



19 December 2023

Sarah O'Farrell  
Clerk  
Committee of Public Accounts  
Leinster House  
Dublin 2

**Re: Note on Energy Efficiency National Fund**

Dear Ms O'Farrell,

I refer to your correspondence of 5 December on behalf of the Committee seeking a note on the Energy Efficiency National Fund.

Specifically, the committee sought:

*A note on the €170 million underspend on the residential community retrofit programmes, the significant underspend on the Energy Efficiency National Fund, including the reasons for this underspend and commentary on how monies have been transferred and kept by the Department of the Environment, Climate and Communications two years in a row.*

I am afraid that I am able only to give a partial answer to this question. Operation of residential and community retrofit programmes is the responsibility of the Department of Environment, Climate and Communications (DECC). As such, questions on the performance of efficiency schemes, including reasons for underspend should be answered by that Department.

I will however detail my Department's role and responsibilities with regard to the transfer of monies into and out of the Energy Efficiency National Fund.

**The Energy Efficiency National Fund**

The Energy Efficiency National Fund (EENF) is a statutory fund, established by the Minister for Environment, Climate and Communications (M/ECC) via Statutory Instrument Number 131 of 2014. Section 10 of that SI sets out the Fund's purpose and operational arrangements. Broadly speaking, the Fund aims to support the delivery of energy efficiency programmes and to promote the development of a market for energy efficiency.

The legislation specifically allows the Minister, with the consent of the Minister for Public Expenditure and Reform to pay into the Fund monies from central Government sources or any other source.



## Initial Request – 2021

In 2021, DECC had a capital budget of €571.178m. Due to the impact of covid on key projects, particularly the National Broadband Plan and energy efficiency grant schemes, the Department expected an underspend of €240m. Allowing the standard 10% of unspent capital to be carried over and making virements to programmes that could increase expenditure within the Vote, still left €160m expected to be unspent at the end of the year.

On 11 November 2021, the M/ECC wrote to the Minister for Public Expenditure (M/PENDR) seeking the Minister's permission to pay this expected surplus of €160m into the Energy Efficiency National Fund. The Minister noted that the sanction was sought due to *"the necessity of achieving very substantial energy efficiency targets in accordance with the Energy Efficiency Directive coupled with the substantial increase in energy prices being faced by consumers."*

Specifically, the funds were sought to:

- 1) Improve access and reducing waiting times to residential retrofit projects for low-income households and households living in or at risk of energy poverty;
- 2) Establish a new Residential Retrofit Loan Guarantee Scheme to facilitate the provision of low cost loans for residential retrofit projects; and
- 3) Increase the number of houses retrofitted through other residential and community energy efficiency schemes (in particular the soon to be launched National Retrofit Scheme).

The Minister went on to note that the payment would *"enable Government, through my Department and the Sustainable Energy Authority of Ireland, to take additional actions over and above those set out in Budget 2022 to support households by improving the energy efficiency of their homes. It will have the benefit of reducing the impact of energy price rises on a higher number of households through greater access to energy efficiency improvements."*

This request was accompanied by legal advice from the Office of the Attorney General, confirming that the EENF could be used in such a fashion.

This request was considered by officials in DPENDR and on 1 December 2021 the M/PENDR provided sanction for the payment of €160m from Vote 29 to the EENF.

The sanction was issued on the following basis:

- It was a once-off arrangement that would not be repeated for any capital underspends that may arise in future years;
- Sanction was granted only for expenditures in 2022. It noted that any arrangements for spending post-2022 would be subject to agreement and further consent;



- Consent to transfer €60m for the proposed loan scheme was conditional on the scheme's compliance with the Public Spending Code and the completion of a Cost Benefit Analysis;
- Consent to transfer €100m to the EENF for (i) the Warmer Homes Scheme was provided on the basis that DECC provided a breakdown to DPER officials of the expected additional outputs that the new funding will result in and (ii) consent to allocate funding from the EENF to other retrofit schemes was contingent on further information being provided on the specific intended use of the funds and the associated projected outputs, including compliance with the Public Spending Code for any new schemes that may be introduced.

Following Ministerial sanction, a Supplementary Estimate for DECC was prepared and agreed by Government. This included the transfer of underspends on other Votes for the purposes of transferring from subhead B4 Sustainable Energy Programmes to the EENF. The Supplementary Estimate was discussed at the Select Committee on Environment and Climate Action<sup>1</sup> and was subsequently approved by Dáil Eireann.

## 2022 Request

On 15 December 2022, the M/ECC wrote to the M/PENDR noting that €49m of the EENF funding had been drawn down and spent in 2022. The letter sought sanction to carryover the remaining unspent balance of approximately €111m. €60m of this funding was to be allocated to the Residential Retrofit Loan Guarantee Scheme and €51m to residential / community retrofit programmes.

The letter noted that "*significant progress*" had been made in the development of a guarantee scheme to support low-cost loans for retrofitting. This included completion of the "*Invitation for Pre-Qualification*" and the "*Invitation for Award*" processes to identify participating on-lenders.

The letter further noted that while spend in 2022 had significantly increased compared to 2021, an underspend still occurred due to supply chain difficulties. The letter committed to building output in 2023 and it was noted that a robust pipeline of activity lay ahead.

As the funds consisted of moneys already set aside from 2021, with no extra funding sought, approval of the request was recommended. M/PENDR issued a letter of sanction on 16 December 2022 on the same conditions as 2021.

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<sup>1</sup>[https://data.oireachtas.ie/ie/oireachtas/debateRecord/select\\_committee\\_on\\_environment\\_and\\_climate\\_action/2021-12-01/debate/mul@/main.pdf](https://data.oireachtas.ie/ie/oireachtas/debateRecord/select_committee_on_environment_and_climate_action/2021-12-01/debate/mul@/main.pdf)



## **2023 Request**

On October 24 2023, Government agreed to the establishment of a €500m Home Energy Loan Scheme. On 4 December 2023, the M/ECC wrote to the M/PENDR seeking sanction to spend €63.6 million from the Fund to enable the establishment of this scheme. Sanction was also sought to carryover the remaining unspent balance of €47.2 million if required, noting that every effort will be made to spend this amount in 2023.

On 14 December, M/PENDR responded to this request granting sanction for the request. This sanction was granted on the basis that:

- 1) As per the letter of 1 December 2021, this is a once-off arrangement, consent will not be provided for the transfer of any capital underspends that may arise in future years;
- 2) Every effort is to be made to spend the full amount in 2023; and
- 3) Spending the balance of the EENF may only take place in 2024, and this will close the matter of the €160m transferred to the Fund in 2021.

## **Conclusion**

In summary, although not a standard transaction this Department recommended that the Minister sanction the transfer of €160m to the EENF on the basis that:

- 1) There was a legal basis for the transfer of funds to the EENF - SI 131 of 2014. Coupled with this, legal advice was received from the Office of the Attorney General confirming that the EENF could be used in the manner intended;
- 2) There was a strong policy rationale for the transfer of funds. Covid was an unpredictable event that particularly delayed energy efficiency schemes targeted at vulnerable households. As waiting lists were growing, energy prices were sharply increasing and a Government response was warranted;
- 3) The transfer of funds was subject to Oireachtas oversight, with the transfer of funds provided through a Supplementary Estimate, approved by Government, discussed with the relevant Select Committee and approved by Dáil Eireann; and
- 4) Conditions were attached to the sanction, recognising its limited nature and ensuring that the funds were subject to the all the normal standard applicable Public Financial Procedures, including compliance with the Public Spending Code.

I trust that this response explains the role that this Department played in the transfer of €160m to Energy Efficiency National Fund.



Yours sincerely,

A handwritten signature in blue ink, appearing to read 'DMoloney', is located below the closing 'Yours sincerely,'.

David Moloney  
Secretary General