Chambers Ireland Submission to the Dept of Communications, Marine and Natural Resources on Towards a Sustainable Energy Future for Ireland

Chambers Ireland representing over 13,000 businesses through 60 affiliated chambers, on the island of Ireland, has an interest in ensuring the country remains competitive and has an adequate and cost effective energy supply in the future. It is in this context that we make this submission.

Introduction

> *This high rate of energy demand growth has occasionally strained the country's energy infrastructure and, while these constraints are generally being addressed, they increase concerns about the country's overall energy security. These concerns are fuelled in part by the country's lack of substantial domestic energy resources and consequent high level of imports. In 2000, only 15% of the country's energy came from indigenous sources. The country's relative isolation and lack of extensive international energy connections also exacerbate Ireland's vulnerability to supply disruptions and/or price spikes.*[1]

Chambers Ireland view the current debate on energy and emissions as being one of the most important currently faced by the business community and by policy makers in Ireland. The above quotation from the International Energy Agency gives some indication of the challenge faced, as we seek to shape the future energy market in Ireland.

Chambers Ireland believes that central to any analysis of the future direction of Irish Energy Policy must be the following considerations.

[1] International Energy Agency Report (2003) – *Energy Policies of IEA Countries, Ireland 2003.* p7 OECD

- Security of Supply
- Competitiveness
- Meeting our International Obligations
- Equitable Burden Sharing (Polluter Pays)

These principles are not by any means complimentary and one of the challenges in proposing an energy policy is to find a balance between these important priorities for the Irish economy.

Security of Supply

Security of supply of energy is emerging as an issue of great significance in the Irish economy. While the term is frequently used in relation to security of supply of fuels, it can also be usefully interpreted to include security of supply of generated electricity. By broadening the definition issues such as generation, distribution and transmission are also included in our analysis.

Ireland continues to produce a relatively low level of electricity from domestic sources. With a high dependency on imported fuels such as coal oil and gas, we are at the mercy of international markets in terms of both security of supply and price levels. Our supplies are coming from areas such as the Middle East and Russia, neither of which could be regarded as being stable in geo – political terms. The problems in the Mid East are well documented and there is an increasing awareness that Russian supplies may be less than stable.[2]

Amárach Consulting, using World Bank and ECB statistical data have concluded that Ireland is one of the most vulnerable countries in the developed world in terms of security of oil supply and sensitivity to a change in supply or price of oil. This is a position which is greatly exacerbated due to our complete reliance on oil based sea and air transport for international connectivity[3]

In terms of security of supply of generated electricity there are further issues of concern. While it is estimated that the current level of capacity is adequate to meet the needs of our economy, recent

[2] Institute of European Affairs: *EU - Russian Energy Relations in* Energy Policy Newsletter.(Nov 2006) p6
[3] Forfàs (2006) *Baseline Assesment of Irelands Oil Dependence.* P19

reports, by Eirgrid, indicate that there is need for additional investment in capacity to ensure supply beyond 2011[4]. Given the long lead time in planning and construction of such facilities, it is incumbent on the Government to make provision in this regard.

Competitiveness

Irish industry is operating in a global economy where it is already facing substantial challenges in terms of competitiveness. The figures displayed in the recent Deloitte Report on the Irish Electricity Sector[5] indicate that Irish consumers, including Irish business consumers, are supporting an inflated cost of electricity production in the region of €100m per annum due to inefficiencies in the ESB.

Even prior to the Deloitte Report the Department of Enterprise Trade and Employment characterised the electricity market as follows;

Of most concern is the fact that the market is not competitive, and does not work well for consumers, both private – and crucially for national competitiveness – industrial and other business users. The ESB continues to dominate the market, and independent generation has not been incentivised to enter the market, not least because of the circumscribed independence of EirGrid, the Transmission Systems Operator.[6]

Among the sectors which are most vulnerable to the uncompetitive nature of electricity generation include critical sectors such as;

- Pharma Chemical
- Electronics
- Food Beverage

[4] Eirgrid (2005) Generation Adequacy Report 2006 – 2012 Transmission System Operator Ireland
[5] Deloitte (2006) Review of the Irish Electricity Sector p7
[6] Department of Enterprise Trade and Employment (2005) *Irish Electricity Market Challenges*. P3

- Tobacco
- Hotel & Leisure
- Retail

All of these are viewed by Chambers Ireland as being critical sectors of the Irish economy. Critically the Department also indicates the detrimental effect that continuing rise in energy prices will have on the practice of Research and Development in the Irish economy. [7]. If we are serious about our status as a knowledge - based economy, this is a situation which we can ill afford to tolerate.

It is critical as we plan the future of energy in Ireland that steps are made to reduce inefficiencies and to find lowest cost solutions while still adopting best practice. Where possible, solutions should aim at being revenue neutral in the medium term.

Energy Supply is a critical issue to which Irish business is waking up rapidly. The recent price rises agreed by the energy regulator has focused the mind of Irish industry on the potential problems they will face in the era of peak oil. Forfas this year have spelled out in clear terms the importance of this issue.

The enterprise sector in Ireland is expressing concerns regarding energy pricing and security of supply… Ireland's ability to continue attracting high levels of Foreign Direct Investment and to provide a supportive environment for Irish industry generally will depend on its capacity to deliver and secure an uninterrupted energy supply at a competitive cost.[8]

Chambers Ireland recognise that there may be an investment cost in addressing our energy supply needs, however the cost of failing to do this, will be far greater for the Irish economy[9].

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[7] ibid. P16
[8] Forfás (2006) *Baseline Assesment of Irelands Oil Dependence.* p3
[9] As indicated by Northern Foods submission to the Commission for Energy Regulation indicating that the proposed rises in energy prices had the potential to make the company unviable.

Meeting our International Obligations

Aside from the arguments based on responsibility and morality which relate to altering our use of energy, Ireland has, as part of the European Union, clear targets to meet in terms of reduction of emissions as part of the Kyoto Treaty. This is not merely an altruistic endeavor, there are stark warnings available as to the potential costs of failure to mitigate against global warming[10].

The Treaty obligates Ireland to reduce carbon emissions from their current level to a rate 13% of 1990 levels. The challenge faced by Ireland is significant, particularly due to the substantial level of growth achieved in the economy in the intervening years and the associated rise in income levels and energy consumption.

The National Climate Change Strategy remarked that our account in terms of emission levels was already 'in the red'.[11] Some six years later little has been achieved in terms of rectifying this situation and the cost to the Irish Taxpayer will now run to more than €100m in penalties. These costs will not address our long term compliance issues and these costs are merely the tip of the iceberg.

Equitable Burden Sharing (Polluter Pays)

Chambers Ireland has always promoted the concept that business should and would pay its share. This has been a core principle of our position to date on local Government funding, water charges, waste management and other policy areas. This commitment is however based on an understanding that other groups in society should do likewise. The polluter pays principle is central to best practice environmental policy and should be central to any discussion regarding energy policy in Ireland.

The aim of this document will be to ensure that all sectors of society, including the business community, play their role in reducing energy consumption and promoting the use of renewable energy sources.

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[10] Dr. Cameron Hepburn of the University of Oxford has suggested the potential that the effects of climate change could be viewed as being comparable in destructive terms to major acts of terrorism. Quoted in The Economist: The heat is on – A survey of climate change. (9/9/2006)

[11] Department of Environment and Local Government: National Climate Change Strategy – The Plain Guide. (2000) p3

The polluter pays principle is crucial in this regard, because consumers have a vital role to play in changing the nature of production and consumption. This demand management will have a critical role to play in bringing about the changes needed in both energy consumption and emission levels.

The Green Paper

The Department of Communications Marine and Natural Resources (DCMNR) published a Green Paper on Renewable Energy in early October 2005. This has been followed in recent months by the Department's Green Paper on Energy.

We believe that while the debate is vital, that the Green Paper has been short on specific actions. It has given broad targets to be reached but has little indication of how those targets can be achieved. Our time to meet our Kyoto obligations is fast running out; the era of peak oil may well be upon us; the need to ensure that Ireland as an island economy can protect its strategic and business interests into the future is now a critical concern. In short we believe that this debate is one that the Government needs to push to the top of the agenda. The necessary political steps and investment needed to bring about change should not be avoided; rather we must meet the challenge head on.

Recommendations

Energy Sector

- Implementation of the recommendations contained in the Deloitte Report with regard to unbundling of ESB Generation and increase in competition.
- Further decouple EirGrid from its links with the ESB, while retaining it in state ownership.
- There is a need for increased interconnection in the market between Ireland and the UK and Ireland and Europe. The ultimate aim being a pan European grid.
- Future Investment in infrastructure to take account of the development needs of renewable energy suppliers
- Further development of the oil resources held by the National Oil Reserve Agency (NORA) and support for the development of storage infrastructure on the Island of Ireland.
- Continue to support the exploration of Irish Waters in an effort to promote security of supply of natural gas.
- Explore the potential for attracting further investment in LNG storage facilities.

Promotion of Renewable and Alternative Energy

Wind

- Future investment in transmission equipment to take cognisance of the need to expand out wind energy use.
- An end to the use of moratoria on connections of wind energy connections to the national grid.
- Support for projects seeking to establish increased connectivity between Ireland and the UK and Ireland and the EU.
- Government support for research into the key area of storage of energy
- Encouragement of CSR and funding communities who allow the development of 'contentious' infrastructure in their community. This will have a bearing not only in terms of wind energy but also other installations.

Ocean

- Ocean Energy is likely to have an important role in our future energy needs. The Government needs to set more ambitious targets in this regard, particularly for the period up to 2020.
- R & D facilities for Ocean energy research to be incorporated as part of centre for excellence in Renewable Energy Research

Biomass

- Encourage the development of bio mass, particularly through the use of waste produce and where viable short term crops.
- Encourage the development of co – firing of existing fossil fuel plants to reduce emissions.
- Increase public awareness of the benefits of Biomass from both an environmental and energy efficiency standpoint.
- Ensure that Biomass plants are located in areas close to the source of materials.

Biofuels

- Reduce duty on bio fuels in line with other EU countries to promote domestic production
- Grant Aid for development of new bio fuel supplies to be based on proof of long term sustainability.

Peat

- Peat offers some degree of security of supply and so should be maintained as a limited source of generation while renewable sources are being developed.
- Where possible, Peat should be co – fired with biomass to reduce emissions.

Nuclear

- Given the substantial amounts of money involved in commissioning a nuclear power station, Ireland will not in the short term have a business case for generating its own nuclear power, however through interconnection it is likely that Ireland will be accessing nuclear generated power in the future. Chambers Ireland believes that a "watching brief" will be required on sourcing nuclear powered energy.

Supporting Research and Development

- Research to be carried out as to the potential size of the business market for renewable related products in Ireland and EU.
- Establish a Centre of Excellence to provide a focal point for energy research in Ireland.
- Seek to build links between Irish Companies and this centre of excellence to harness the practical experiences of Irish Business.
- Ensure that where possible, funding for R & D purposes is granted on a long term multi – annual basis.

Market Incentives and Fiscal Policy

- Chambers Ireland is not opposed to the introduction of fiscal implements aimed at reducing either energy use or emission levels
- Any move to introduce such measures must be fiscally neutral and should be based on a trade off against other tax measures, most specifically labour taxes.
- Any implementation of a fiscal measure should follow a buffer period to assist businesses and members of the public in changing their consumption patterns.
- Any Implementation should not be undertaken outside of an EU wide agreement
- Emissions' trading has a positive role to play in supporting energy efficiency and emissions reduction.
- However emissions trading cannot be used as a crutch in place of a plan to reduce domestic emissions.
- The Government should move to encourage voluntary agreements among the private sector as a means of lower emissions and improving energy efficiency.

Promoting Energy Efficiency

Business

- A supported network of advisors to work with SME's to develop energy awareness and prepare energy audits.
- Continued Support for CHP projects with additional support for companies using renewables in the CHP process.
- Development of Pilot District Heating Projects in a number of specific locations.

- Energy Efficiency and Best available technology to form part of the requirements for capital assistance from Enterprise Ireland / Enterprise Boards. Maximum funding to be increased to take account of this.

Domestic

- Explore mechanisms for increasing the competitiveness of energy efficient appliances.
- Government funding, on a means tested basis, for the retro fitting of homes over 15 years of age on an energy efficient basis.
- Introduction of net metering allowing domestic producers the chance to offset the cost of electricity purchased.

Government

- Government Departments, Local Authorities and State Agencies to take a lead in promoting energy efficiency within their own organizations
- Government Departments, Local Authorities and State Agencies to develop comprehensive plans for developing energy efficiency and target emissions reduction
- Government to publish targets for reduction in energy emission within the state system.
- All major capital procurement and tendering processes to include a requirement that consideration be given to energy efficiency emissions where relevant and within reasonable cost considerations.

Promoting Energy Efficient Transport

Commercial Transport

- Government Information Campaign to publicise the benefits of Fleet Management Systems and Driver Efficiency Training.
- Commercial Fleet Scrappage Scheme to be implemented for vehicles over 10 years of age.

Private Transport

- Change to the VRT system to reflect not only engine size but also emission levels.
- Introduce Information campaign to support the use of vehicles utilising bio fuels.

- Eliminate VRT on Bio Fuel vehicles.
- Reduce VRT on Hybrid Technology
- When the market is open sufficiently with real choice available to consumers, petrol and diesel prices should be substantially raised to acknowledge the complete cost of using such fuels.
- Fuel Efficiency to feature as part of Driver Theory Test.

Public Transport Road

- Increase Competition in Bus market in major cities
- Increase investment in rural transport initiatives
- Examine the feasibility of ensuring that all new public sector fleet should be run on bio fuels.
- Switch Dublin Bus subsidy base from passenger use to passengers carried.

Public Transport Rail

- There is a need to ensure that the recent growth in rail expenditure is not a short–term, one-off phenomenon. In the event of increasing costs associated with road transport, rail needs to be viewed as being a realistic long term alternative. In the Government should continue to examine the feasibility of developing new rail links and freight options.
- The option of privatising rail freight should be considered.

Cycling & Walking

- Bicycles are a form of environmentally friendly transport and bike lanes should be provided on all urban roads (where possible) in addition to bicycle friendly public transport in Ireland's major cities
- A pilot scheme to build and operate commercial bicycle parks in the major cities should be piloted by the Government through the local authorities
- Prioritisation of pedestrian needs in the development of land use and city centre developments.

Air Transport

- Any decisions made in relation to air transport should take account of our growing dependence on International markets for trading.
- The Development of Irish airports role as a Trans Atlantic Hub for passenger and cargo. This policy can reduce emissions in an EU wide context by reducing holding patterns at busy EU airports while providing a gain for Ireland.

Land Use Policies

- The implications of land use policy need to be explained to the general public, this should include a full debate regarding the potential implications of life in a post peak – oil Ireland.
- All infrastructural decisions need to be taken in the context of the National Spatial Strategy.
- There is a need to increase the density and quality of housing within towns and cities around the country.
- There is a need for a genuine commitment to the accelerated roll out of broad band to assist people in teleworking and to ensure that e infrastructure is available to support regional development.

Chambers Ireland
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