



# Macra na Feirme

## Submission on the Energy Green Paper

- Towards a Sustainable Energy Future for

Ireland

Submitted to: Department of Communications, Marine and Natural

Resources December 2006

## **Preamble**

Macra na Feirme recently set up a bio fuels working group who are currently preparing a policy document. This response is very much a holding document as there is still work to be done preparing and passing a document through the various committees within the organisation.

## **Background**

In recent times there has been an increased focus on the potential of bio-fuels. Ireland is almost 90% dependent on imported energy and the volatility of prices for fossil fuels has brought the potential and benefits of alternative fuel sources into sharper focus. There is also a number of other key issues that need to be considered which could make the industry viable including:

- compliance with KYOTO and Carbon ... (sink)
- waste management including the disposal of urban sludge
- Energy crisis
  - increasing cost of energy
  - security of our energy supply
  - energy shortage

A shift towards increased usage of renewable energies such as bio fuel / biomass crop production would help improve Irelands situation on the above issues. It is essential that government develop an overarching policy framework that targets investment towards the various stages in the supply chain to ensure a sustainable future and profitable returns to farmers who are generally the primary producers in the supply chain.

In this submission Macra will focus its comments on actions required for the development of the bio fuel/ biomass industry as we believe this has potential and relevance to agriculture.

### **Action Required**

Despite the introduction of MOTR excise relief on bio fuels and the proposed grant aid for crop establishment, harvesting equipment and processing of willow and miscanthus announced in this years budget and lobbied for by Macra na Feirme. The precise detail on these budget proposals, yet to be announced, must ensure action to allow a situation where growing crops for bio-fuels is a profitable enterprise for farmers. A major concern is that the excise relief is going to companies who may well import the raw materials for bio energy production. Priority must go to companies producing fuel from crops grown in Ireland.

Additional measures required include:

- The removal of VAT on Rhizomes (seeds) for growing Miscanthus and willow sticks for willow production.
- Further enhance and expand the budget for the relief's on tax and excise duty so it will be available on a pan industry basis
- Put in place a financial package of grants for:
  - Encourage greater use of bio fuel technologies at consumer level
- Premium returns for green energy sold to the national grid
- Establish centres of excellence to research and develop technologies and best practice for the main potential bio fuel options
- Formally recognise the savings in carbon taxes that can be achieved by bio fuels
- Recognise the ability of certain bio fuels to recycle urban sludge (which will not be allowed to be spread on land in the form of nitrates)
- Allow the use of set aside ground for bio fuel production
- Develop an energy infrastructural blueprint and spatial strategy to ensure the maximum scale and efficiency of the industry.
- A market structure that ensures consistency of supply through measures such as forward pricing contracts.

There are also disincentives to the growing of energy crops which need to be removed immediately including:

- Farmers who are participating in the REPS scheme and decide to grow energy crops will lose their REPS payment on land used for energy crops.. Farmers growing energy crops are benefiting the environment by producing a carbon neutral crop and they should be rewarded, not financially penalised by reducing their gross margin per hectare.
- Currently the ESB is allowed to recoup the Public Service Obligation added to consumers bills. If the ESB were to substitute to energy crops, they would not be allowed to continue with this PSO. This anomaly removes the incentive for companies to switch to energy crops and needs to be addressed.

### **Indigenous bio fuel**

In the interest of the security and sustainability of the bio fuels industry it is important that feedstock's are grown and sourced locally. An environment that is conducive to the development of a sustainable indigenous renewable energies industry must be created. While it is difficult to discriminate against imported bio fuels the indigenous industry should be favoured in terms of proximity of feedstock source to processing and end users. It is important to factor in the environmental impact of transporting feedstock from abroad. This should be used as the basis on which to give competitive advantage to home produced stock.

The government have set aside a budget of €270million for the purchase of Carbon Credits. There needs to be a commitment given that this funding could be made available to fund the establishment and development of a bio fuels industry that would reduce our carbon credit burden.

## **Conclusion**

Agriculture has a major positive environmental role to play in energy production. However in order to allow it play this role there has to be a value put on the environmental and economic benefits and this money must be reinvested in the industry. Government policy must support a properly functioning indigenous bio fuel and biomass industry. While Macra recognise that a cabinet sub committee has been set up to look at this whole area of bio fuels and energy we need immediate action as there is a 3-5 year lead in time after planting before these crops are ready for harvest. We need measures in place to ensure that farmers could meet any future demand for energy crops. The proper environment also needs to be created on the demand side including the provision of awareness and consumption infrastructure. There must be clearly defined roles in terms of implementation of the various departments, agencies and the energy regulator to ensure the development of the industry.