



**Roinn Cumarsáide, Gníomhaithe
ar son na hAeráide & Comhshaoil**
Department of Communications,
Climate Action & Environment

26 August 2022

Ms Sarah Cremin
Committee Secretariat
Committee of Public Accounts
Leinster House
D02 XR20

By email: pac@oireachtas.ie

Your Ref: S0959 PAC33

Dear Ms. Cremin,

I refer to your correspondence of 15th August, requesting clarification on the reallocation of funding of €40m by the Department of the Environment, Climate and Communications to fund the purchase by EirGrid of additional emergency generation capacity and the impact of this on the National Home Retrofit Scheme.

Retrofit targets and Budgetary Commitments under the National Retrofit Plan

In my letter of 4 July, I referred to the National Retrofit Plan and the ambitious targets it sets for improved energy efficiency in Ireland as well as the various initiatives and strategies, including in relation to funding, to support this level of ambition and to address the challenge of inflation in the construction and retrofit sectors. In this letter I will address the SEAI Residential and Community programmes, the reallocation under the July Supplementary Estimate and questions raised relating to the overall funding position and levels of output.

The achievement of the targets set out in the National Retrofit Plan is supported by a budget of €8 billion to the end of the decade and annual allocations published in the National Development Plan.

The total funding provision for the Sustainable Energy Authority of Ireland (SEAI) for 2022 from the Department's Vote under subhead B4 was €267.2 million. Subhead B4 provides for the grant funding and operational costs for a number of SEAI Residential and Community Sustainable Energy Programmes including:

- Better Energy Homes
- Solar PV
- Better Energy Warmer Homes Scheme
- National Home Energy Upgrade Scheme (OSS)
- Community Energy Grant Scheme

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July Supplementary Estimate for the Emergency Generation of Electricity

In July, Dáil Éireann passed a Supplementary Estimate for the Department of the Environment, Climate and Communication for the procurement of additional temporary electricity generation. This involved the allocation of €200 million to a new subhead B13 in the energy transformation programme area to fund the purchase by EirGrid of the additional generation capacity.

The €200 million allocated comprises *inter alia* the reallocation of €40 million from the Department's Vote under Subhead B4 – residential-community retrofit programmes. While the Supplementary Estimate refers to a reduction of €40m from B4, the Department has €17m remaining available in the Energy Efficiency National Fund (see note below) for the residential and community schemes. This means the net effect is a €23m reduction to Subhead B4, from €267.2 million to €244.2 million.

The July Supplementary Estimate and the Residential and Community retrofit programmes

The reallocation of funding under the July Supplementary Estimate from subhead B4 to B13 has not in itself impacted the delivery of the targets under the National Retrofit Scheme.

Following an examination of the output and financial profiles of all SEAI retrofit programmes, the reallocation of funding under the Supplementary Estimate process was confined to 2 SEAI programmes: the Community Energy Grant (CEG) Scheme and the new National Home Energy Upgrade Scheme (NHEUS). Other programmes such as the fully funded Better Energy Warmer Homes Scheme remained unaffected and retain their initial Voted allocations.

The Community Energy Grant (CEG) Scheme for 2022 had its allocation reduced from €51 million to €43 million, which nevertheless represents an increase of 43% on the 2021 allocation of €30m. On the residential front, funding for the new National Home Energy Upgrade Scheme (NHEUS) has been reduced from €40 to €25 million.

SEAI reported that demand for the Community Scheme has been very strong to date this year and has attracted larger and more complex projects which will lead to longer delivery times for completion. When combined with the market capacity/supply chain constraints currently being experienced by the construction and retrofit sector, this signalled a likely underspend versus budget this year, allowing some funds to be reallocated.

While full delivery of all projects under the CEG scheme will be a challenge this year, there is a strong pipeline of works for the remainder of this year and into 2023. The SEAI advise that of the €43m budget, €15 million relates to residential homes for the support of 780 home retrofits - all of which will be B2 retrofits.

With regard to residential retrofit, the recently launched NHEUS, which is managed by One-Stop-Shops (OSSs) has experienced strong growth in applications.



The NHEUS's focus is on deep retrofits to a minimum rating of B2 on work completion. These are technically complex as well as being high cost. Under the Scheme, the OSSs enter into contracts with homeowners which respectively provide that the OSS (i) complete the Home Energy Assessment within 12 months from the date the HEA grant offer issues and (ii) complete all home energy upgrade works associated with a property within 12 months of date of the grant offer.

The relatively longer delivery timelines for completions combined with significant national supply chain issues as well as the high bar for companies to register as an OSS (considered necessary to ensure the quality of the retrofit) means that a likely underspend for the NHEUS this year has been identified and included in the reallocation from B4 to B13.

There are 11 companies currently registered as OSSs, with more in the pipeline. SEAI are ramping up supports for potential OSSs, providing them with additional guidance on how to make a successful application. As more companies register, this will help to ease wait times, and increase the number of completions.

Residential Retrofit programmes generally – progress in 2022 and beyond

The overall delivery target for 2022 remains at just under 27,000 home energy upgrades including 8,640 homes to a post-works Building Energy Rating (BER) of B2. SEAI Retrofit programmes continue to deliver in 2022 with over 10,873 home upgrades delivered to end of July and of these, 3,355 have been upgraded to a post works Building Energy Rating (BER) of B2 or better.

The Better Energy Warmer Homes Scheme delivers free energy upgrades for eligible homeowners in low-income households who are most at risk of energy poverty. Reducing the waiting times on the Warmer Homes Scheme waiting list is a top priority for the Department and SEAI. The SEAI has informed my Department that it expects the situation to improve significantly during this year with 400 homes targeted for completion per month, compared to 171 in 2021. This will be aided by the recent expansion of the contractor panel. In order to reduce this timeline to completion and target a monthly average of 400 completions this year, the following actions have already been taken:

- The budget, at €109 million, is nearly three times the 2021 outturn (€38 million);
- SEAI has been allocated additional staff for the Warmer Homes Scheme;
- SEAI is working to Increase contractor output through active contract engagement and management.

Figures provided by the SEAI show that to the end of July 2,239 homes have been completed under the Scheme.

The partially funded Better Energy Homes scheme (individual grant funding) is performing strongly and continues to deliver ahead of profile in terms of overall homes completed (4,879 at end July) and in particular on B2s (1,224).

Solar PV is also performing strongly - 3,343 completions YTD with expenditure in line with profile.



While no full home energy upgrades have been completed under the NHEUS to date, the expectation is that 700 will be completed by year end. The OSSs have completed 297 homes to the end of July this year for contracts under the One Stop Shop Development Call 2021. When added to the 805 completed in 2021 and the remaining homes due to be completed shortly, it is expected that over 1,100 homes will be delivered under the One Stop Shop Development Call 2021 pilot.

Conclusion

The focus of the Department and SEAI remains on the delivery of the targets set out in the Climate Action and the National Retrofit Plans for the achievement of energy efficiency and carbon reduction targets as well as supporting the transition away from fossil fuels. The enhanced package of measures to support the uptake of home energy upgrades has resulted in strong demand for the SEAI residential energy efficiency schemes generally with applications received to date this year exceeding the applications received across the whole of 2021. It is expected that the strong pipeline of applications will result in high levels of delivery for the remainder of the year and in 2023.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Griffin". The signature is written in a cursive style with a large, stylized 'G' at the end.

Mark Griffin
Secretary General