



## **Submission to Department of Communications, Energy and Natural Resources on the Green Paper on Energy Policy in Ireland**

**July 2014**

### **Introduction**

Chambers Ireland is the largest business organisation in the State. With over 50 member chambers, we represent the interests of those doing business in every region and sector in Ireland.

Due to our geographic representation, we have a unique insight into the energy needs of the business community throughout the State. Through extensive consultation at local, regional and national level, we understand the concerns of the business community and are best placed to voice their opinions.

### **Priority 1 – Empowering Energy Citizens**

It is important that Irish citizens and businesses actively engage with the process of deciding on and implementing Ireland's future energy policy. In order to support a future energy policy for Ireland, Irish citizens must understand the reasoning behind its development. Stakeholders must be encouraged to proactively engage with the consultative process, and should be encouraged to access the consultative process in a variety of ways. Clear and easily accessible information is a prerequisite for meaningful citizen and business engagement, and key messages should be disseminated to communities via several different channels. A number of measures can be introduced to facilitate the increased engagement of citizens.

It is worth considering moving away from primarily written consultations to local community engagement seminars. Increased use of consumer panels could be a useful tool in obtaining a representative consensus position of end users on important decisions, and for informing wider debate. Other methods that could be adopted include community mediation processes, whereby communication and mediation with communities is facilitated by professional mediators. Mediation processes may be appropriate for communities affected by energy policy, particularly infrastructural development.

Reducing energy costs and carbon emissions can be achieved by providing consumers with more information about their usage patterns. With the high penetration of smart phones and mobile devices today, citizens can be incentivised via the promotion of new technology which is proven to be customer engaging and helps citizens save on energy bills. These are generally relatively low cost deployments using the latest technology which add comfort and energy savings for citizens. These

initiatives could be particularly useful for the fuel poor sector. It is also another method of engaging citizens in discussion on the energy challenges facing us and looking towards collective solutions.

The successful rollout of smart meters will depend on consumers adjusting their behaviour on the basis of the information the meter is providing them. There will likely need to be a parallel programme of informing consumers about how to adapt their usage in order to reduce their energy costs.

## **Priority 2 – Markets, Regulation and Prices**

Chambers Ireland welcomes the policy of increasing competition within the energy market to drive prices for consumers and businesses down. Ireland, as a small island nation on the periphery of Europe with limited natural resources will always face a challenge in terms of delivering secure, sustainable energy supply at a competitive price. We believe that a national energy policy must focus on maintaining security of supply and delivering energy to consumers and businesses at a competitive rate. This will in turn support the competitiveness of Irish businesses internationally; continuing to make Ireland an attractive destination for foreign direct investment. Ireland does not have the ability to exert influence on external suppliers; consequently, increasing domestic competition becomes a key lever for driving prices down.

Ireland must establish an energy market that matches the growth and evolution of the generation portfolio. The Irish market should facilitate the engagement of renewable energies and international market trading. The market should reward flexibility and innovation. Any unnecessary barriers to market entry for technologies such as micro-generation, wave, wind, and solar PV should be robustly reviewed and removed. The regulatory burden for new market entrants should be simplified and made as clear and transparent as possible. The most effective way of ensuring a competitive market and price for consumers and businesses alike is to promote competition between technologies and solutions.

CER has a crucial role to play in facilitating an effective and competitive market. Transparent regulatory oversight must provide the certainty and stability needed to encourage new market entrants.

In relation to resourcing, we would also highlight the importance for the Irish economy of the portfolio overseen by the Department of Communications, Energy and Natural Resources. The Department's role will become increasingly important in ensuring Ireland's energy security and in maintaining Irish economic competitiveness and growth. We recognise that Government resources are limited, but believe that a priority should be to ensure that DCENR is sufficiently resourced to manage such a diverse and economically important portfolio.

## **Priority 3 – Planning and Implementing Essential Energy Infrastructure**

The upgrading and improvement of the energy transmission network will be an important component of Ireland's future energy policy. A robust transmission grid allows electricity to be supplied to households, businesses and farms in a secure manner on a continuous basis. Electricity infrastructure underpins economic development and is fundamental to Ireland's economic strategy. Secure and stable supply is a priority for businesses. A secure energy system, coupled with stable and affordable energy prices, is essential to reignite, sustain and expand economic growth.

Ensuring access to secure, reliable and safe supplies of electricity is critical to Ireland's ability to attract foreign direct investment, to promote domestic investment and to create and retain jobs. This is particularly important in efforts to attract FDI to areas outside of major urban centres. Potential FDI companies must be certain that whatever location they opt for, they will have access to the power supply that they need.

In terms of collaboration with Northern Ireland and neighbouring EU states, the potential for further cross-border interconnection should be investigated. The East West Interconnector has resulted in a significant reduction in wholesale electricity prices, has contributed to increased energy security, and has provided Ireland with the capacity to export energy in times of surplus. Further interconnection is being considered with France, which could yield further significant benefits in terms of potential price reduction and enhanced energy security.

Effective infrastructure planning must also be addressed at a micro-level. A dispersed population and a preponderance of one-off housing are not conducive to keeping the costs of delivery of energy infrastructure low. Local planning guidelines should perhaps be cognizant of national energy policy.

The planning and regulatory procedure for large scale infrastructure projects is rife with uncertainty and delay. This applies to all large scale developments, but it has a particularly pronounced impact on energy projects. Both on shore and off shore projects have faced difficulties in this regard in recent years. The project stoppages and unforeseen hold-ups associated with such delays add to the overall cost of development for the investor and ultimately, the taxpayer.

Investors with the level of capital required to undertake energy investment are very often weighing-up investment opportunities across the globe. Unforeseen cost overruns and regulatory uncertainty are risks that are difficult to accurately price into an investment decision, and investors may begin to view Ireland as too risky to invest in long term relative to other jurisdictions.

Legislative and regulatory certainty is also a prerequisite for attracting long term investment. Investors need to be certain that there will not be major legislative or regulatory changes which will undermine their position after a significant investment has taken place. We therefore recommend that there should be a communication and consultation process with industry and investment stakeholders prior to any decisions being made on regulations, licensing, and permits that may affect them.

It is important that all consultations are open and transparent, and allow for all stakeholders to have their voice heard. It is also important that if a particular project successfully completes the various planning and regulatory procedures required of it, then it must be allowed to progress unhindered. Discussion and consultation should also be framed in a context of Ireland's strategic energy policy requirements.

A coordinated effort by all stakeholders including Government, regulatory bodies, energy generators and transmission/delivery operators is required to ensure that citizens understand the need for investment in Ireland's energy generation and transmission network. Government must take the lead in firmly articulating, supporting and delivering Ireland's energy policy.

Over the next decade, sustained and explicit Government support for key infrastructure and energy projects, policy guidance on public participation, and the publication of an inter-departmental strategy on energy infrastructure development would help deliver a fit-for-purpose generation and grid system in a socially acceptable, timely and cost-effective manner.

## **Priority 4 – Ensuring a Balanced and Secure Energy Mix**

Recent geopolitical shifts have brought the issue of Ireland’s energy security back to the fore. Ireland needs to realign its priorities in order to ensure security of supply over the next several decades. With this in mind, the reducing dependence on oil and gas should be taken as reducing dependence on all imported energy, including imported carbons.

Oil and gas will still form a significant part of any energy mix Ireland adopts in the foreseeable future. In order to reduce their importation, a priority must be the effective utilization of Ireland’s offshore petroleum resources. This will both contribute to ensure security of supply, and generate revenue for the State.

Ireland’s offshore petroleum resources have not yet been utilized to their potential, and one of the barriers to this is that Ireland is perceived as being high risk in comparison with the potential reward. Ireland has the potential to build a successful national petroleum industry. In order to do this, it should ensure that it has a competitive fiscal environment, and a regulatory and licensing framework that ensures certainty and stability.

Ensuring Ireland’s energy security into the future would also suggest that divestment of energy generating assets in the short term may be premature, as they may provide a backstop should there be any future interruption in supply.

## **Priority 5 – Putting the Energy System on a Sustainable Basis**

Sustainability of supply is an important consideration in Ireland’s national energy policy, but at this juncture we believe that cost competitiveness and security of supply must take priority. Ireland, and the EU, cannot effectively tackle the problem of climate change in isolation from global initiatives. There is little merit in unilaterally adopting excessive decarbonisation targets for Ireland and burdening the consumer and businesses with levies and taxes to pay for supports. There will be relatively little achieved in terms of decarbonisation while Ireland’s competitiveness will be seriously eroded.

Ireland has made significant progress towards decarbonisation. Flagship CO2 reduction programmes have been implemented by organisations such as ESB, Dublin Bus, Dublin Airport Authority, and Iarnród Éireann. SMEs across Ireland are also contributing to carbon reduction.

It appears as if the EU targets for 2030 will no longer be mandatory, and once the Government’s target of 40% renewable electricity is achieved, we do not believe there is a case to continue to provide additional subsidies to move beyond this level.

In order to exploit Ireland’s renewable energy potential, deliver effective sustainable energy solutions, and encourage the growth of related industries, schemes to encourage and facilitate private equity investment should be encouraged.

## **Priority 6 – Driving Economic Opportunity**

We commend the focus on driving economic opportunity in this consultation. We would reiterate that the primary driver of economic opportunity from energy policy will be a competitive Irish energy market which keeps prices low for Irish businesses and consumers.

In addition to this, if Ireland is to strategically develop its energy industry in order to maximise employment and growth it must identify high value added areas in which it can be a global competitor in the long term rather than rely on short term domestically focused initiatives. A systematic approach is required in order to commercialise R&D and innovation and build an industry. For example, a high level task force including relevant stakeholders such as companies engaged in power generation, transmission and distribution, Irish green tech start-ups, business representative organisations and research institutions could be established to coordinate strategic commercialisation.

Ireland should not overlook the economic opportunity and stimulus that is derived from national energy projects. Eirgrid's development of a 21st century smart grid that supports a wider sustainable energy system has the potential to form the backbone of a varied national energy industry. The delivery of grid infrastructure and operational capability is an important step in facilitating indigenous clean energy production and efficient market. The Corrib Gas project has spent over €1 billion with Irish companies over the course of its development, and has engaged over 300 Irish contracting companies. The further development of the Irish wind industry also promises to bring employment and opportunity to a number of Irish regions.

Considering the potential economic benefits of national energy projects, and their importance to Ireland's future energy policy, there has been limited coordinated public support for them on the part of Government and State agencies. Where appropriate, Government, State agencies and other stakeholders should proactively communicate the value of such projects to Ireland's economy.