

Statement to the Seanad Special Select Committee on the UK's Withdrawal from the European Union (October 9th 2019)

Opening Address: Denis O'Sullivan, Managing Director, Gas Networks Ireland

Chair and Committee Members,

Thank you for inviting us here today to outline Gas Networks Ireland's position in relation to the UK's withdrawal from the European Union. My name is Denis O'Sullivan and I am the Managing Director of Gas Networks Ireland. I am joined today by my colleague Mr. Brian Mullins, Head of Regulatory Affairs.

In June 2017, my colleague, Ms. Claire Madden, addressed members of this Committee on the likely impacts of Brexit on Ireland's gas supply. Since then we have progressed a number of key actions to help provide the necessary assurances that Ireland's gas supply will be unaffected by Brexit. Our assessment as outlined today is based on our experience as the operator of Ireland's transmission and distribution network and on the significant engagement we have undertaken with stakeholders including government officials in Ireland, the EU, Great Britain and Northern Ireland.

Based on our assessment and most up to date engagement with all stakeholders, our view is that the UK's withdrawal from the European Union will not impact on security of gas supply to the island of Ireland.

Before discussing Brexit in greater detail, let me provide some context for the Committee. Gas Networks Ireland is the owner and operator of Ireland's gas network, supplying gas to over 700,000 industrial, commercial and residential customers. Natural gas is of key strategic importance to Ireland, representing 30% of our country's primary energy. Approximately 50% of Ireland's electricity is powered by natural gas. As the Climate Advisory Council recently pointed out, not only is gas important to our economy, it is essential for our transition to a decarbonised society.

Following Brexit, the physical gas infrastructure linking Ireland to the rest of Europe will not change. Of the three entry points to the Irish gas system approximately half of our gas is supplied from the indigenous sources in Corrib and Kinsale, with the balance being imported from Moffat in Scotland. The Irish gas market is heavily interconnected with that of the UK. It should be noted that the supply of gas to Northern Ireland and the Isle of Man is fully reliant on Gas Networks Ireland's infrastructure which only underpins the need for continued co-operation between Ireland and the UK in relation to gas supplies. There are existing intergovernmental framework agreements in place since 1993 between Ireland and the UK concerning Ireland's two gas interconnectors and we see this framework continuing to apply post Brexit.

The progress we have made since we last addressed the Committee in 2017 allows us to reaffirm our assessment that security of gas supplies will not be impacted by Brexit. Firstly, we have undertaken extensive engagement with key stakeholders in the gas industry including regulators, other pipeline operators, gas shippers and relevant government departments across the Republic of Ireland, Northern Ireland and Great Britain.

Ireland and the UK have successfully operated in a highly connected and interdependent energy system since the early 1990s. Given the interconnected nature of the markets, all relevant parties remain strongly committed to the continued successful operation of the gas interconnectors. It is clear from our engagements that the parties are committed to ensuring that gas will continue to flow under existing arrangements from Great Britain to Ireland, Northern Ireland and Isle of Man – regardless of the outcome of Brexit.

Secondly, the UK has transposed all relevant existing EU gas legislation into national law. This essentially means that the status quo will be maintained in relation to the flow of gas between the UK and Ireland and maintaining the legal obligations on neighbouring Transmission System Operators (TSOs) to co-operate with each other regarding gas flows.

Thirdly, measures are in place to ensure that the contractual framework governing gas flows from Great Britain to Ireland will remain unchanged post Brexit. We are confident that all existing systems/processes governing gas flows and gas trading will remain unchanged following Brexit.

Finally, it has been confirmed by both the UK and the EU that a zero tariff will apply to gas flows in the event of a default to World Trade Organisation (WTO) tariff rules.

On the basis of the progress outlined above, Gas Networks Ireland is satisfied that there will be no disruption to the importation of gas from Great Britain to Ireland on a daily basis, even in the event of a no-deal Brexit.

Separately, the Committee Members may be aware that Gas Networks Ireland has, in the last week, published our Vision 2050 strategy. This strategy will deliver substantial additional indigenous gas supply. By 2030, 20% of the gas on the network will be indigenously produced renewable gas. By 2050, 50% of our gas will be carbon neutral, comprising of renewable gas and hydrogen. This will only reinforce security of supply in the years to come, ensuring Ireland has indigenous and sustainable sources of energy.

Conclusion

Gas Networks Ireland remains committed to continuing our strong relationships with our stakeholders over the coming months and years to ensure that there will be minimal, if any, negative impact on all our gas customers as a result of Brexit. While there is the potential for some regulatory divergence in the years ahead, we are confident that given the interconnected nature of our islands and our energy systems, this can be managed. We look forward to your questions.