

Opening Statement by Minister Eamon Ryan
Select Committee on Environment and Climate Action:
Supplementary Estimate for Public Services Vote 29
8 March 2022

Introduction

I want to thank the Chair and the Committee for this opportunity to present details of this Supplementary Estimate for the Department of the Environment, Climate and Communications.

The purpose of this Supplementary Estimate is to provide the necessary funding for the Electricity Costs Emergency Benefit Scheme within the Energy Transformation programme of my Department.

Addressing the Rising Cost of Living - Budget 2022

The Government is acutely aware of the impact of the rising cost of living on households, including the rising cost of electricity and gas prices caused by international conditions. Wholesale natural gas prices have been increasing since the second half of 2020 and current indications are that these higher prices will continue for the foreseeable future. These higher prices feed directly through to retail electricity prices as gas is used for electricity generation.

To address the growing impact of rising costs on vulnerable households the Government in Budget 2022 increased the weekly rate of the Fuel Allowance by €5. Increases to the Qualified Child Payment, the Living Alone Allowance and an increase to the income threshold for the Working Family Payment were also introduced. In addition, there were adjustments to basic welfare, pension rates

and income tax bands introduced primarily to cater for the cost of living increases driven, in part, by energy prices.

Addressing the Rising Cost of Living – Emergency Package

However, since then the continuing rise in the cost of living has further significantly impacted citizens lives.

Recognising this on 10 February 2022, as part of a suite of policy measures designed to support households, the Government announced an increase in the electricity credit from €100 excluding VAT to €200 including VAT. The total cost of this scheme has been set in the relevant legislation at €400 million and this will allow for the payment of the electricity credit to all domestic electricity customers registered on an agreed date, including pay as you go customers, from April 2022. Approximately 2.25 million account holders will benefit from the scheme with a one-off, exceptional payment to their electricity accounts. This scheme is part of a range of measures being taken by Government to mitigate the impact of rising energy cost including:

- A fuel allowance lump sum payment of €125
- A drug payment scheme reduction to €80
- A front-loading of the working family payment
- A 20% reduction in public transport fees from end of April until the end of the year
- A reduction in caps for school transport fees

Electricity Costs Emergency Benefit Scheme

The Electricity Costs Emergency Measures Bill 2022, which provides the legal basis for the scheme passed all stages in the Oireachtas on 2nd March.

The scheme will be operated by the Distribution System Operator (ESB Networks), and electricity suppliers and overseen by the Commission for Regulation of Utilities. Based on the number of domestic electricity accounts, ESB Networks will make payments to the individual electricity suppliers who will then credit each domestic electricity account held with them. ESB networks and suppliers will be required to make all books and records in relation to their functions under the scheme available to an auditor to be appointed by my Department.

VAT

The Revenue Commission has advised that VAT must be applied on the bill balance after the credit has been applied. On that basis the credit of €176.22 is being applied exclusive of VAT on each account. Inclusive of VAT, the total reduction on each household electricity costs will be €200.

Funding for the Scheme

The total cost of the Electricity Costs Emergency Benefit Scheme is estimated at €400 million. The cost of the scheme is being funded by my Department through a reallocation of €128.6m from Subhead B.4 – Residential and Community Retrofit programmes to Subhead B.11 – Electricity Credit along with additional Exchequer funding of €271.4m being made available by the Department of Public Expenditure and Reform in this supplementary estimate.

My Department is maintaining the planned delivery outputs for the Residential and Community Retrofit schemes by allocating €267.2 million in capital funding to the programme in 2022. This is comprised of €184.2 million (including capital carryover) from the Vote and €83 million of funding from the Energy Efficiency National Fund. This is the highest ever allocation for the programme and will support almost 27,000 home energy upgrades, including over 8,600 homes to a BER of B2. This nearly doubles the number of homes delivered to B2 in 2021.

In the longer term, the best protection from rising prices is to reduce our dependence on fossil fuel and to improve the efficiency of our homes. The 2021 Climate Action Plan has set ambitious targets to retrofit 500,000 homes to a Building Energy Rating of B2 and to install 400,000 heat pumps in existing buildings by the end of 2030. The National Retrofit Plan, which was published last November, is designed to address barriers to retrofit, identifying a range of measures aimed at driving demand, expanding the size and capacity of the supply chain and making retrofits more affordable.

New initiatives launched last month to deliver on this plan include a new National Home Energy Upgrade Scheme providing increased grant levels of up to 50% of the cost of a typical deep retrofit to a B2 BER standard and a special enhanced grant rate, equivalent to 80% of the typical cost, for attic and cavity wall insulation.

These new initiatives will be funded by the National Development Plan financial allocation for residential retrofit of €8 billion to 2030. Over 60% of this funding, equalling €5 billion will be from carbon tax revenue.

Government also recognises that for many homeowners, even with enhanced grant rates, there will be a need to access finance to fund their upgrade. For this reason, my Department is working with the Strategic Banking Corporation of Ireland, Department of Finance, SEAI, European Investment Bank and financial institutions to design a new Low-Cost Loan Scheme for retrofit.

I am very happy to take questions from the Committee on this supplementary estimate, which will provide the necessary funding for the Electricity Costs Emergency Benefit Scheme payment.