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Rotterdam Europort and third Maasvlakte (under construction)  
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Myths and facts:  
The Netherlands as a  
**GAS ROUNDABOUT**  
and EIB investments in  
**EXCESS CAPACITY**

# Introduction

The European Investment Bank finances energy infrastructure in the Netherlands as it does in other EU member states. Securing gas supply is a top priority for the EU, both through the construction of new gas pipelines as well as liquefied natural gas (LNG) terminals.<sup>1</sup>

In Rotterdam the EIB lent about 50% of the external financing (EUR 394 million) of a terminal for liquefied natural gas (2009).<sup>2</sup> The terminal is situated on an expansion of the port of Rotterdam, an area of land that has been reclaimed from the North sea. The EIB has also lent EUR 900 million to finance this expansion of the Port of Rotterdam.<sup>3</sup> Moreover, end 2012 it approved a loan of an approximate

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1. Beyond our borders, a critique of the external dimension of the EU energy policy and its financing mechanisms, Campagna della banca mondiale, January 2012.

2. Europe receives royal approval in Rotterdam, EIB, 29 September 2011.

3. The Port of Rotterdam expands with the EIB's help, EIB, 13 August 2012.





EUR 250 million to expand the gas transmission network capacity of the Netherlands.

Three choices in EU economic planning emphasize the importance of infrastructure development.

Firstly, both the harbor expansion and the gas transport facilities are part of the Trans-European Networks, the largest infrastructure program in European history. The European Union is investing huge amounts of money to build roads, terminals and harbors all over Europe.

Secondly, not only Europe's transport program but also the EU's current energy security policy is centered around the construction of a series of infrastructure projects inside and outside the European Union. Pipelines are built for the supply of gas and oil from Russia, the Caspian sea and the region of the Middle East and North Africa. Gas terminals and oil refining facilities are built in the main seaports of Europe for storage and processing of imports.

Thirdly, after the financial and economic crisis in 2008 the EU put even stronger emphasis on infrastructure projects to stimulate economic recovery and create jobs. The motivation behind this is the political and societal desire to continue the production and consumption patterns in Europe.

## Irrational behavior

Infrastructure development is normally driven by powerful alliances of public and/or private investors, overruling input from other interested or affected parties.

The turbulence out of the desire to maintain our affluent society, interacts with power dynamics following out of existing strong interests and power relations involved in infrastructure development.

In the coming decade it is very likely that billions of Euros will be invested in more transport and energy projects. There is an ongoing

realignment of financial institutions with governmental planners and project developers aiming to maximize economic growth. Government planners and engineers continue to do what they are always doing and re-package versions of initiatives designed in the 1970s and 1980s.

Public corporations, acting like a state within a state, often award contracts to a relative small group of companies. As a consequence, the work done by planners and engineers does not always address real infrastructure needs and even rational cost estimations get overruled.

Dutch professor Hugo Priemus of Delft University of Technology observed that in the decision making regarding transport infrastructure development, the solution mostly precedes the problem analysis. Alternatives mooted at a later stage by opponents are swept aside by the project initiators and the Ministry of Transportation. As a result, **the role of national parliaments is often marginalized, especially in the early stages of the process.** The

parliament is rarely able to get a foothold in the decision making. Any adaptation that the parliament pushes through at a later stage merely adds to the –already looming– cost overruns.<sup>4</sup>

## A case in point: Gas roundabout

A case in point illustrating this trend is the Dutch gas roundabout. **The**

4. Decision-making on mega-projects, Hugo Priemus a.o., 2008.



Maasvlakte. Photo: Erwin Boogert on flickr/CC-BY-NC2.0

**Dutch government wants the country to become the 'gas roundabout' of Europe.** The Netherlands is the largest producer and exporter of gas in the EU. Domestic gas production in the Netherlands is expected to continually decline over the coming decades though. **The Netherlands wants to maintain its position as a gas supplier, by shifting from a gas producer into a merchant of imported gas. Transmission pipelines have been laid, gas storage facilities have been built and parts of the gas transmission network outside the Netherlands have been acquired.**

The Netherlands Court of Auditors investigated how the government has substantiated the need for the gas roundabout and how the Dutch parliament was informed about the process.

In its report (2012)<sup>5</sup> it states that the Minister of Economic Affairs did not carry out detailed studies to substantiate the need for the gas

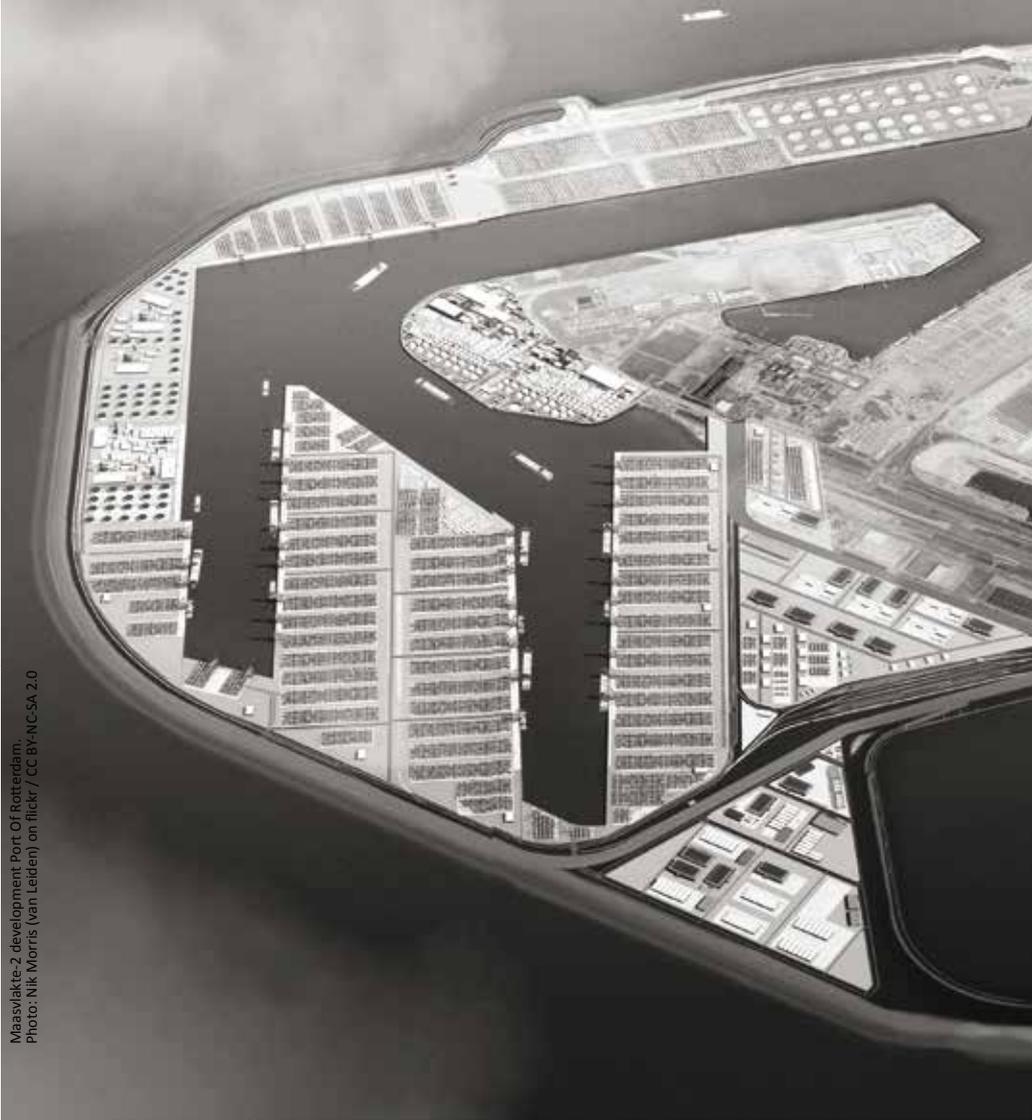
5. Gas roundabout: benefit, need and risks, The Netherlands as the European gas transmission hub, Dutch court of audit, 14 June 2012.

roundabout. A study was carried out in 2010 but by then EUR 7.2 billion had already been invested in the gas roundabout. Moreover, the information the parliament received on the gas roundabout neither explained why the gas roundabout strategy is the best option to secure the supply of energy nor how the public interest is served and which risks are taken up by the State on the investments.

## Excess capacity

The Dutch aim at becoming a merchant of power generated from coal and gas. The Netherlands already play an important role as a distributor of oil, gas and coal - coal imported from countries like Colombia, Indonesia, South Africa and the United States.<sup>6</sup> The Russian or Algerian natural gas and LNG from Nigeria, Qatar, Algeria and Trinidad destined for European customers is being transmitted through pipelines and is stored in the Netherlands.

6. A burning issue, the global footprint of coal-fired energy in the Netherlands, Both ENDS, March 2011.



Several coal and gas fired power plants have been built in recent years as well to provide the country with energy and to generate electricity for export. The International Energy Agency states in its World Energy Outlook 2012 that the use of coal is expected to rise substantially in the period up to 2015 as new power plants come on line and the price of coal remains relatively low.<sup>7</sup> The Netherlands wants to act as a swing producer of electricity generated, especially from cheap coal, and therefore built up excess storage and capacity for both gas and coal based generated electricity<sup>8</sup>

## The European Investment Bank and the gas roundabout

Over the last 5 years the European Investment Bank has provided

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7. 2012 Oil and gas security, emergency response of IEA countries, The Netherlands, 2012.

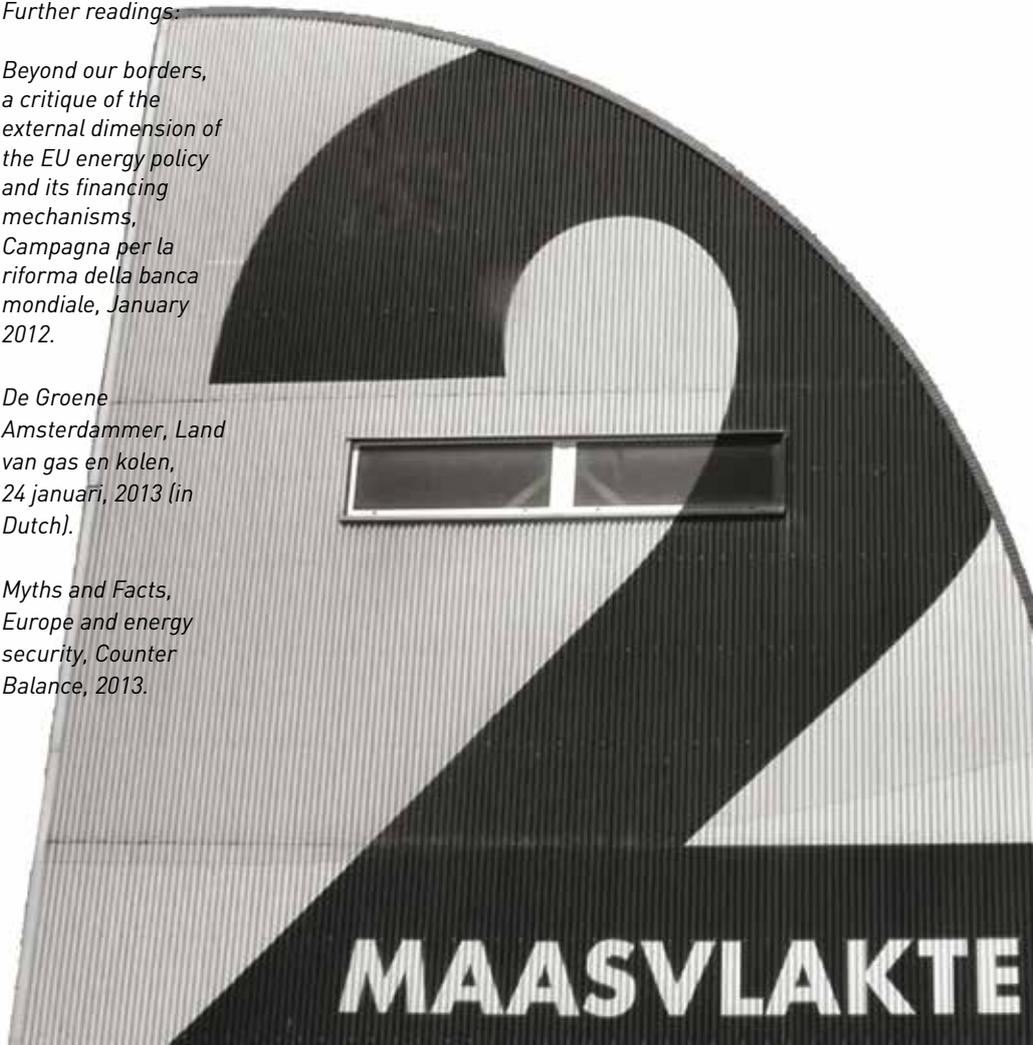
8. One other cause of today's excess capacity is the unexpected drop in demand of electronics due to the economic crisis, and the overoptimistically growth projections before the crisis on basis of which it was decided to build new plants.

Further readings:

*Beyond our borders, a critique of the external dimension of the EU energy policy and its financing mechanisms, Campagna per la riforma della banca mondiale, January 2012.*

*De Groene Amsterdammer, Land van gas en kolen, 24 januari, 2013 (in Dutch).*

*Myths and Facts, Europe and energy security, Counter Balance, 2013.*



more than EUR 2 billion for energy infrastructure in the Netherlands, supporting large-scale investment in electricity transmission and a LNG storage terminal on the Maasvlakte (Rotterdam harbour). With regard to the latter the EIB website states that the terminal will further enhance security and diversification of energy supply, in line with European policy objectives, by allowing imports from a growing number of LNG producing countries.

By financing the infrastructure the EIB also supports the Dutch ambition to become the merchant of fossil fuels and electricity generated from fossil fuels. The infrastructure facilitates increasing the production capacity

of fossil fuel power plants that Dutch policymakers almost seem to have deliberately created for facilitating the trade in electricity.

## Not so cooperative

The Dutch strife to make money as a swing producer of power generated from fossil fuels runs counter to the ambition to advance a broader

energy agenda which aims to increase European integration and collective political action on the energy matter.

The Netherlands leave it to Germany mostly to invest in renewable energy, and buy solar, wind and hydro power from Germany and others. They sell profitable electricity from gas and cheap coal in return.

Moreover, the Dutch energy path locks in the country and other EU member states into a long lasting dependence on fossil fuels. This, while at the same time the Netherlands jointly with the EU recognize that to solve global environmental problems, a drastic reduction in its own use of fossil fuels is needed. Public European money has been spent on Dutch projects being pushed without a public debate. The money invested in these projects is frustrating a more sustainable path. Instead investing in becoming even more dependent upon importing fossil fuels, the Dutch could have used the very same money for developing renewable energy and using energy much more efficiently.



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