

Speaking Note for Minister Damien English T.D. on the occasion of the presentation of the DETE Supplementary Estimate 2022 to the Select Committee on Enterprise, Trade & Employment – 9.30am, Wednesday, November 30th, 2022.

Cathaoirleach,

I am pleased to have the opportunity to present our Department's Supplementary Estimate to the Members of the Select Committee this morning.

I have been asked by the Tánaiste to express his apologies for not being able to attend today as he is otherwise engaged on Government business.

The Committee's secretariat has been provided with briefing by my Department's officials in relation to the various elements of the Supplementary Estimate, which hopefully has been of assistance. With your permission Cathaoirleach, I would like to provide a little detail in relation to the constituent elements of the Supplementary Estimate.

The Supplementary Estimate being presented this morning has two distinct elements. The substantive element of the Estimate is seeking €654.5 million in additional funding for the DETE Vote. The technical element is seeking to redistribute €61.35 million in capital savings to fund priorities this year.

In term of additional funding, €650 million is being sought to meet the cost of payments under the Temporary Business Energy Support Scheme in 2022. In addition, €4.5 million is requested for a number of programmes who need additional funding to meet the cost of pay increases under the recently extended Building Momentum agreement due this year, as well as funding for priority areas where there has been increased demand for services.

The Committee will be aware of the announcement in the Budget to introduce a Temporary Business Energy Support Scheme (TBESS) to assist businesses with energy costs. The Scheme will provide cash payments to support businesses impacted by the unprecedented increase in energy costs resulting from the military aggression by Russia in Ukraine.

The funding for the Scheme will be provided through the Vote of the Department of Enterprise, Trade and Employment, albeit the Scheme itself will be administered by the Revenue Commissioners.

The TBESS Scheme will be available to all businesses carrying on a trade or profession whose profits are chargeable to tax, including organisations such as sporting bodies and charities. It is estimated that in the region of 400,000 businesses will be eligible for support under the Scheme.

The Scheme applies in respect of electricity and natural gas costs relating to the period 1 September 2022 to 28 February 2023. The Finance Bill which provides the legislative basis underpinning the Scheme will allow the Minister for Finance to extend this period up until end April 2023.

The Scheme will operate by reference to bills for the metered supply of electricity and natural gas through electricity accounts or gas connections. In terms of eligibility, in order to make a claim under the TBESS in respect of an electricity bill or a natural gas bill, a business must be able to demonstrate that the average unit price for electricity or natural gas on the relevant bill has increased by 50% or more as compared to the average unit price of electricity or natural gas in a reference period. In broad terms, this is the average unit price in the month that is 12 months prior to the claim period to which the relevant bill relates.

Qualifying businesses are entitled to claim a Temporary Business Energy Payment amounting to 40% of its eligible cost.

The payment is subject to a cap for each monthly claim period. Claims for TBEP payments must be made within 4 months of the end of the claim period to which a particular electricity or natural gas bill relates.

In terms of eligible costs, the eligible cost amount in relation to an electricity or natural gas bill is calculated as the increase between the bill amount on that electricity or natural gas bill as compared to a bill amount in the applicable reference period. In essence, monthly costs falling within the prescribed period between the 1st September 2022 and 28th February 2023 must be compared with the monthly electricity or natural gas bill costs, as the case may be, in the period that is 12 months prior to the claim period concerned.

As advised, TBESS Payments will be subject to a monthly cap, which in most instances will be limited to €10,000 per trade or profession. Where, however, a business carries on its trade or profession from more than one location, as identified by the business having multiple electricity accounts/ MPRNs in different locations, the cap may be increased by €10,000 per electricity account/ MPRN, subject to an overall monthly cap of €30,000 per trade.

Revenue have developed a dedicated Webpage and Guidance on the TBESS Scheme. The Guidance includes specific details of examples and sample bills etc., to assist businesses in making claims under the Scheme. Revenue will ensure that the Guidance is kept up to date and that it reflects any changes to the Scheme arising from its passage through the Oireachtas

The key point of advice on the Scheme from Revenue is that businesses need to have tax clearance to register and claim and will be required to retain tax clearance for the duration of the scheme and that they will need to have details of their reference bills for period covering 1st September 2021 to 28th February 2022 and the details for the claim periods in 2022/2023 they wish to submit.

Revenue have also advised that to ensure prompt payment it is important for businesses that all tax returns and tax liabilities are up to date.

The Revenue's Online System (ROS) is now available for registration for TBESS. Businesses will be able to submit their claims for assistance under the Scheme to the Revenue in the coming days. Payments to eligible businesses will issue immediately after the commencement of the Finance Bill, which is expected in mid-December.

As the Committee will be aware, the Scheme as announced at Budget time envisaged an overall package of €1.2 billion in TBESS funding supports. The €650 million being sought through the Supplementary Estimate this morning is required to meet the cost of payments under the Scheme in 2022. Funding to support the cost of meeting payments in 2023 will be provided for in the forthcoming Revised Estimates which are due to be published shortly.

Aside from funding for the TBESS Scheme, the Supplementary Estimate is also seeking an additional €4.5 million in current funding to meet the cost of pay increases under the recently extended Building Momentum pay agreement due this year, as well as funding for priority areas where there has been increased demand for services, such as the Department's Employment Permit Service.

The extended Building Momentum public service pay agreement provided increases in pay for public servants which were not factored into Departments' original pay allocations as set out in their 2022 Revised Estimates. Whilst a number of pay lines on the Department's Vote have sufficient savings to meet the cost of these further increases, in other instances, the original pay allocation is not sufficient to do so.

Of the €4.5 million, some €2 million is required for administration by the Department.

As advised, a number of key services provided by the Department, such as Employment Permits, have continued to experience significant increases in demand. In this regard the number of Employment Permit applications increased to almost 28,000 in 2021.

In addition, the Department has progressed and continues to progress a significant number of policy and legislative initiatives in areas such as employment rights, insurance reform, competition and consumer law. The additional funding being sought is required to meet the cost of these measures.

€1.5 million is required by the Industrial Authority of Ireland to enable it to meet the costs of the extended Building Momentum Pay increases due this year.

The remaining €1million of the additional current funding being sought through the Supplementary Estimate will be provided to Enterprise Ireland to allow it to meet an excess on its pension allocation. In this regard, EI experienced an unexpected number of retirements in 2022 which required additional funding to meet retirement lump sum payments.

Insofar as the technical element of the Supplementary Estimate is concerned, the Department is seeking to redistribute €61.35 million in capital savings to fund particular priorities this year.

€55 million in capital savings will be provided to support the new ‘Growth and Sustainability Loan Scheme’, which will be delivered jointly by our Department and the Department of Agriculture Food and the Marine in partnership with the Strategic Banking Corporation of Ireland and the European Investment Bank Group.

The predecessor to the GSLS, the Future Growth Loan Scheme, which was also a joint initiative with the Department of Agriculture, demonstrated the ongoing demand for longer-term lending.

The GSLS will ensure that this type of lending continues to be available to small businesses for strategic investment purposes.

In this regard, the GSLS will make up to €500 million in longer-term lending available to SMEs, including farmers and fishers and small mid-caps. Up to 70% of lending will be for lending for strategic investments with a view to increasing productivity and competitiveness and thus underpinning future business sustainability and growth.

The GSLS will also target a minimum of 30% of the lending volume towards Environmental Sustainability purposes with the aim of encouraging SMEs to take positive actions in support of the climate change agenda and to change and adapt to maintain competitiveness within the context of an increasing emphasis on the environmental sustainability credentials of goods and services amongst consumers and investors.

The Strategic Banking Corporation of Ireland will deliver the GSLS on behalf of the Departments of Enterprise, Trade and Employment and Agriculture, Food, and the Marine.

SBCI will provide an uncapped 80% guarantee to participating lenders in the GSLS, and the European Investment Bank Group will provide SBCI with a counter guarantee such that the risk share of the scheme will be: 20% lenders; 16% SBCI and 64% EIBG. Accordingly, if defaults are greater than modelled for the scheme, there is no additional cost to the Exchequer, and the EIBG will be required to pay a significant portion of the defaults from their own resources.

Lenders will be encouraged to participate in the scheme through the 80% guarantee provided by SBCI on loans issued through the scheme - the guarantee will greatly reduce the risk to lenders that is associated with providing longer-terms and unsecured lending to SMEs. Lenders regulated by the Central Bank of Ireland can also avail of capital relief for the scheme.

Collectively this will allow lenders to provide the lending at a lower interest rate than they could otherwise provide.

It is expected that the Exchequer costs to deliver the GSLS will be capped at circa €115 million with DETE and DAFM to fund the scheme on a 60:40 basis and the contribution of the DAFM to the GSLS will support up to 40% of lending through the GSLS for farmers and fishers.

The €55million being sought in the Supplementary Estimate will ensure that the Department can fund the majority of its contribution to the cost of the Scheme this year and will also help to ensure that businesses can avail of support under the GSLS from early in 2023.

A further €5.8 million in capital savings will be redistributed to support the European Space Agency Programme this year. This will increase the overall funding for ESA to € 27.17 million in 2022. Ireland's membership of the ESA, through the mechanism of geographical return, enables Irish industry to undertake technology development contracts for the Agency commensurate to the value of Ireland's investment.

The value of contracts placed by the ESA with Irish businesses continues to grow. Contracts to the value of €19 million were placed in 2021, of which €15.8 million was placed with 36 Irish based companies and €3.2 million in contracts with Irish universities and research institutes.

The additional funding being redistributed through the Supplementary Estimate will be invested across eight ESA programmes in areas such as Technology Development, which will support new entrants to the space sector and early-stage product development thus propagating applications under Horizon, DTIF and other RD&I support programmes.

Funding will also be provided to ESA's Advanced Research in Telecommunications Systems which enables industry to explore, through research and development activities, innovative concepts to produce leading-edge satcom products and services.

The Earth Observation Programme, which supports industrial activity using Earth observation technologies, will also benefit from the increased allocation being provided to ESA.

The addition funding of €5.8m will allow new contracts to be signed with Irish based companies in the future and will also help to meet targets for contracts to Irish based companies as set out in the National Space Strategy for Enterprise.

The remaining €550k in savings is being provided to the Department's Humanitarian Relief Programme. The Relief Programme is an emergency humanitarian contribution to help businesses affected by emergency events who have not been able to secure insurance against such events.

The Scheme helps towards the costs of returning business premises and community, voluntary, sporting bodies to their pre-emergency event condition including the replacement of flooring, fixtures and fittings and damaged stock.

Under the Programme, eligible businesses affected by an emergency event can receive a first stage benefit contribution of up to €5,000 immediately. The second stage provides a means to seek further support through a lengthier assessment process, with the total level of support available for both stages combined capped at €20,000.

To-date there have already been a number of events where payments have been made to affected businesses.

These include a flooding event in the Southeast at the turn of the year, a further such event in Wexford in the course of the summer, an emergency event in the Northwest and further recent events in the South.

The €550k being sought through the Supplementary Estimate is required to meet the costs of payments made in respect of these events.

The monies required to fund the Supplementary Estimate Package of €61.35 million come from capital savings achieved on certain Enterprise Ireland programmes and on the Temporary Partial Credit Guarantee Scheme programme.

In terms of EI, the savings in the main arise from the fact that in the case of a number of its support/schemes, there is sometimes a time lag between the approval of applications and the projects underlying such applications being completed and submitted for payments.

It can also be the case that clients themselves for the own reasons relating to matters such as cash flow etc may delay submitting their claims for payment. These delays have resulted in payments under some EI's Schemes not being drawn down as had been expected.

As regards the Temporary Partial Credit Guarantee Scheme, the experience has been that claims for defaulting loans against the Guarantee are at a significantly lower level than had been expected which has given rise to savings on the allocation.

Cathaoirleach, the Supplementary Estimate before you this morning is very much in the way of a concrete expression of Government's solidarity with businesses and their workers right across the country.

The supports being funded through the Estimate, particularly in terms of the TBESS payments, together with other supports provided through our Department and its Agencies and indeed across Government demonstrates our commitment to help business survive the impact of the current energy crisis and to emerge from this difficult challenge as they have successfully done in other recent challenges.

Cathaoirleach, I hope I have provided the Committee with the necessary details in relation to the various elements of our Supplementary Estimate and I look forward to answering any questions Members may have.

Ends