

**Opening Statement to Joint Oireachtas Committee on Climate and Environment on the
Pre-Legislative Scrutiny of the General Scheme of the Gas (Amendment) Bill 2023.**

Department of the Environment, Climate and Communications

04 July 2023

Dear Chair and members of the Joint Oireachtas Committee on Climate and Environment, thank you for this invitation to this meeting of the Committee on the Pre-Legislative Scrutiny of the General Scheme of the Gas (Amendment) Bill 2023.

My name is Noel Regan and I am Principal Officer in the Department of the Environment, Climate and Communications in the area of Energy Security. I am joined today by

Cristina Hurson, Assistant Principal

Eamonn O'Halloran, Administrative Officer

The purpose of the Gas (Amendment) Bill 2023 is to facilitate the integration of Ervia into Gas Networks Ireland.

Background

The Minister for the Environment, Climate and Communications is the Minister with responsibility for gas policy and all legislation relating to gas and energy policy. The Natural Gas Directive (Directive 2009/73/EC) in relation to the unbundling of ownership of generation, supply, and transmissions systems in the energy market prevents the Minister for the Environment, Climate and Communications assuming the role of majority-shareholding Minister in Gas Networks Ireland and its parent, Ervia. As such, the Minister for Housing, Local Government and Heritage is the majority-shareholding Minister for Ervia, which manages national gas infrastructure through its subsidiary Gas Networks Ireland. As a consequence, the Department of Housing, Local Government and Heritage lead in respect of the governance of Ervia.

The Government has decided that the establishment of two separate State companies to operate the gas network and develop water services provides the optimal solution to meet the future challenges of de-carbonising our energy supply and modernising our water services. The Water Services (Amendment) Act 2022 was signed into Law on the 07 December 2022, and on the date appointed in the Bill, 01 January 2023, Uisce Éireann was split from the Ervia group and became a standalone company. The Government decided that the most appropriate structure of the gas utility

following the separation of Uisce Éireann from Ervia was the integration of Ervia into Gas Networks Ireland so as to become the single entity, Gas Networks Ireland.

The Government's decision to integrate Ervia into Gas Networks Ireland is being progressed by the Minister for the Environment, Climate and Communications who has responsibility for gas legislation.

Policy Considerations

Ervia's business is predominantly (both in terms of activities and revenue) the operation, maintenance and development of the gas networks and interconnectors that are in its ownership. Ervia and Gas Networks Ireland are currently operating as a single entity from a structure, strategy and operational point of view.

Ervia was established as a statutory corporation pursuant to the Gas Act 1976 (as amended) and its subsidiary, Gas Networks Ireland was established as a company under the Companies Acts with its own Constitution pursuant to the Gas Regulation Act 2013. Ervia is fully State owned and Ervia is the sole owner of Gas Networks Ireland.

Main Provisions of the Bill

The General Scheme provides for the integration of Ervia into Gas Networks Ireland so as to become the single entity, Gas Networks Ireland. The Bill provides for amendments to the Gas Acts so as to facilitate the integration; the transfer of functions, assets, rights, liabilities, staff and records from Ervia to GNI; as well as providing for the corporate governance arrangements relating to Gas Networks Ireland in terms of shareholding arrangements, the Board arrangements and its Chief Executive, annual reporting and accounting provisions. These governance arrangements are being provided in primary legislation rather than in constitutional documents which will enhance transparency and accountability.

General Scheme of the Gas (Amendment) Bill 2023

I will now elaborate on the provisions of the Bill. It is a relatively short Bill with 22 heads in total and is largely a technical Bill in nature.

The General Scheme of the Gas (Amendment) Bill 2023 is divided into two parts. Part 1 of the general scheme provides for the title of the Bill, its commencement and definitions which are used in the Bill. Part 2 lists the provisions that provide for the dissolution of Ervia and the integration of its

functions/roles/responsibilities/liabilities etc. into GNI. Part 2 also includes the heads of the Bill that concern the amendment of other enactments, in order to facilitate the dissolution of Ervia and the integration of its functions, properties, liabilities, staff and records into GNI.

The Bill's 22 heads can be summarized as follows:

Part 1 contains Heads 1 to 2. These are standard heads which provide for the short title of the Bill, commencement on enactment or by means of Ministerial Order (as appropriate) of its various provisions, as well as definitions of certain terms referred to in the Bill.

Part 2 contains the rest of the Heads that provide for the integration of Ervia into GNI.

Head 3 which provides for the restatement of the definition of the majority-shareholding Minister, which currently is for Ervia, and will be for GNI, the M/HLGH. Head 4 establishes a transfer date which will be set by the Minister, by way of an Order. Head 5 provides for the cancellation of Ervia's shareholding in GNI and for the issuing of new shares to the relevant Ministers.

Head 6 to Head 10 cover the transfer of the existing functions, responsibilities, liabilities assets etc. from Ervia to GNI. This includes the transfer of all functions in relation to gas that are statutorily vested in Ervia to GNI, the transfer of land and any other property of Ervia to GNI, the transfer of rights and liabilities of Ervia resulting from any contract or commitment Ervia has entered into to GNI, including all contracts or commitments involving Ervia. Furthermore, it provides for liability for loss occurring before the transfer date and ensures that GNI will assume any liability outstanding from Ervia.

Head 11 and 12 provides the transfer of staff from Ervia to GNI and any records held by Ervia to GNI.

Head 13 provides that the final accounts and the final annual report of Ervia can be prepared and progressed by GNI on Ervia's behalf. Further provision is included to enable GNI to carry out, after the transfer date, administrative tasks associated with the dissolution of Ervia.

Heads 14 to 15 and Heads 18 to 22 amend a range of legislation to change references to Ervia to references to GNI and, where appropriate, the Minister. Heads 16 to 17 provide for amendments relating to the board and constitution of GNI and the preparation of Annual Reports and Financial Statements.

Head 16 provides for amendments relating to the board and constitution of Ervia. The proposed amendments involve the repeal of Schedule 1 of the Gas Act 1976, the substitution of sections 6 and

7 of the Gas Regulation Act 2013, and a number of other minor amendments to the 2013 Act. These deal with directors of the network company. They are being substituted to reflect the revised board structures that will be in place following the integration of Ervia.

Schedule 1 of the Gas Act 1976 is being repealed. Schedule 1 was originally drafted for the Irish Gas Board/BGE which did not have a constitution unlike GNI, which is registered as a Designated Activity Company (DAC) under the Companies Acts. The Schedule of the 1976 Act is being repealed in order to eliminate duplication of those matters that are dealt with by either the GNI constitution or the Companies Act 2014. The revised section 6 reflects that GNI has a constitution under the Companies Acts.

Head 17 substitutes sections 14 and 15 of the Gas Act 1976 which provide for the preparation of GNI's Annual Report and Accounts.

Head 18, Head 19, Head 20 provide for amendments to the Gas Act 1976 to update terminology to reflect the integration of Ervia into GNI and Head 21 provides for a variety of miscellaneous amendments to the Gas Act 1976.

Head 22 provides for the repeal of Section 21B (1) (c) of the Gas (Interim) (Regulation) Act 2002 which is deemed redundant as GNI cannot take over the function of being a "Shipper of Last Resort" from BGÉ.

The Minister for the Environment, Climate and Communications is keen to progress this Bill and secure the integration of Ervia into Gas Networks Ireland. Work on the draft Bill has commenced with the Office of the Attorney General.

We would very much appreciate the views of this Committee so as to finalise the draft Bill with a view to its publication and progression through the Houses of the Oireachtas.

Thank you.