

**LABOUR PARTY SUBMISSION ON TOWARDS A SUSTAINABLE  
ENERGY FUTURE FOR IRELAND**

Minister Noel Dempsey  
Department of Communications, Marine and Natural Resources  
29-31 Adelaide Road  
Dublin 2

Thursday, 30 November 2006

Dear Minister Dempsey,

I hope you will accept the following comments on the recent Energy Green Paper, *Towards a Sustainable Energy Future*, on behalf of the Labour Party.

Managing the supply and operation of our energy resources is one of the most important tasks in order to keep critical aspects of our society functioning. Environmental concerns, price fluctuations and geopolitical tensions on world energy markets and dwindling supplies of fossil fuels have ensured that energy has returned with a bang to the top of the political agenda. These pressing and difficult challenges necessitate a serious review of our energy future.

The neglect of the energy sector has been one of the Fianna Fail/PD government's most appalling policy failures. It is increasingly obvious that the absence of an effective energy policy is now playing a major role in the present unprecedented levels of energy poverty and in the chipping away of the international competitiveness of our manufacturing and industrial sectors. It is also clear that most advances that have occurred in the Irish energy sector have occurred as a result of directives from the EU, rather than any initiatives on the part of the Fianna Fail/PD coalition.

In this context, however the publication of the new Green Paper must be welcomed and hopefully it will herald the beginning of a new era that gives proper government and policy attention to our energy future. Yet it is clear that in the new Green Paper, the government has failed to inspire on various issues including renewable energy technologies, energy efficiency and fuel and energy poverty. These issues must be properly addressed before the document's final publication as a White Paper in the coming months. The Labour Party believes that our energy strategy must ensure a

secure and reliable supply of energy, facilitate a long-term sustainable environment and make sure that energy is affordable for everyone, including the very poorest, of our society. In order to achieve this it is essential that we diversify our fuel mix, especially through encouraging greater use of renewable technologies; establish open and transparent energy markets and ensure that consumers actually receive some of the benefits of market liberalisation; promote and achieve significantly higher levels of energy conservation; facilitate greater awareness of personal energy responsibility; encourage research and development to ensure that Ireland is at the cutting edge of new energy technologies; and put significant measures in place to ease the heavy burden of energy poverty in our society. At its most fundamental, the goal of Labour policy is to deliver affordable energy for all consumers, ideally resourced locally, which will last into the future and which does not do long-term damage to the environment. Over time Ireland should aim to have the lowest cost energy system in the EU.

In order to encourage as wide a debate on energy as possible it is important that documents such as the Energy Green Paper are as user-friendly and coherent as possible. *Towards a Sustainable Energy Future for Ireland* is deficient in this regard. The structure is disjointed and certain key topics such as fuel and energy poverty are broken up and partially dealt with in different sections of the policy document. Furthermore, basic functional aspects of the work such as the contents page and index are poor, and militate against easy access and cross-referencing.

### **Ireland's Energy Profile; High Demand, Over-dependency & Government Neglect**

At present energy consumption in Ireland is very high, and steadily increasing, which Section 1 of the Green Paper highlights. Most critically, however, is Ireland's energy import dependency; approximately 90.2% of Ireland's energy needs are met by imported sources of fossil fuels. Organisations as diverse as Forfas, Sustainable Energy Ireland, the International Energy Agency and Engineers Ireland have all recently warned of Ireland's increasingly precarious reliance on imported hydrocarbons. This over-dependence on imported fuels leaves us extremely vulnerable to both price spikes on world energy markets and to disruptions to supply. Developments in recent years have drastically changed the energy environment and accelerated the need for a comprehensive review of our energy strategy.

Labour believes:

1. Energy policy must be prioritised. The next government should consider establishing a Department of Energy and Climate Change (including exploration and clean energy research).
2. Sustainable Energy Ireland's role must be enhanced in developing national energy policy, providing data for medium and long-term energy trends and in engaging in public information campaigns on energy issues. SEI's role in the context of the establishment of the new Irish Energy Research Council must be clearly spelled out. It should be enhanced and maintained as the lead agency in promoting all aspects of a sustainable future energy system and have a key role in invigilating the energy sector and research.
3. A coherent national energy and climate change policy with targets to be reviewed and approved by the Oireachtas each year must be established under legislation.

### **Three Key Realities of the Changing Energy Climate:**

Climate change, the declining and ultimately finite supply of oil and natural gas, and the need to ensure a sustainable future energy system are the three key realities that must frame any responsible energy. The Labour Party has long accepted the reality and challenges of climate change as recently laid out in the landmark Stern Report prepared for the British Labour government.

Labour believes:

4. We must maximise a vital window of opportunity: Natural gas from the Corrib gas field must be brought ashore in a safe and agreed manner as a matter of national priority.
5. There should be a substantial review of the current terms for licensing the exploration and exploitation of Ireland's natural resources. The Labour Party has brought forward a Private Member's Bill, the **Petroleum and Other Minerals Development Bill**, which seeks to ensure greater accountability by Dail Eireann in the regulation of the exploitation and production of Irish natural resources. It also provides for stronger measures to ensure that health, safety and environmental concerns are

addressed and emphasises the critical importance of establishing and outlining the proposed national and local benefits of any licensing regime.

### **The New Irish Energy Market & Public Policy**

Traditionally the production and distribution of energy, notably electricity and natural gas, has been dominated by national monopoly companies. The dominance of the national energy operators is being challenged by the EU-led liberalisation of the energy markets. The opening of gas and electricity markets should eventually allow all gas and electricity users to choose their supplier. The liberalisation process has serious implications for Ireland's publicly owned energy companies, the ESB and Bord Gais Eireann (BGE).

Labour believes:

6. We must ensure there is equitable access to national grids for third party operators in both gas and electricity sector. There should be no repetition of the grid code fiasco which delayed the dispatch of wind generation.
7. Current pricing policy should be reviewed to find an equitable balance between the interests of customers and operators in the gas and electricity markets. An increased role for the assessment of consumers' needs in CER's pricing policy must be urgently set out in legislation. The recent gas (34%) and electricity (20%) price hikes have been sanctioned on the back of an astonishing series of energy prices rises overseen by CER since 2002. The most serious effects of this have been the appalling increase in fuel and energy poverty for families across Ireland and the massive impact of soaring energy costs on national competitiveness.

The Green Paper repeatedly states that "Ireland's continued economic growth and competitiveness depend on a reliable and competitively priced energy supply." Yet this is now in grave danger, as the recent loss of 450 jobs at Cadburys in Coolock and the dire warnings from companies such as Wellman International in Co. Meath about possible job losses due to energy costs indicate. ISME, the organisation for Irish Small and Medium Enterprises, has claimed that the cost of electricity for SMEs has risen by 89% in the last five years. It also claims that energy costs are now the "number one enemy" for SMEs. ISME reported in July that the recently sanctioned 34% increase in the price of gas will result in an additional bill of €13,000 for energy costs and that a "typical SME will have to increase

turnover by €250,000” to pay for the increased costs of gas. In March of this year, the Irish Exporters Association warned that “the unacceptably high increases in the cost of energy supply” need to be addressed if the export sectors suffering from low productivity and low cost competition are to be addressed. In late 2005, IBEC said that rising energy costs are putting Irish companies at a competitive disadvantage and that a survey of 120 companies with 52,408 employees revealed that one in six companies were considering relocating to areas with lower energy costs.

The Minister must ensure that there is an institutional mechanism within CER to represent the interests of consumers and business people and to avoid the problem of regulatory capture. The Labour Party has long urged the establishment of a statutory end-user/consumer panel within CER to ensure fair and equitable representation for consumers and businesses. CER’s pricing policy must be flexible enough to take into account price decreases in world oil and gas markets, as well as increases.

8. Clear government policy framework and targets must be set for reducing energy poverty, investment in the network and ensuring adequate generating capacity and then delegated to CER for implementation. The government must clearly assume ultimate responsibility for “keeping the lights on” and not use the energy regulator as a mudguard for evading the government’s fundamental duty for the framing and implementing of energy policy.
9. We should consider giving CER, in conjunction with the Competition Authority, a role in the invigilation of oil networks and pricing. It is critical to maintain a competitive, local transport fuel station network, especially as biofuels develop. This is especially important in the light of the recent grave error by the Competition Authority in relation to the takeover of the Statoil retail sector by Topaz.
10. The electricity network and key generating assets must be retained in public control. The implementation of the Single Electricity Market will significantly address the perceived market dominance of the ESB. The ongoing, organic evolution of the Irish market and the development of the east-west interconnector and other interconnector projects will mean that the ESB will lose its power to set the marginal cost of electricity.

11. The ESB must be encouraged to continue to compete in All Island and Two Island energy market.
12. The ESB's status as a PLC must be confirmed to facilitate the best possible commercial and strategic options for the company.
13. We must commit to strengthening the transmission network in Louth (for the second All Island interconnector) and on both sides of the Irish Sea for a 1,000 MW interconnector.
14. Planning must commence for a second East/West Interconnector for 2015 –2020.
15. Generation capacity should be increased. This should be planned in a more flexible manner so as to allow a more diverse range of energy such as wind-generated and other renewable power to connect to a more decentralised grid. There have been many recent warnings about our immediate security of supply.
16. The government dividend taken from the ESB annually should be abolished and CER directed to ensure that any company surplus is passed on the consumers.
17. A study as to the feasibility of establishing new electricity storage facilities such as Turlough Hill should be carried out. A new electricity storage facility should be a national energy priority.
18. The ESB's national and international expertise should be utilized in conjunction with Sustainable Energy Ireland in the area of research and development.
19. All issues around the separation process of the TSO to Eirgrid must be resolved to ensure the operation of the most competitive electricity market as possible.
20. The gas transmission network must be retained in public ownership because securing Ireland's domestic and commercial supply is too important to be left entirely to the market.
21. Gas storage facilities and a Strategic Gas Reserve (SGR) should be established to increase the security of our gas supply and ensure continuity of supply if supply is tight or in the event of a disruption to the gas supply.
22. The gas pipeline infrastructure should be extended to bring gas to the West of Ireland especially in the context of taking advantage of the Corrib gas field. BGE's pipeline construction criteria needs to be more flexible in this regard. The recent commitment to extend the pipeline infrastructure to

eleven more towns in the rest of Ireland is welcome but there are still too many important towns and townlands in the West and North West which do not have access to gas.

23. The annual government dividend taken from BGE should be abolished.
24. The safety provisions of the Energy (Miscellaneous Provisions) Bill 2006 should be expanded to include all new gas infrastructure, including any Corrib installations or the associated infrastructure for any other new discoveries.
25. Bord Na Mona's role in the development of biomass should be encouraged and the use of biomass gradually increased.

### **Renewable Energy & the Diversification of the Fuel Mix**

Renewable energy technologies contribute a tiny percentage to our total fuel mix. Ireland, as with many states across the globe, has accepted the necessity of greater diversification of the energy mix because of security, environmental and economic concerns. The Green Paper clearly states that we need "to ensure the continued ambitious growth of sustainable energy resources." However, the 15% by 2010 and 30% renewable electricity targets set for 2020 shows a lack of ambition and a more energetic Government might have sought to supply a much greater percentage of Ireland's electricity supply by renewables by 2030.

Labour believes:

26. We must emulate the leading renewable energy states by setting ambitious targets for electricity generated from renewable resources: 50% by 2020, 75% by 2030 and 80-100% by 2050.
27. The massive challenge of creating a low carbon economy must be addressed by pursuing the following targets for renewable energy in the total energy mix: 15% by 2020, 25% by 2030 and 50% by 2050.
28. Renewable investment must be encouraged by putting in place sustained coherent supports such as a Renewables Obligation and guaranteed prices for all energy products and distributors over 15 to 20 year time-frames given the decades long planning needs of energy infrastructure.
29. We must insist on the establishment of a more decentralised and flexible electricity grid.

## **Energy Conservation & Transforming the Way We Use Energy**

An immediate and guaranteed method of tackling our current energy problems is to focus on decreasing our energy consumption and making energy use much more efficient. There is a staggering amount of energy inefficiency across all sectors. Conserving energy actually costs much less than generating more power to meet rising energy demand, and can come on stream much faster than developing new power plants. The government launched their new “Power of One” energy efficiency campaign at the same time as the Green Paper, aimed at increasing public awareness of energy efficiency and highlighting the difference individual action can make to energy conservation and combating climate change. However, the suspicion remains that this admittedly well-intentioned campaign may turn out to be mere PR window-dressing unless it is accompanied by concrete measures for achieving real gains in energy efficiency in Irish society. In contrast, European Energy Commissioner Andris Piebalgs has brought forward a very ambitious 75-step programme to tackle energy inefficiency and increase energy awareness and conservation across the EU. The action plan aims to cut Europe’s energy consumption by 20% in the next 14 years, and if this is achieved it could save the EU more than €100 billion per year and significantly contribute to reaching the EU’s Kyoto targets.

The EU’s plan has identified more than 75 actions in ten priority areas including new energy performance standards for electrical appliances and buildings, making power generation and distribution more efficient and facilitating bank financing for investments in energy efficiency by SMEs and energy service companies. The comprehensive nature and strong targets of this plan are in stark contrast to the Irish government’s lethargy in promoting energy conservation

Labour believes:

30. We must provide resources to implement and monitor the existing energy efficiency regulations in the building sector.
31. The insulation programme should be expanded, especially for low-income households. At current energy prices it is still cheaper to waste energy than conserve it in many homes.
32. The existing Buildings Directive must be extended to include all commercial buildings of more than 250 m<sup>2</sup>.

33. A “Homes of the Future”-type programme should be placed at the heart of future housing supports. Increasingly buildings should have the capacity to decrease their reliance on the national grid through small-scale solar power or biomass units. It is envisaged that future homes will have zero carbon emissions.
34. There should be an increased and eventually ubiquitous use of energy efficiency labelling on all electrical appliances,
35. Existing energy efficiency directives<sup>1</sup> for electrical appliances have to be properly implemented and monitored.
36. We should immediately adopt and seek to implement the 5.75% biofuels target for 2010
37. A renewable transport fuel obligation should be introduced. Oil companies will have to substitute imported oil by a growing percentage of domestic biofuels.
38. Energy efficiency and safety labelling must become ubiquitous for new cars.
39. Car and SUV tax should be based on levels of emissions.
40. Transform the fuel that our national train network runs on from the present diesel supply to biofuels or other source neutral fuels such as electricity.
41. Research and and cooperation at EU and global level in developing battery performance and cleaner fuels technologies must be increased and encouraged.
42. Targets for the public procurement of clean vehicles should be introduced. By 2015 at the latest, all new public vehicles should be clean fuels vehicles.
43. The state’s chronic underinvestment in our public transport infrastructure must be addressed. The Labour Party’s Transport Spokesperson Roisin Shortall has recently launched a significant new transport policy with a series of commitments by Labour to tackle the appalling neglect of public transport through increasing the Dublin Bus fleet by 50% (500 buses) significantly increase frequency and reducing waiting times; fast-track ing Park and Ride facilities on the outskirts of Dublin with express bus sevices; completing the Quality Bus Corridors; ensuring that the integrity

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<sup>1</sup> 1992 – Directive 92/42/EEC on efficiency requirements for new hot-water boilers fired with liquid or gaseous fuels; 1997 – Directive 97/17/EC implementing Council Directive 92/75/EEC with regard to energy labelling of household dishwashers; 1998 – Directive 98/11/EC implementing Council Directive with regard to energy labelling of household lamps

- of the Dublin Bus Network will be kept intact, expand and enhance services, and deploy private operators in a more co-ordinated manner.
44. A scheme to incentivise less carbon / energy intensive businesses should be developed. Any future fiscal incentives should also gradually apply to commercial transport ventures.
  45. Local authorities should insert low carbon and clean energy technologies into permissions for new manufacturing and industrial parks and for individual commercial planning permissions.
  46. A joint taskforce with IBEC, the Chambers of Commerce and other interested parties should be established to examine measures for the transformation of Irish business transport to low carbon but fuel efficient systems.
  47. We must grant-aid low carbon mechanisms to local community development projects such as the local Partnerships and rural Leader programmes. Recent plans such as the *Kinsale 2021: An Energy Descent Action* prepared at the Kinsale Further Education College indicate the huge interest and untapped community resources that exist for creating a more sustainable energy future.

#### **Our Carbon Footprint: Personal Energy Responsibility**

There is widespread ignorance surrounding most aspects of the production, transportation and consumption of energy in our society. It is essential that much greater effort is made to connect efforts at energy efficiency and sustainability to people's daily lives, choices and patterns of energy consumption.

Labour believes:

48. Energy education must be incorporated into the national curriculum
49. Household energy audits should be facilitated and the installation of new smart metering systems so all households can track their energy usage.
50. We should move towards full labelling of the energy content and carbon implications of all goods and services

#### **Small is Sustainable: Microgeneration & the Decentralisation of the Energy System**

Microgeneration is at its simplest the production of energy, or the use of small-scale heating systems, by an individual householder, business or by small groups of

householders and businesses through a variety of methods including solar thermal, micro wind, hydro or combined heat and power systems (CHP), fuel cells, photovoltaics or heat pumps. The benefits of microgeneration are many and include increased security of supply, diversification of the fuel mix and greater energy efficiency as power is produced close to the source of demand. CER has recently finished a very timely microgeneration consultation process, although it is unfortunate that CER has not approached this topic earlier and in a much more ambitious manner.

The Labour Party believes that it is imperative that a coherent micro generation strategy and accompanying targets are established which take a holistic approach to micro generation including grid arrangements, financial supports, planning procedure and legislation.

Labour believes:

51. We should establish a microgeneration strategy and target. In February 2004 the Mayor of London's *Energy Strategy* established a target of 7,000 domestic solar panels and wind turbines within the London region by 2010.
52. The "Greener Homes" scheme should be enhanced and much further resourced to make it easier for householders to access financial support for the development of small scale power generating and heating units.
53. Legislation to facilitate microgeneration projects and the establishment of community energy schemes should be introduced.
54. Excess capacity generated by small-scale units should be facilitated into the national grid and net metering introduced.
55. National government, local authority and community partnerships should be established to facilitate the development of renewable and microgeneration programmes
56. The SEI should be mandated to begin a public information campaign, perhaps akin to the broadband "roadshows" that have been planned for around the country.

### **Fuel & Energy Poverty**

Since 2000, Irish householders and businesses have been hit with unprecedented increases in energy prices. Since 2002 there have been year-on-year price hikes of exceptional magnitude. Electricity prices for domestic consumers have increased by

more than **66%** overall since 2002 13.2% in 2002, 5% in 2003, 8.6% in 2004, 4% in 2005, 3.1% in 2006 and 19.4% this coming January. Gas went up by 9.1% in 2003, 10.7% in 2004, 25.26% in 2005 and an astonishing 34% just on Sunday last. This has meant an incredible **102% increase** in gas prices since 2002.

Figures from Bord Gais and the ESB show that the average Irish household in the Republic currently pays approximately €1,658 a year in fuel bills. The recent report from Deloitte and Touche on the Electricity Sector in Ireland to the Minister for Energy astonishingly states that “*almost one in five Irish people are defined as ‘fuel poor’*” (Deloitte, *Review of the Electricity Sector in Ireland: Final Report*, p. 9) and that rates of fuel poverty in Ireland are more than double what they are in the UK. This particularly hits senior citizens during the winter months and vulnerable citizens are often forced to cut back on their heating and other basics such as hot cooked meals in order to conserve energy and cut costs. The fact that fuel poor households in Ireland can often spend on average more than three times as much on fuel in relation to income as other households, has serious implications for the general financial well-being of these households and their ability to adequately provide for the other basic needs of the family members involved.

The St. Vincent de Paul has recently said that approximately €3.5m of its annual budget of about €34m will be used over the coming winter months to help families to pay gas and electricity bills. The SVP indicated that too few people were eligible to claim assistance for fuel bills and too many will be left struggling to pay their heating and light bills this summer.

The Labour Party believes that it is unacceptable for so many Irish people to have to live without adequate access to basic provisions such as heating and lighting. Rising energy prices will disproportionately affect those who are already living in a precarious financial situation. Yet astonishingly the Energy Green Paper which is a document of nearly 120 pages devotes little over a page in total to energy poverty. For such pernicious and debilitating poverty, it has been shockingly ignored by the government.

Labour believes:

57. There must be a commitment to a five-year target and strategy for eliminating fuel poverty during the lifetime of the next government.
58. The Irish housing stock must be upgraded with suitable insulations and energy efficiency measures.
59. There should be an extension of free insulation for over 70s to all low income households
60. The fuel allowance should be at least doubled as recently called for by the Irish Senior Citizens Parliament, who have recently rightly demanded in their pre-Budget submission to Minister Cowan that the fuel allowance be increased from its present rate of €14 to at least €25 per week to help protect very vulnerable, low income senior citizens.

### **Energy Trends Towards the Mid-21<sup>st</sup> Century**

Future energy trends are notoriously difficult to accurately predict. However, to ensure that we are in a position to fully take advantage of developments in the energy sector it is important to continuously review developments and devote adequate resources to research and development.

Labour believes:

61. Despite the many false dawns with hydrogen technology we should still vigorously pursue research in hydrogen systems. A breakthrough may occur so it must be kept in mind. But at present it remains an unreliable technology to base any significant level of planning for our mid-term energy future.
62. Ireland must remain nuclear free.
63. Research & development in the energy sector should be prioritised. Energy R&D should be highly resourced and future-focused to ensure that Ireland is at the forefront of energy technology developments.