

Oireachtas Joint Committee on Enterprise, Trade and Employment  
Further Scrutiny of the EU Legislative proposal for the Net-Zero Industry Act.

5<sup>th</sup> July 2023

Opening remarks by Dr Neil Walker

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Thank you for this opportunity to contribute to the Committee's consideration of the recent EU legislative proposal for a Green Deal Industrial Plan, and in particular a Net Zero Industry Act. I propose to expand on the key points set out in an earlier written submission by my colleague Conor Minogue, who administers Ibec's Energy and Climate Policy Committee.

Firstly, I would reiterate that Ibec members broadly support the objectives of the Net Zero Industry Act, which are to improve the European Union's economic resilience as it decarbonises its industries and transport systems over the coming decades. There is a growing sense of urgency about this. Other major economies are capturing an ever-higher share of global investment in low carbon technologies. The EU risks becoming vulnerable to disruption of supply chains critical to the sourcing and processing of materials needed to manufacture net zero equipment and renewable fuels.

The proposal singles out several categories of net zero strategic project for special treatment by planning and regulatory authorities in member states. There are no surprises in this list. Solar PV and thermal, Onshore and Offshore Wind, Energy Storage, Heat Pumps and Geothermal, Electrolysers and Fuel Cells, Biogas and Biomethane, Carbon Capture and Storage, and smart Grid Technologies all have the potential to improve the EU's technological resilience, and to stimulate the creation of highly skilled employment.

The investment in upskilling and research required to avail of these opportunities will be enormous but will pay dividends. Irish businesses will be investing huge sums in some or all of these technologies and the State must embrace the opportunity for citizens who live and work here to capture a share of the value-added.

There also needs to be investment in regulatory and delivery capability. We support the idea of a one-stop-shop for project permitting that is envisaged for these technologies. We hope it can be provided for in the forthcoming Planning and Development Act. Indeed, if Ireland's cumbersome planning system can be streamlined for some industries, why not for all?

That said, it is a pity that the European Commission did not feel it necessary to undertake a proper impact analysis of the proposed legislation. There is considerable potential for unintended consequences, some of which may be difficult to mitigate retrospectively.

- The Commission's emphasis appears to be on manufacturing of the technologies, but barriers to their deployment can be equally significant. The Commission envisages designating some strategic projects as being of overriding public interest. But the IROPI route requires compensatory measures that may be difficult even to conceive, let alone implement, particularly for offshore projects.
- Also, as past experience shows, picking winners requires a crystal ball, and involves making judgements that don't always work out. For example, I recall the Commission previously creating a New Entrants Reserve comprising 300 million EU Allowances worth nearly €2 billion with a view to kick-starting the demonstration of commercial CCS deployment. It was not a success. A technology neutral approach can be more flexible in allowing members states to develop solutions tailored to local circumstances.
- The selective relaxation of state aid rules is an understandable response to the competitive threat emerging from other regions of the global economy. However, there need to be safeguards, as it could undermine the coherence of the EU Single Market. Temporary measures, once in place, have a habit of becoming more enduring than originally intended.
- Last, but not least, given limits on the resources available to regulatory and delivery agencies, there is a risk of de-prioritising important industries that are neither on the list, nor qualifying as key upstream suppliers for the selected technologies. Traditional energy-intensive industries in particular will need to find new ways of decarbonising their operations while coping with uncompetitive energy costs.

In conclusion, I would mention that these views are echoed not only by other national business federations across Europe, but also by its wider civil society. Separately, I have provided the Committee with a recent draft opinion from the European Economic and Social Committee, of which I am a member. While welcoming the framework of the Green Deal Industrial Plan, it cautions against focusing too narrowly on promoting certain technologies and on picking alleged "winners" through regulatory actions. Instead, it calls for a comprehensive innovation and research support policy.

I am happy to answer questions.