IDA Ireland comments to the Department of Communications Marine and Natural Resources on: The Energy Green Paper, *Towards a Sustainable Energy Future for Ireland*

1) Introduction

The FDI sector is a major contributor to the Irish economy with 1,000+ companies employing over 130,000 jobs directly in the economy, with many more supported indirectly. In addition, the Foreign Direct Investment (FDI) sector accounts for about 80% of Ireland's merchandise exports, and spends over €15bn per annum in the economy.

In this context Ireland's energy infrastructure is a critical component in the overall value proposition of Ireland for attracting high quality FDI.

In fact the volatility and rising prices in the global energy market over recent years has significantly increased the sensitivity of FDI companies to the energy issue.

The key issues for IDA Ireland in terms of energy policy going forward are the realisation of an Irish energy market and infrastructure that delivers:

- Guaranteed security of supply, in terms of an assured adequacy of generating capacity.
- Internationally competitive energy prices for Manufacturing and Internationally Traded Services companies.
- A grid infrastructure that fully facilitates regional development.

In addition IDA Ireland recognises the need to achieve greater energy efficiency in all sectors of the economy, and to significantly increase the contribution of renewable energy in the energy fuel mix where it can contribute to security of supply, energy price competitiveness and price stability.

On all these fronts the key benchmark should be Ireland's relative position in an international context. IDA Ireland competes in an increasingly global FDI market and we must not allow an issue as fundamental and important as energy, to lag behind what is available in other countries in terms of cost, security of supply and infrastructure quality.

2) The Green Paper

The Green Paper sets out the current strengths and weaknesses of the energy market in Ireland very well, however, it would benefit from significantly strengthening in terms of:

- Providing a clearer and more specific plan of action on how the energy sector is to be developed, both in the short to medium term and the long term. This is vital if the objective of achieving significant private sector investment in the energy sector in Ireland is to be realised.

- The paper should prioritise better between issues that need immediate attention in the short term, such as security of generating capacity versus demand, and those that are very important, but longer term policy objectives.

- More specific targets, with appropriate and well defined time frames, and benchmarking against best international practice would be beneficial across a range of areas.

In this context the key observations IDA Ireland has on the Green Paper are as follows:

1) The Paper should spell out in more detail how the critical issue of adequacy of electricity supply will be secured over the next 3-5 years. In this respect there is a need for:

    - A target of achieving an adequate gap between peak demand and generating capacity, (e.g. reaching the EU 25 average), by 2010, and a clear plan on how this will be achieved.

    - A target of raising the average "availability" of generating plant from its current circa 80% average to the international standard of 90% or more, within a similar timeframe.

2) Achieving an adequate cushion between demand and electricity supply means for the most part significant additional generating plant and/or more inter connection to other jurisdictions.

    In this context the Green Paper notes the lack of private sector interest in setting up new generating plant under current market conditions and structures, and explores some of the reasons for it. However, while the Paper indicates some of the steps needed to address the issue (e.g. the holding of a land bank of suitable generating sites by the State), it is difficult to identify a clear plan of action in the Paper that could make a major impact on this situation in the short to medium term.

    With regard to the proposed inter connectors set out in the Green Paper, they need to be fast tracked as a top priority and put in place in advance of 2012.

    In addition, the Green Paper should address in more detail the need for better integration and inter-connection into the mainland Europe electricity market and not just to the UK. Otherwise Ireland risks becoming overly dependant on one jurisdiction for much of its electricity supply adequacy.

Furthermore, adequate inter connection is not just important from a security of supply perspective. It also indirectly helps to alter the fuel mix, which, as the report sets out, is a major element in the price differential between Irish electricity prices and those available elsewhere in Europe. It also facilitates the adoption of variable renewable energy options, such as wind, into the energy mix, further addressing the fuel mix issue over the long term.

3) Energy policy regulation, including the operation of the Commission for Energy Regulation, should take more account of the need to ensure security of supply and international price competitiveness. This should be a priority at least until such time as the structure of the energy market in Ireland can deliver both via competition.

4) The long term targets of achieving 15% and 30% renewable energy in the overall fuel mix by 2010 and 2020 respectively is subject to "no insuperable technical difficulties". The Green Paper would benefit from some more explanation of these potential technical limitations.

   In addition it should outline in more detail what specific actions are required to make the achievement of the 15% and 30% renewable energy targets both a technically practicable and, most importantly, an economically efficient outcome in terms of contributing to security of supply, energy price competitiveness and price stability. In this respect the forth coming White Paper should be informed by the results emerging from the all Ireland grid study currently underway.

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