Meeting of Joint Committee on Communications, Climate Action and Environment, Tuesday 11 June, 2019

Petroleum and Other Minerals Development (Amendment) (Climate Emergency Measures) Bill 2018[PMB]

Opening Statement

Seán Canney T.D.

Minister of State for Rural Affairs and Natural Resources

Thank you for inviting me to the Joint Committee this afternoon. I would like to cover the policy implications of the People Before Profit Climate Emergency Bill, the steps the Government is taking following on from the recent All-Party Climate report and declaration of a climate emergency and finally the financial implications of the Bill.

1. <u>Policy implications of Bill</u>

As part of its role in meeting the goals of the Paris Agreement, Ireland has a target of a 30% reduction in greenhouse gas emissions by 2030. All credible models, such as the work done by the IEA, European Commission and UCC show that when meeting the Paris objectives, there still will be a need for some oil and particularly gas out to 2050. As a Government we must plan for how we source that energy for our citizens.

If we know and accept that we need some oil and gas during the transition to a low-carbon economy, then there are several clear benefits of using indigenous sources over imported sources. It has a less harmful impact on the environment, as energy does not have to be moved over long distances, the State will get a tax return, which is up to 55% in the case of the most recent licencing terms, and there can be obvious energy security benefits as seen by the Kinsale and Corrib gas fields. This tax income could be re-invested in the energy transition by helping with the extensive capital investments we must put towards renewable energy and energy efficiency in particular in our heating and transport systems.

In terms of energy security, Europe accounts for approximately 15% of the world's demand for both oil and gas. However in terms of the world's proven energy reserves, Europe and that's including Norway, accounts for less than 1% for oil and approximately 3% for natural gas. On the other hand, the Middle East and Russia hold over 70% of proven gas reserves. In essence, the Bill will not keep fossil fuels in the ground; it will mean they are taken out of the ground a long way from Ireland, with all the known disadvantages of doing so.

2. Government response

Turning to action being taken by the Government, a number of steps have already been taken. In addition, the All-of-Government Climate Plan, which will shortly be finalised, will set out how this Government intends to make Ireland climate resilient across our entire society. This will involve setting climate goals in all key sectors, including electricity, agriculture, transport, industry, buildings, waste and the public sector.

The Plan will lead to a significant step-up in policy ambition and delivery, to ensure that we at least meet our 2030 targets and get on a clear pathway to meeting our 2050 objectives. It's clear that the development of offshore wind can be a game changer in helping Ireland reaching the ambitious target of 70% renewable electricity by 2030. This must be the focus of our efforts and by doing so will put us in a position to take steps such as that proposed in this Bill.

3. Financial implications

As you are no doubt aware, the Ceann Comhairle has determined that a money message is required for this Bill to progress. The background to this position is as follows:

- On 31 October 2018, the Oireachtas Research and Library Service reported a direct exchequer cost estimate is between €8m and €50m.
- On 26 November 2018, I expressed my concerns regarding the financial implications of the Bill in my letter to this committee ahead of its meeting to consider a scrutiny report;
- On 8 May 2019, I wrote to the Ceann Comhairle detailing my concerns regarding the financial implications of the Bill and requested further consideration of a money message.

The costs in my letter include those immediately quantifiable ones such as refund of application fees and licencing fees. There would also be financial implications in that it would be necessary to prepare for a likely legal challenge from existing licence holders were this Bill to be passed. Other financial implications which are difficult to assess at this point, are the likely compensation to licence holders. There is also the lost potential revenue to the State in the form of direct tax revenue, which could be used to fund the energy transition and taxes arising from economic activity associated with development.

If there is an impact on the Exchequer, then I am bound to make that known. I would also note that since this Bill was introduced, we have new protocols in place which give some helpful clarity on all concerned on these processes going forward.

The Government has indicated that it is opposed to this Bill, because it does not reduce Ireland’s emission, it does not encourage renewable energy and it makes Ireland more dependent on energy imports. It will oblige us to import all our needs when Kinsale gas field is closing soon and Corrib is declining and within five years, it will only meet a quarter of our gas demand before being depleted entirely in approximately 10 years.