGAARD: That's a very good question. I mean it takes time to change an energy system and that's the problem. And we don't have that much time. Some of the efforts here could be done in a relatively short time framework. When we talk about energy efficiency, we talk about simply making process industry, making heating and power plants more efficient at distribution of energy. You could do that in a few years. But you can't do it in weeks and you can't do it in months, but you can do it in maybe one to two years because the first investment is pretty big. But when it comes to diversifying supply, building grids, and building energy systems and such we are talking longer time. We can't change that but you can ask yourself why didn't we do it long time

before. We have had this discussion in Europe for decades. We have known for many, many years that economically we have been the region in the world most dependent on imports of energy. Why didn't we change that many years ago? So yes, you're right, it won't solve the problem for Ukraine here and now but it will on the other hand send a very strong signal to Russia that the aggression and the aggressive policy they are carrying out now have consequences for their economic potential on the European markets because it will push decisions in Europe. So in that sense politically I think it could have an effect also on the short term basis.

MR. JONES: I was very struck by the way in your comments when you talked about 25 percent of European imports being in fossil fuel.

MINISTER LIDEGAARD: Yeah, it's crazy.

MR. JONES: So it's not 25 percent of energy imports?

MINISTER LIDEGAARD: No.

MR. JONES: Twenty five percent of overall imports?

MINISTER LIDEGAARD: Exactly.

MR. JONES: Extremely striking. I want to ask you a question about natural gas because in this country with the Ukraine events there's been a lot of focus on U.S. gas production and the potential again over time to sell gas to Europe as sort of part of the process of changing the energy. But is that a credible part of the strategy?

MINISTER LIDEGAARD: Well, if you ask me and you will have to excuse me because of little nerdy on this because I have been Energy Minister. I --

MR. JONES: This is a pretty nerdy room. (Laughter)

MINISTER LIDEGAARD: As I see -- I know more about the European energy market than the American energy market but I don't think that natural gas or shale

gas is a long term solution due to climate change. But I do think it is a stepping stone and I do think we need gas to replace coal in the next decade or two and gas goes very good hand in hand with renewables. It's a very efficient backup to renewables besides the market itself which is the most efficient backup. So I would consider it as a very logical forward thinking way of increasing the U.S.-EU cooperation that as we are heading towards more and more renewables and hopefully a more and more well functioning internal market and you doing the same, then we also will be able to import more gas from the U.S. and to replace coal in the first decade or two. In the long term I'm rather optimistic. I mean in the last six years solar price -- price for solar systems have decreased with 80 percent and prices of wind turbines with 30 percent. But that is going to continue for the next six, seven, eight years. We will have a completely other market situation and things are moving fast these years.

MR. JONES: So a second question about gas but also to get some of intra European dynamics here because Prime Minister Tusk of Poland has also addressed this question of how Europe can respond to the energy situation in Ukraine, but it was a very different proposal which was about collective purchasing of gas sort of at the European level. And obviously there is some logic to sort collective European action in terms of scale, but that would arguable reverse some of the liberalization that you were talking about. So maybe you could just talk about some of those debates in the European context.

MINISTER LIDEGAARD: It's a really -- it's good question. When I saw -- which I saw just before the meeting you were going to pose that question I asked my officials do we have a policy on that? (Laughter) And we actually don't have an official policy on this so I can talk freely about my own personal view on this and which is raw

balance. Because there's no doubt in my mind that Russia has been too successful in kind of splitting the different European importers of gas against each other and it has been a problem that we haven't got a kind of common policy here. On the other way I would hate to see a monopoly situation of gas import. All the experience we have among all the countries --we have if you don't know created among the Nordic countries a common energy market both on power and on gas. And that is the reason why renewables have been so relatively cheap to install in the Nordic area because banal speaking when the wind is blowing in Denmark we can export to the other countries, when it's not blowing we can import hydropower. And that's (inaudible) market. As more will function a liberal sense if you have as this extra you have today because it's simply paying itself and you get money for all the wind power you actually produce. So you don't have to subsidize it so much. So the market is crucial. And that also goes for the gas supply and the backup from the gas. We don't have good experiences of, you know, planned economy and planned import so I would probably be in favor of strengthening the interconnectivity of the European countries, having more gas pipelines and hopefully a strong (inaudible) U.S. and other gas suppliers. Norway being a possibility with new pipelines. So we diversify our inputs to the system and have a real liberalization of the market and think that will be just as effective as trying to monopolize our imports.

MR. JONES: Last question for me and then I'm going to turn to the audience. I know there will be a lot of questions on a whole range of things so -- from Ukraine to climate. But on climate itself, you cited the IAA reports. You highlighted the fact that if you look back to the 1980s the percentage of fossil fuel mixes is roughly the same as it is today. And you look out to the IAA reports and despite the advances in renewables, despite the improvements in prices, despite all these issues, they still predict

the fossil fuel mix is 80 percent when you got out to 2030 and 2040 and 2050. Despite the fact that organizations like Arena will say that 25 percent of this can be done by efficiencies and another 25 percent by renewables. So what is happening? Is this a market failure that we're not making the investments in efficiently renewal, is it public policy failure, is it both?

MINISTER LIDEGAARD: Well, you're completely right. But there's another chapter in the latest IAA publication which is very interesting as well. Because I very often ask, especially when I have ask former (inaudible) Cabinet Minister is this doable and how will you see it happen. And then I think IAA, the most interesting part of the last publication was that they said we'll actually the target that which IPCC put out for 2020 could be achieved by maybe, one, cutting fossil fuel subsidies worldwide, secondly, taking the energy efficiency investments which are most affordable and most profitable. Just by these two measures you could actually achieve what should be achieved in 2020. And that is perfectly doable and it is profitable for many countries. So why is not happening? There's no one simple answer to that question but one thing of course is that we don't have a price on emissions. If we had a price on emissions the world would look very differently. So the costs that the climate change is prudent for us we don't put a price on it. And that's probably the biggest problem. Will we get a price on it? I doubt it. That would take a world decision which I don't see coming out. The second of course problem is that infrastructure we need in order to get the investments the renewable lack. The biggest mystery to me is why energy efficiency investments are so difficult to make them happen. Again the price is probably too low but it's also cultural. I don't know how I could put this but it is mysterious. Even in countries like Denmark very profitable businesses are not being made. I just bought a new house at home and it's a wonderful

house but the insulation is not very good. And I ask, you know -- and the guy who was selling me the house said, yeah, yeah, yeah, but, you know, it's -- is it expensive with the heating part. You could always do that. It's like something you -- you look, it's a nice house, nice painting, nice doors and that insulation thing, you know, who gives a damn.

MR. JONES: Even if you're Climate Minister?

MINISTER LIDEGAARD: But I will have to see. And I went to -- and it is profitable I think to put that insulation on the roof and I will do it. (Laughter)

MR. JONES: There are a lot of issues on the table from the specific crisis in the Ukraine right now to the medium term question of Europe's energy mix to the longer term but equally urgent question of climate change. So let me open the floor to the audience. Please identify yourself, pose a question and be brief. Start over here at the front.

MS. MARK: Thank you. Anna Mark from University of Southern Denmark. I have a question about the European-American relationship related to the energy crisis. How much influence does the U.S. have currently on the EU sort of workings on getting clean energy -- or sort of liberating EU from Russian oil? And second, what part or which role do you see for the U.S. in the future working with EU on this? Is this an issue where EU has to take the leadership or will there be support from America?

MINISTER LIDEGAARD: Well, when it comes to oil, most oil in the EU actually doesn't come from Russia but comes from Saudi Arabia and other Arab countries and I don't expect EU to be a (inaudible) exporter. For some years it probably will come but I don't think that that would change very much in the EU context. But what I do think you will see is that there is a possibility of gas export to Europe. But even more than that

it's like feeling when it comes to common technology innovation project investments you will see an increase very much both in the private sector and among the forces in U.S. and Europe. I mentioned one example and that which is we have taken some of the experiences from Denmark of offshore wind, put into the Maryland plants for developing their offshore capacity. And we take also huge benefit of cooperation with American universities on energy efficiency. Many people are claiming U.S. for only to have the shale gas as a contributor to the CO2 emissions. But actually have of the reductions that EU is going to have before 2020 on emissions would call for energy efficiency. Both when it comes to vehicles, when it comes to buildings, new standouts for buildings, but also innovation. And here I really think that there's a huge contribution on a more scientific level so to speak, technology development and so forth. Also at your university. And there I have great expectations because I think that even though U.S. is when it comes to renewable energy not so fast a mover as I could wish for, I think when it comes to energy efficiency we really have something to benefit from both of us.

MR. JONES: Of course the other thing we do to increase our -- or to decrease our emissions is sell Europe coal.

MINISTER LIDEGAARD: Yeah. That's true.

MR. JONES: Which a little be opposite than the strategy you're proposing.

MINISTER LIDEGAARD: I was too polite to mention that but. (Laughter)

MR. JONES: Gentleman in front.

MR. BUTALIA: Hi. My name Bot Butalia. I'm from Georgia. I am from a Georgian Ambassador to the U.S. My question is you mentioned the Europe whole and free concept which I am really happy to hear. And this concept was very closely

associated with the NATO expansion as well, an organization the credibility of which Putin tries to undermine. So my question would be what should we expect from the NATO Summit this fall?

MINISTER LIDEGAARD: I understand why you ask that question. I was discussing with your government intensively when I visited Georgia two weeks ago. And I think the frank answer as you probably know to that is that NATO would look forward to increase our cooperation with all partner countries but especially of course Georgia who have done a huge job both in Afghanistan and in other missions and whose military is developing very fast into a modern and efficient military. There is not right now agreement in NATO I think to start a very clear road map for getting Georgia as a member. But there is clearly readiness to increase the cooperation and intensify the cooperation of Georgia into the new state level which hopefully will take Georgia into membership. That decision has been made as you know in Bucharest some years ago. But I don't think you should expect that to happen at the Summit in September. You should get frank answers from good friends.

MR. JONES: Lots of questions. So let's go to this cluster in the middle.
In the --

MR. SREDLITSKI: Barto Sredlitski, Alexander Fashniski Foundation. I would like to ask about Polish Prime Minister idea of the energy union. Should I understand that your statement was no from the Danish government for that?

MINISTER LIDEGAARD: I'm very happy you asked that question because I'm -- in the European Council of Ministers I'm sitting next to Mr. Sikorski my Polish colleague who is also I feel I can say a very good friend of mine. And we agree very much on that the energy security of Europe must be in the core of our political efforts

as a result of Ukraine crisis. No matter what will happen in Ukraine itself this must be the core where we will agree. And we agree completely when it comes to the need for full investments in the European grid and the liberalization of the market of both power and gas. We agree and I think all European countries agree when it comes to the need for more energy efficiency investments. But the only thing where we don't really agree is when it comes to the energy mix itself. While you will note that Poland is more in favor of coal because it has a lot of coal, we are more in favor of renewables because we have a lot of renewables. (Laughter) So sometimes the world is simple. And that is just to say that I think personally -- you may call me naïve -- that the agreement now that we need to do something will force even Poland and Denmark who have been -- a very different persistence in this to agree because we do agree on the overall purpose which is that we have to get out of our dependency. So I think that has created a new situation where I can sit with Mr. Sikorski and say we have to agree this time to something. So I wouldn't say that I disagree about the idea of Mr. Tusk that we need to unify the European efforts to get rid of the past where we have negotiating 20 different countries, 20 different contracts with Russia. I'm just not sure that the solution is then to pool all this to one contract to Russia or the solution is to diversify our supply from different countries so we are not dependent on one supplier, or somehow a mix of the two.

MR. JONES: Let's go back to the -- yeah, gentleman on the edge there.

MR. STALLSMITH: Yes, Minister, thank you for coming here. Brooke Stallsmith with PwC. I have a question concerning whether you judge or fear that the Russian government and others who benefit from your current reliance on fossil fuels could attempt to slow down your transition to other sources of energy through market manipulations or other measures and just be interested on your thoughts on that. Thank

you.

MINISTER LIDEGAARD: Well, hopefully we'll do the opposite. Hopefully we'll -- it will push in gear our political readiness to take decisions to get out of that dependency. That will be my hope and that's at least what the talks say in the corridors in Brussels. Let me give you one example. When the heads of state met the 18th of March I think in Brussels to discuss many different things but most of all the competitiveness of Europe we suggested from Danish side that we put a small paragraph into that statement of the heads of state saying that within three months the EU Commission should come up with suggestions on how we could reduce our energy dependency of imports and that before October this year there should be made an agreement about the 2030 energy package. And that was actually taken very positively by the other countries and was put into that statement of the heads of state. So we now have a decision that in June we will have from Commission different suggestions on how we can get out of our dependency which will lead to a decision in October on our energy package for 2030. That could be seen as a signal, as a political willingness to step up the speed of the new transformation. That's at least the hope from some of us.

MR. JONES: All right. I've come to Bill, then I'll go to the back of the room.

SPEAKER: Thanks again, Minister, for coming and for sharing your thoughts and answering questions. Really very enlightening. I want to ask you a question going back to your experience as Energy Minister and now tying it forward to your experience as Foreign Minister. And it has to do with state capacity, governance ability in Ukraine and in other parts of Europe on this ambitious and important agenda that I think many of us share and agree with, particularly from the perspective of

conservatives in the United States that would look at Ukraine at a time of rising American isolation wanting to -- where some people would want to spend resources and try to invest in the Ukrainian government, but they would say look, you've been at this for 17 years and you've been trying to reform their energy sector for 17 years as part of -- and you weren't able to do it. And then looking at the European situation more broadly, in the wake of the euro crisis where Europe came up with terrific continent wide approach to monetary union, but it fell apart from a governance crisis in a number of different countries across Europe. And so help us think forward from where you are to now -- where you were to now where you are negotiating directly with your European counterparts and thinking one on one at the governmental level. How much will these agreements play down? How much will they be implemented? How much can those governments be expected to invest in state capacity, governance capacity, whatever you want to call it?

MINISTER LIDEGAARD: Well, first of all I think you have to distinguish between Ukraine and the EU. You can say a lot about the EU but we don't have Ukrainian circumstances I would claim. You know, when Poland became a member of the EU 10 years ago the average GDP per capita was the same in Ukraine and Poland. Today it's the (inaudible) in Poland. So it makes a difference to be a member of the EU both when it comes to good governance and when it comes to investments and rules. The situation in Ukraine is terrible. It's probably one of the most misled countries I ever visited, it has been for decades. And you're completely right, there is a very I would say deep relationship between the corruption issue which is probably the biggest problem of all of them and the energy sector. They have been interlinked through different governments and different parliaments and the amount of reforms that this poor country

is going to take over the next years are so enormous that when you visit the country and talk to the government, the present government, you really feel that they are going to carry out almost all you could ask any politician to do because a lot of this will be very unpopular, increased gas prices and market reforms and so forth. But there is only one way and I think that the head of the government knows that and will try to do his very best. Of course there are many obstacles and there are also many, many, many politicians -- Ukraine politicians who have stories and this is not going to be easy. And it will take commitment from both -- from first and foremost from the EU to make it happen. We need to support them; we also need to put demands on them, and we need to show solidarity in a way that we have not been willing to do so far but which we need to do now and we need you to help us doing that.

In the EU I would say that you could put your fingers on really many problems in the EU cooperation. You could take each and every of the member states, and of course some more than others and say well, they haven't done that, they haven't done that. You have seen mistakes. Now why do you have this right wing nationalism coming up? What's going on? But if you look at EU as such over the past 20 years you could also claim that it's the most remarkable geopolitical success you have seen ever. Ten new nations have joined the club. Not through aggression, not because they were forced by military means, not because they were forced at all. No, because they wanted to join the club. They saw a society that was more democratic, more stable, more rich and they wanted to join the club. And that way of soft security power has shown very effective and the new countries have become richer and have become more stable and have become more safe. So yes, it is working and the decisions which are made in Brussels and in the Councils are been carrying through. Some countries more rapid than

others and more thoroughly. But I was struck -- and then I will shut up; sorry -- at my first meeting which was -- I was -- this Ukraine thing started two days after I was appointed and I went to a first Council meeting. I was rather scared because normally at the Council meetings in Europe you have at least one official by your side when you're negotiating. But when it comes to the Foreign Affairs Committee you are on your own. It's Minister plus zero. And we closed the door and we had to negotiate that Ukrainian thing. And I was actually moved by the fact that you had 28 European Ministers sitting there and you think about our history, how many wars, how much blood has flowed in European streets, and here we're sitting discussing a really serious crisis, disagreeing heavily on many things, but ended up peacefully at a round table by unifying ourselves in a common policy. And we have done that several times since then. I was really encouraged about that and I think that that's exactly what this crisis is about. But now a very big part of Ukraine population also wants to join that club. And I think that what Mr. Putin is thinking is who will be the next population that wants to join that club?

MR. JONES: Our President, Strobe Talbott, spends a lot of time thinking about Europe and is very eloquent on the same points that I think that you just passionately expressed.

We have time for a couple of more questions. There were a couple of hands in the back so let's go to the back of the room, gentleman at the back. And I'll have one last question for you about the American reaction.

MR. KOLOSKI: Meto Koloski, UMD. I think definitely in light of the Ukraine matter we hope to see some deliverables on enlargement this year particularly the 15-10-5 and then 10 with the EU. But my question is in your discussions with your Greek counterpart are there any messages you're sending in regards to the Macedonia

issue? And hopefully we can resolve this as soon as possible so that we can see the country in NATO and EU. But it's in Greece's best interests to have this country stable and secure particularly its economic interest. So if any thoughts, feedback on that.

MR. JONES: And let's just stay at the back. If you don't mind taking a couple?

MINISTER LIDEGAARD: Yes, yes.

MR. JONES: There was one other question in the back. Or here we go, in the middle here and then we'll come back to you.

SPEAKER: Thank you, Minister. I have a follow up question concerning cooperation in the European Union with energy policy. With both the Ukrainian election and the EU election coming up this month we have seen talk about sharing energy throughout the European Union to counterbalance potential shortages. How do you see this idea? What would be Denmark's role in this and what role would renewable energy play in this? Thank you.

MINISTER LIDEGAARD: Okay. Well, the Macedonia question, as far as I've understood this issue is being negotiated. It's just about the name and how Macedonia name is used and I think that not least Greece have huge interest in solving that problem and getting on and I will expect that to happen. Simple as that. But time framework for it I don't want to guess on.

When it comes to how do we in a solidaric way share -- if we come to a shortage situation due to sanctions or Council sanctions we actually have already regulations in the EU that will make us so to speak sharing the gas we will have. Denmark is not very affected because we have this green energy policy so we are self sort of supplying and also have a certain amount of gas production ourselves. But we will

be solidaric. If we were coming in a situation we will also deliver gas and we will have to put restrictions on where we use gas and how much. This kind of regulation is already in place. What is not in place you could say is to which extent we can do the same with Ukraine. And the problem there of course is that a very big part of the gas we could provide to Ukraine also comes from Russia. So we don't have so much possibility of feasibility to provide gas for Ukraine which is of course also why we have to discuss how Ukraine can get out of that very deep dependency.

MR. JONES: Before we let you go I want to bring you back to climate change. I follow you on Twitter so I know you just met John McCain. I want to ask you specifically about that but you're also meeting other U.S. officials. You'll be talking about Ukraine but you're also talking about broader issues. What are you hearing in the United States? What are you seeing in the American reaction? We've had the Ukraine issue, we've had other issues which have raised up the energy security question, raised up the energy independence question. We've seen the President today. I thought it was very nice of him to time it for your visit, release the National Climate Assessment to kind of highlight that issue.

MINISTER LIDEGAARD: Thank you, thank you, yes, for that.

MR. JONES: So what are you hearing in the U.S. political system? Do you see any movement on the U.S. side in terms of the broader climate question or in terms of where we're heading on that issue?

MINISTER LIDEGAARD: Well, tomorrow I have the big honor to meet Secretary Kerry and as you will know he is really engaged in this matter and I'm really looking forward to discussing with him this situation. I take two things or two conclusive with me from this visit in the U.S. When it comes to Ukraine it's obvious to me -- and

that's -- at least that's my impression but that's very subjective of course, that the American politician are facing the dilemma that there is a very understandable war fatigue in the American population that makes the desire to engage very much and heavily in new conflicts as rather reluctant. And I can understand that. On the other hand there's also the expectation of U.S. taking leadership and stand firm when you have aggressions like you see in Ukraine. And that dilemma is a difficult one to handle I guess for all American politicians.

The other thing when it comes to climate is that of course the shale gas revolution in U.S. has changed everything when it comes to energy supply in this country. And we discuss about energy security. And that has probably in one way made it possible to achieve U.S. CO2 targets for 2020 in a rather easy way if you can put it out that way, although it's also due to energy efficiency as I just stated. But maybe also it's more difficult to promote renewables and more efficient long term reforms on the energy market. And then of course you have a very I would say critical discussion on climate as such with I don't know for my own country where it is question whether we have a problem at all. But it seems to me -- I was here five years ago when I was heading this time a think tank, and at that time I found the discussion in U.S. difficult because they were I mean more about if there was a problem than how you could solve it. And it seems to me that that discussion has changed a little. I'm of course aware about the Tea Party's positions and so forth, but feeling this there's still more businesses and still more citizens and states in the U.S. are taking this question serious and are beginning to discuss solutions and not whether there is a problem or not. That is at least a positive development. But we need much more than that. Let me end on that note.

We need that from EU. We are going to have a summit in 2015 and I

think that if you pool all the different benefits of getting rid of our dependency on fossil fuels, the climate change issue which is really disturbing if you look at the consequences if we don't act, there is a security questions, how much money we pay because we are dependent today, and finally but not least that we will have to double the world economy over the next 20 years. Where else should the energy come from if not also from more energy efficiency and more renewables. If you pool all these you will find out that we won't be able to have sustainable economic growth in the scale which are needed to take people out of poverty. Then I think there will be no doubt in my mind that both U.S. and EU you will have to take a need and they will have to do it together. But the benefits would be enormous and the potential for our industries and the job creation will also be huge. And I think -- and that will be my final I think point here which is that -- my officials are laughing because I've said many, many --

MR. JONES: Final points?

MINISTER LIDEGAARD: -- last points, yeah. But that I have learned one thing in my 20 years in politics and that is that you can focus on the nightmare scenarios and all the climate nightmare scenarios. That won't change the world. But if you look at the benefits and the potentials that our industries and our citizens can gain by pursuing green solutions, the dreams, the visions of prosperity in sustainable growth paradigm, then I think we can convince our citizens and our industries to follow suit. And that is why that if you go to Denmark and ask the industry based organization they will also be supportive of our green choices. And that's the way to pursue (inaudible) and the dreams. Then you can also find the solutions.

Thank you very much for fantastic debate and some fantastic questions.
I'm really enjoyed it.

MR. JONES: And thank you for sharing your insight. We really appreciate it. (Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190