

New government's ambitious climate and energy initiatives

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Introduction

The Netherlands finally has a new government. It comprises representatives from:

- the People's Party for Freedom and Democracy;
- the Christian Democratic Alliance;
- Democrats '66; and
- the Christian Union.

On October 10 2017 these parties concluded a coalition agreement for 2017 to 2021 named Confidence in the Future.

This agreement will form the basis for all of the new government's policies. It contains an ambitious paragraph on climate and energy, which starts with the observation that the European Union's aim to reduce greenhouse gas emissions by 40%, compared with 1990 levels, by 2030 will be insufficient to meet the Paris Agreement target of no more than a 2 degrees Celsius rise in the global average temperature. Therefore, the new government has set the bar higher, introducing measures to prepare the Netherlands for a 49% reduction in greenhouse gas emissions by 2030.

Climate and energy agreement

The coalition agreement distinguishes between an international and a national strategy.

Internationally, the government will call for a 55% reduction in greenhouse gas emissions by 2030 at the EU level. In addition, the new government will develop a national climate and energy agreement. Reducing emissions by 49% by 2030 will require an extra carbon dioxide reduction of 56 megatons (Mt). The coalition agreement contains the following indicative allocation of the reduction per sector, based on studies by the Netherlands Environmental Assessment Agency:

- industry – 22 Mt;
- transport – three-and-a-half Mt;
- built environment – seven Mt;
- electricity – 20 Mt; and
- land use and agriculture – four-and-a-half Mt.

The fact that 18 Mt of the 22 Mt for the industry has been allocated to carbon capture and storage has been met with widespread scepticism.

The coalition agreement contains funding sources and a long list of measures, including:

- the broadening of the scope of the Renewable Energy Grant Scheme (SDE+);

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- the phasing out of coal-fired power plants;
- the designation of more sites for offshore wind power; and
- the replacement of natural gas for heating, including the change from the right to a gas connection to the right to heating.

The government aims to conclude the climate and energy agreement for up to 2030 in Summer 2018. This would enable it to include the results in the integrated national energy and climate plan pursuant to the European Commission regulation on the governance of the Energy Union.

Legislative measures

The coalition agreement states that the government's main points on climate and energy will be set out in a Climate Act. By way of a December 11 2017 letter, the new minister for economic affairs and climate policy further outlined its legislative agenda for the energy transition. The minister distinguished between the following stages:

- Phase 1 – Removing bottlenecks;
- Phase 2 – Foundation for the transition;
- Phase 3 – Implementation of European legislation; and
- Phase 4 – Further development of the transition.

Phase 1

As regards Phase 1, the letter refers to enacting the two bills pending before the House of Representatives – namely:

- the amendment of the Heat Act, which will – in addition to improving the operation of the Heat Act – remove the right to a gas connection in the Gas Act, initially for new houses; and
- the Act Progress Energy Transition, which will amend the Electricity Act 1998 and the Gas Act. This act broadens the scope for energy transition experiments and contains a limitative list of permissible activities of a network group (ie, a group containing a system operator (for further details on the unbundling of distribution system operators in the Netherlands, please see "[DSO unbundling – where are we now?](#)"). The House of Representatives' plenary session on this bill will be held in late January 2018.

Phase 2

Phase 2 purports to build the legislative foundation for the energy transition in the Netherlands. First, the Mining Act will be amended by a bill on geothermal energy. The minister expects to submit this bill for consultation in Spring 2018 and to the House of Representatives later that year. Second, the Mining Act will be amended by a new bill in order to decommission the existing oil and gas infrastructure. The minister expects to submit this bill to the House of Representatives in the second half of 2018. Third, the government will restart the initiative to integrate the Electricity Act 1998 and the Gas Act into one Energy Act, after the effort under the previous government came one vote short in the Senate at the end of 2015. The minister is striving to submit this bill for an integrated Energy Act to the House of Representatives in the first half of 2019. Fourth, there will be a bill expanding the Heat Act with respect to a new market design, including independent network management. The minister expects to submit this bill to the House of Representatives in 2019. Finally, the letter refers to a bill to amend the Offshore Wind Energy Act in order to capture the possibility of subsidy-free tenders. The tender period for applications for the first subsidy-free tender (for the third of the five planned large-scale (700 megawatt) offshore wind farms) closed on December 21 2017. Various parties, including Vattenfall, Statkraft and Innogy, have announced that they made a bid. The two previous tenders were won by Ørsted (previously DONG Energy) and a consortium which included Shell.

Phase 3

In Phase 3, the European Union's clean energy package will be implemented by a bill that amends the new integrated Energy Act. In his December 11 2017 letter, the minister indicated an implementation deadline of early 2021 and, if this is the case, a mid-2020 deadline to submit the implementation bill to the House of Representatives.

Phase 4

According to the minister's letter, Phase 4 will address additional matters arising from the coalition agreement and the new climate and energy plan. Preparations for this plan will start in parallel with the other stages, but require further analysis, experimentation and appraisal. This includes the further phasing out of natural gas for heating and the implementation of a legal right to heat, as mentioned in the coalition agreement. The minister will strive to submit this bill to the House of Representatives in early 2021.

What's next?

A reliable, affordable and safe transition towards a sustainable energy future for the Netherlands is a big challenge. Although the new government recognises that technological and societal developments may outpace legislative developments, the phase-by-phase implementation of the ambitious legislative agenda aims to keep up with these developments.

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