

Energy Green Paper Submissions
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Towards a Sustainable Energy Future for Ireland

DCMNR Green Paper – Response from E.ON UK

We very much welcome this opportunity to comment on the future of energy policy in Ireland. E.ON UK is the United Kingdom's second largest retailer of electricity and gas through the 'Powergen' brand as well as 'E.ON UK' to larger consumers. We are also one of the UK's largest electricity generators, and operator of electricity distribution networks, via Central Networks throughout the Midlands of England. The wider E.ON Group has electricity and gas interests in Germany, Central and Eastern Europe, Italy, the Netherlands, Scandinavia, the USA and Russia.

We believe that competitive markets are the most efficient way to attract the required investment in energy, whilst creating the best value for consumers. We support the EU's aim of liberalisation of energy markets, and the refocusing of efforts towards creating regional markets as an intermediate step to a fully integrated EU market. Where market intervention is needed, we support the use and effectiveness of market-based instruments to achieve regulatory and policy objectives, rather than direct intervention by 'traditional' regulation.

To encourage security of supply and environmental sustainability, investment is required in a more diverse range of low carbon energy sources within those regarded as acceptable by national Governments. A market based approach which provides investors with a long-term framework which rewards low carbon technologies, and minimises the risk of political intervention, will enable these investments to be made efficiently, supporting the competitiveness of the Irish

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economy and providing value for consumers.

We see the EU ETS as the key mechanism for incentivising investment in low carbon technologies within an agreed EU approach to climate change, and that it has the potential to be extended more widely as a basis for a more effective global response. However Governments have a role in supporting development and demonstration of emerging technologies. We believe the key objectives for the future development of the EU ETS in phase 3 are to encourage a consensus between Member States in the following areas:

- **Long term certainty**– Long term EU commitment to a CO2 reduction target supported by an EU ETS with a tough cap and an extended trading period
- **Harmonisation**– EU wide sign-on and burden sharing is essential to deliver consistency and confidence.
- **Movement away from free allocation**– To strengthen the investment signal to all CO2 emitters.

We hope the Irish Government will support these objectives.

We believe the Irish Government needs to encourage an investment climate in energy that is attractive to potential investors compared to the rest of Europe. However, this will be difficult whilst there remain concerns about incumbent market power, and the possibility of direct Government intervention in the Irish energy market remains a risk.

E.ON UK does not therefore support the principle that 'certain strategic electricity assets remain in state-ownership for the long-term'. Whilst this is the case, direct Government intervention in the market, both operationally and functionally remains a real possibility, and will act as a disincentive to potential private investors as the business case for investment is eroded by perceived political risk.

The Irish Government should consider moving towards more integration with the UK market as an effective means of increasing competition, whilst also ensuring security of supply. We welcome the focus on the goal of an all-island market, but attention should also be given to the longer-term aim of creating the right conditions, through increased interconnection and compatible trading arrangements, for fuller integration with the UK, the wider Ireland, Great Britain,

and France regional market., and ultimately with the EU market as a whole. Fuller integration, though strong interconnection, would bring real benefits to the Irish consumer, and drive investment as investor confidence in a wider market increases.

E.ON UK looks forward to seeing the results of this consultation, and the forthcoming energy policies from the Irish Government.

If you have any questions about this response, or if there is further information we can provide, do not hesitate to get in touch with me directly.

We look forward to working with you in the future.

Yours sincerely,

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