

# DÁIL ÉIREANN

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## AN COMHCHOISTE UM CHUMARSÁID, GNÍOMHÚ AR SON NA HAERÁIDE AGUS COMHSHAOL

## JOINT COMMITTEE ON COMMUNICATIONS, CLIMATE ACTION AND ENVI- RONMENT

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*Dé Máirt, 14 Feabhra 2017*

*Tuesday, 14 February 2017*

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The Joint Committee met at 5 p.m.

### MEMBERS PRESENT:

Deputy Timmy Dooley,	Senator Gerard P. Craughwell.*
Deputy James Lawless,	Senator Terry Leyden.
Deputy Eamon Ryan,	Senator Joe O'Reilly.
Deputy Bríd Smith,	
Deputy Brian Stanley,	

\* In the absence of Senator Michael McDowell.

In attendance: Deputy Peter Burke and Senator Maria Byrne.

DEPUTY HILDEGARDE NAUGHTON IN THE CHAIR.

*The joint committee met in private session until 6.05 p.m.*

### **Scrutiny of EU Legislative Proposals**

**Chairman:** I remind members and witnesses to turn off their mobile telephones as they interfere with the sound system.

I wish to draw the attention of witnesses to the fact that by virtue of section 17(2)(I) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. I also wish to advise them that any submission or opening statements they have made to the committee will be published on the committee's website after this meeting.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

The first item on our agenda is the scrutiny of EU legislative proposals. COM (2016) 862 is a proposal for regulation of the European Parliament and of the Council on risk preparedness in the electricity sector and repealing Directive 2005/89/EC. It is proposed that this proposal warrants further scrutiny. Is that agreed? Agreed. The following COMs will be considered: COM (2016) 759 on energy union; COM (2016) 761 and Annex amending Directive 2012/27/EU on energy efficiency (2030 targets); COM (2016) 767 on energy from renewable sources; COM (2016) 861 on the internal market for electricity; COM (2016) 862, a proposal for a regulation of the European Parliament and of the Council on risk preparedness in the electricity sector and repealing Directive 2005/89/EC; COM (2016) 864 on the internal market for electricity; COM (2016) 863 on EU agency for the co-operation of energy regulators.

### **Effect of proposed withdrawal of the UK from the EU on the Irish Energy Market: Discussion.**

**Chairman:** The second item on the agenda is the effect of the proposed withdrawal of the United Kingdom from the European Union on the Irish energy market. The officials from the Department of Communications, Climate Action and Environment will discuss this topic. I welcome the officials - Mr. Kevin Brady, principal officer, strategic energy policy division; Ms Una Nic Giolla Choille, principal officer, electricity and gas regulation division; Ms Rebecca Minch, principal officer, energy efficiency and affordability division; Mr. Eamonn Confrey, principal officer, decarbonisation policy and co-ordination division; Mr. Michael Goodwin, principal officer, energy security and infrastructure division; Dr. John O'Neill, principal officer, climate policy division. The opening statements have been circulated to the members. I propose that the main witnesses speak for five minutes each, followed by a questions and answers session when each member may ask a question not exceeding three minutes.

I invite the first witness, Mr. Brady, to speak.

**Mr. Kevin Brady:** The clean energy package encompasses all of our areas, so I will give a general overview and a short summary of each of the areas as opposed to us taking up too much time by each person speaking. My division, strategic energy policy, is a co-ordinating division across all of the areas so it is probably useful if I start with that.

I will outline the major points in our opening statement that are of relevance. On 30 November last, the European Commission published the Clean Energy for all Europeans package. It contained eight legislative proposals. We are discussing seven of those today. One of them is within the remit of the Department of Housing, Planning, Community and Local Government. The eight proposals are grouped into four main categories.

The first category is energy efficiency, which is the Energy Efficiency Directive and the Energy Performance and Building Directive that is with the Department of Housing, Planning, Community and Local Government. The second grouping is energy market reform. This is the electricity internal market design regulation, the Electricity Internal Market Design Directive, the Agency for the Co-operation of Energy Regulators, ACER, regulation, and the risk preparedness in the electricity sector regulation. The third category is just one item, the Renewable Energy Directive. The fourth and final group is the governance of the energy union regulation.

I will address in brief the situation around the Maltese Presidency. At the moment they are looking to progress all of the files but with specific priority on the two energy efficiency files. They have set out - in Council terms - what is likely to happen. The Maltese expect to reach a general agreement on both of the energy efficiency files by the end of the Maltese Presidency in mid-2017. They expect to have completed a progress report on the other six files. All eight proposals will be discussed at the Energy Council on 27 February. Countries will be invited to give their initial views. The two energy efficiency files will be discussed at the Energy Council informal meeting in May with a view to reaching a general agreement in the June Energy Council meeting.

I will now go into more detail on each of the four categories. Turning first to the Energy Efficiency Directive and the Energy Performance and Buildings Directive, the key provisions of note in the Energy Efficiency Directive is to include a 30% binding EU target for energy efficiency. This is an increase on the at least 27% target in the EU Council decision of October 2014. There is also provision to extend the energy efficiency obligation scheme beyond 2020 all the way to 2030.

The other proposal in the energy efficiency area is the Energy Performance and Buildings Directive, which again is held by the Department of Housing, Planning, Community and Local Government. It is worth noting that buildings consume 40% of the energy produced in the EU and the proposed directive will encourage the use of ICT, smart technologies such as building automation and charging infrastructure for electric vehicles. Ireland is generally supportive of these proposals.

The second package is the energy market reform. This package consists of four legislative proposals, the first three of which are recasts, that is a set of amendments to existing regulations and this is how they have been set out, mainly to two regulations and one directive that were in the third energy package as adopted in 2009. The third proposal is the ACER regulation - the third of the amendments to the third package - specifically to the legislation on the agency for the co-operation of energy regulators. This regulation makes recommendations on ACER

having increased responsibilities in specific aspects of increased regional co-operation among energy regulators and on providing enhanced powers to the agency. The security of electricity supply regulation is very much a peer to the security of gas supply regulation on the electricity side and Ireland would have a relatively positive view on that.

The third package is the Renewable Energy Directive. The provisions of the proposed Renewable Energy Directive build on the existing directive and provide a framework for renewable energy development to 2030. It takes account of the political agreement reached by the European Council in October 2014 to increase EU energy share from renewable energy to a level of at least 27% by 2030. This target will be delivered through individual member states' contributions. The EU-level target in the proposed directive represents a fundamental shift away from legally binding national targets. The 2020 national renewable energy target of 16% for Ireland will become the baseline target set out to 2030. In addition, supplementary measures for electricity, heating and cooling, and transport will be required so that the EU target will be collectively reached. The level of economic growth between 2021 and 2030, combined with delivery of energy efficiency savings, will determine the level of renewable energy measures required in order for Ireland to make a cost-effective contribution towards delivery of the EU target in the period to 2030.

The final group of proposals is around the governance of the energy union. I stress that this really does cut across all the other proposals. I shall explain briefly the history of this and the Council's conclusions of October 2014. It was agreed that a reliable and transparent governance system, without any unnecessary administrative burden, would be developed to help ensure the EU meets its energy policy goals. These goals include the 40% reduction in greenhouse gas emissions; at least a 27% share for renewable energy; and at least a 27% improvement in energy efficiency, currently proposed to increase to 30%. The energy union strategy of 25 February 2015 broadened the scope of governance beyond the 2030 framework to all five dimensions of the energy union, namely, energy security, solidarity and trust; a fully integrated European energy market; energy efficiency contributing to moderation of demand; decarbonising the economy; and research, innovation and competitiveness. The State of the Energy Union, from November 2015, proposed that the governance should be anchored in legislation. On 30 November 2016 the legislative proposals were introduced.

The key elements of the proposed governance includes the need for each member state to develop a draft national energy and climate plan, the draft of which would need to be prepared, as proposed by 1 January 2018 and a final plan by 1 January 2019. The plan would consolidate existing national planning and reporting obligations across all, or as much as possible, of the climate and energy area. It will replace, or delete, more than 50 different existing sectorial plans and reports with one comprehensive integrated plan and report. For example, the national energy efficiency action plan, the national renewable energy action plan and the monitoring mechanism regulation for greenhouse gasses, would all be integrated in this single ten year plan. The national energy and climate plan will include trajectories for national emissions, renewable energy and energy efficiency and the measures required to achieve these trajectories. These trajectories must be sufficient for countries to meet member state targets and, collectively, for the EU to meet its targets. We will need to set out objectives related to decarbonisation with a 50 year perspective, as proposed. Member states will also be required to co-operate on a regional basis in preparing their national energy and climate plans. The European Commission will have the right to make recommendations on the draft plans, of which member states must take utmost account. Once these plans are in place there will be biennial reporting on progress in regard to the plans, with the first report due in 2021.

Another key element of the proposed governance is that the European Commission may take action in 2023 if it assess that the EU is at risk of not meeting its targets. This could require member states to take action such as adjusting their share of renewable energy, in heating and cooling and in transport, or to make a financial contribution to an EU level fund. It may also lead to EU-level actions such as increasing or enhancing energy efficiency standards. With regard to the fund, it is worth noting that if a member state does not maintain its baseline share of renewable energy, which was 16% in Ireland's case, it is proposed that the gap would be covered by the country making the contribution to an EU-level fund which would then be used for energy efficiency or renewable energy measures throughout the EU.

It is fair to say that the proposal is viewed as positive but quite ambitious, as has been expressed by many countries and not just Ireland, about the level of ambition of completing this draft plan by 2018, but it is proposed that these plans need to be developed in parallel with the legislative proposal that is underwriting them and the other legislative proposals that are inputting into them. In view of the timeframes involved for the period 2021 to 2030, we cannot negotiate all the proposals and then start writing the plan.

I will conclude on the first part of our discussion which looked at consultation. The Department of Communications, Climate Action and Environment will commence a public consultation later this month on the whole clean energy package. This will further inform views and give people, society and business, etc., the ability to directly input into what Ireland's negotiating stance should be on these proposals. I could move on and outline Brexit as well, if that helps.

**Chairman:** That would be great, thank you.

**Mr. Kevin Brady:** I appreciate that a number of the members of the committee attended the Brexit civic dialogue last Monday. We know that Brexit is one of the most significant socio-economic challenges we face. Energy is a core sector. We have key links with the UK in energy, and the figure that should interest us most is our energy import dependency. In 2015 Ireland imported 88% of the energy we use. The UK is the source of much of this energy. Natural gas is probably the best example. We use natural gas to generate over 40% of our electricity. It heats our homes and businesses and generates power for industry. In 2015, 97% of the natural gas used in Ireland was imported from the UK. That has dropped with the opening of the Corrib gas field. Corrib will supply over 50% of our gas needs this year and in coming years, but it will not have a long lifespan. By 2025 it is estimated that Ireland will be 85% dependent again on UK pipeline gas. When we highlight the energy dependency Ireland has on the UK it is important to note that we are not the only country that has energy links with the UK. France, Belgium and the Netherlands all have either natural gas or electricity interconnectors with the UK, therefore Ireland will be working as one of a number of European countries to ensure that the secure trade in energy continues between the UK and EU member states.

The Government has set out a number of priorities in the area of Brexit. The priorities are maintaining trade in secure supplies of energy between the UK and EU member states, maintaining the single electricity market across the island of Ireland, accommodating Ireland's ability to meet EU obligations and ensuring appropriate energy infrastructure. On Monday, 6 February we had an all-island Brexit civic dialogue on energy in Boyle, County Roscommon, which was attended by members of the committee, and at that meeting we presented an outline of what I have described and the key priorities. We also had a wide range of groups from industry and society represented in a number of break out sessions which discussed the impacts of Brexit. We will be compiling and publishing a report on that civic dialogue and we will also be

inputting. The chair of the civic dialogue was Jim Gannon, the CEO of the Sustainable Energy Authority of Ireland, SEAI, and he will be bringing the views of the energy dialogue to the all-island civic dialogue in Dublin Castle, which is on Friday 17 February.

It is worth re-emphasising that there is an extensive programme of engagement with all other EU Governments and EU institutions, including the EU commission's Brexit task force, who we have met on the specific issue of energy. This activity and engagement is being carried out at a political, diplomatic and official level.

It is important to note that the two parts of what we have discussed here, which is the clean energy package and Brexit, will both be negotiated in parallel but not necessarily at the same time. The negotiations for Brexit and the negotiations for the clean energy package will be happening in parallel, which we need to take account of in those negotiations.

We have the heads of each of the sections across energy and climate, so we can direct the questions that arise to the appropriate person.

**Chairman:** My first question is about energy from renewable sources. Is it anticipated that the new targets for the period 2021 to 2030 would now need to be adjusted given that the withdrawal of the UK from the EU is imminent? With regard the Agency for the Cooperation of Energy Regulators, ACER, is it anticipated that it will co-ordinate with the energy regulators in Northern Ireland if and when the UK leave the EU? This is particularly relevant given that both jurisdictions share a common single wholesale electricity market.

**Mr. Eamonn Confrey:** On the renewable target and if it will be impacted by the UK withdrawal, the answer to that is that we will be proceeding with the negotiations on the basis of Ireland's contribution and what is expected to be Ireland's contribution. As Mr. Brady pointed out earlier, at the moment our target is 16% by 2020, but our expectation is that the 16% will effectively be our baseline from 2021 onwards. Depending on where we are in 2020, 16% will effectively become our target. Although we are now in a situation where the renewable target is an EU-wide target of 27%, at the moment there are no nationally binding targets emerging. From our perspective we have sub-targets across renewables in heat, transport and electricity, and it will be up to Ireland, and the Minister indeed, to decide the share within those sub-sectors as we go forward. We will be entering the negotiations on the basis of Ireland's contribution.

**Ms Una Nic Giolla Choille:** ACER was set up in 2009 as part of the third energy package, and this package is amending that legislation. The position of the Northern Ireland regulator is unaffected in the sense that the membership of ACER is drawn from national regulatory authorities, that is, member state regulators. Northern Ireland and other regional regulators are not members as of now and have not been since its establishment. That being said, as we all know the single electricity market is regulated jointly and in a co-operative fashion by the Northern Ireland and the Irish regulator together with independent regulators in a governance structure known as the single electricity market committee. SEAI, as Ireland's national regulatory authority, of course bring that perspective to ACER deliberations.

**Deputy Brian Stanley:** I thank the witnesses for coming in. The session in Boyle was useful from the point of view of trying to get a handle on Brexit from an energy point of view, and the potential difficulties and opportunities that is going to present. Three things are happening together - the European clean energy package, which has just been outlined, the withdrawal of Britain from the European Union and our international and moral obligations in terms of reducing greenhouse gas emissions. The session in Boyle crystalised it for me. We have to make

these three things move in the same direction. We have to increase our energy independence and increase our energy security. It has just been outlined that we are 97% or 98% dependent for our gas supplies on imported gas. We do not control the valve. It will come through the British pipeline. We do not control that pipeline. There is the issue of other energy sources as well. Alongside that, while we are making good progress with electricity generation from renewable sources, in terms of meeting our commitments of reducing harmful greenhouse gas emissions we are falling behind quickly. In terms of overall energy importation, we have to reverse the fact that we are 88% dependent for our energy on imported fossil fuels because they are not renewable. Obviously they have a time limit, but there is a cost as well. The issue of Brexit has thrown up all that uncertainty.

In view of the above it would appear we have to turn the challenge quickly into an opportunity. We can moan about all the difficulties that Brexit will cause but there are a couple of immediate issues. The single energy market on the island is in existence since 2007. We want to see that continue and we want to see further areas of co-operation. In view of the clean air project that is under way on foot of this and that, I note, down as a high priority, if there is energy being imported or coming from an interconnector, be it from the North or from England, it may not come from renewable sources. They are ahead of us in some ways - Scotland is way ahead of us - but they may not be as ethical. Given some of the right-wingers who are running the show or calling the shots in England at present, how they produce it may not be as ethical. One might have Trumpism arising, in terms of digging up coal anywhere one can get it and burning it. In that regard, where do we fit in and what are its implications?

The other question I have relates to the potential disruption of supplies if we do not control the pipeline. If it is passing through EU territory, that is fine. However, I foresee - I hope I am wrong - rocky negotiations with Britain and the other 27 member states. The other 27 member states cannot be seen to give England an easy ride on these matters. That opens up the potential for our security of supply being impaired. It also opens up the possibility of tariffs and the possibility of price increases. Have Department officials any update on that? Are there any projections as to what might happen in that regard? I do not expect them to have all the detail.

All of those issues tell me that we have to proceed in producing renewable energies quickly and sustainably to ensure that we have a level of energy security given the uncertainties arising from Brexit and all of the other matters.

**Chairman:** I thank the Deputy. I might let the officials in on those. There are a number of questions. Who would like to start?

**Mr. Kevin Brady:** In terms of Deputy Stanley's opening remarks, I suppose I would start with the triumvirate of the clean energy package, Brexit and our international obligations. The clean energy package, in particular, the governance framework and the national energy and climate plan, is designed to encompass our international obligations, such as the Paris agreement and the emissions reduction. It is all about moving to the period 2021 to 2030. That governance framework covers that and I suppose there is a consistence there. Brexit throws an issue in there that is a significant challenge.

Deputy Stanley also commented on the independence and security of supply. This was a real key theme that came out of the day in Boyle, County Roscommon. A number of the different break-out groups all made a similar point, which was we need to use renewable energy and increase our sustainability in Ireland. For many who attended, the figures for import dependency, that in 2015 Ireland imported 88% of the energy we use and imported 97% of the natural

gas used from the UK, were somewhat of a surprise. Many knew we imported a lot of energy but this showed the stark reality and that 50% of energy is derived through oil.

In terms of the Deputy's two specific questions, the single electricity market and the need to continue further co-operation is one of our key priorities as set out. The way we are looking at doing that is as follows. Prior to any Article 50 declaration or prior to negotiations starting, what we are doing is taking the opportunity to educate as many of our peers in Europe to discuss with our peers in the UK and Northern Ireland so that they can understand our commitment to the single electricity market and our commitment to an ongoing relationship with the UK but in a European context.

In terms of the point on renewable sources, when energy is imported or exported across any interconnector, for instance, between Ireland and Northern Ireland, between Ireland and the UK with the East-West interconnector or, indeed, between the UK and France, the energy is not classified as green, brown or nuclear. There is no origin with that energy. It is merely pure electricity. We all adhere to the same standards because we all are member states of the European Union. That applies to environmental air quality, etc. In terms of energy from a coal-fired powerstation versus energy from a wind turbine, it is very much measured in country of production. Imports or exports crossing an interconnector are not measured as such currently. In fairness, there are no proposals in the clean energy package to change that.

In terms of disruption of supplies, Ireland is dependent on imports of gas. In terms of the negotiations, there is the security gas directive on which I might pass over to my colleague to give more details, but being in a European legislative framework ensures where there is a shortage of gas in Ireland that the UK is legally bound to help us. Of course, before that was in place we had intergovernmental agreements on the interconnectors and the gas interconnectors. The key point for us is as part of the Brexit negotiations the first priority we set out is to ensure continued secure trade in energy requires no tariffs and a legal mechanism to ensure that security of supply. I am not sure whether Mr. Goodwin may want to add anything on energy security.

**Mr. Michael Goodwin:** Not really, no. In regard to the gas security supply regulation, that is being negotiated and finalised in Brussels at present. The key measure in the new regulation is about solidarity but, as the Deputy says, in the context of Brexit that raises an issue. We still will be physically connected with the UK but the UK, as Mr. Brady stated, will not come under the requirements of the regulations. One of our key issues on Brexit is that the *status quo* would remain if possible. As Mr. Brady also stated, there are intergovernmental agreements in place that existed prior to the gas security of supply regulation which we would look to expand in the event that the UK was not under the aegis of the regulation.

**Chairman:** Does anyone else want to come in on any of those?

**Ms Una Nic Giolla Choille:** Deputy Stanley is correct that the single electricity market dates from 2007. It is almost ten years on. It came into effect in November - we have a bit to go yet. It has a long history that is underpinned, in governance terms, by the legislation that was enacted in both the Oireachtas and Westminster. Indeed, I was here not six months ago when the Select Committee on Communications, Climate Action and Environment was discussing the revision to the legislation to facilitate the current project which is on track for May 2018. We regularly discuss with our Northern colleagues and with London the roll-out and implementation of that project. Indeed, it was good to have the legislation done in July 2016.

**Deputy Brian Stanley:** May I make a brief comment?



**Chairman:** Yes.

**Deputy Brian Stanley:** Based on what the officials have said, what we are hearing here and what we teased out last week on this subject, this is surely a major issue in the Brexit negotiations when Government representatives speak on behalf of the State to the other 27 member states. It is important that our Minister and Taoiseach do everything possible to make sure these issues are dealt with, but we also have a responsibility here to make sure we push on with the renewable energy sector. We have a huge responsibility as an Oireachtas to do that and so do Departments, industry and citizens. It will not be done by those in this building but through what happens outside. It highlights the need to push this on without delay.

**Chairman:** I will bring in Deputy Ryan first and then allow the witnesses to comment.

**Deputy Eamon Ryan:** I thank the witnesses for the presentation. Vice President Šefčovič was in Dublin two years ago setting out the approach the Commission would take. In the 2020 package, all the political agreements were done in advance before the poor Ministers of Finance knew what was going on. They learned of it in a state of shock. We had these targets and so on. This time, because there is less political support for action on climate and renewables, they are putting the pieces of the jigsaw together slowly and getting agreement. That is what we are seeing in this wide range of packages. I cannot remember who said that in Europe, to a certain extent, what we have done is stitched renewables into the system. In the first quarter, we have made the transition we need to make by stitching them into the existing system. Now we are planning the next quarter of the renewables being put in and we have to change the entire system because they are affecting the whole system. It is a completely different energy system. This is not small legislation. It is very important and significant and concerns how we change our entire energy system.

Mr. Confrey said that 16% would be our baseline but 16% is our current target. Are we saying that any ambition we have to plan for in the January 2018 big new national energy plan has to assume we are starting from 16% and we will go from there? We are currently at 9.1%. What will the cost be for not being at 16% in 2020 or whatever time the fines kick in? Surely that must lead to a huge increase in ambition for the scale we have. This is not like the climate package where we have a very soft deal in terms of baselines being set. I am sure Mr. O'Neill will have all the details. We have a soft option in terms of where we start. Mr. Confrey is saying we are starting with a harder option in renewables because in some ways we have to start from 16% even though we will be nowhere near 16%. If I am right about that, I would be interested to hear Mr. Confrey's thoughts.

The second question is on the 50-year plan. We have to write the plan within the context of a 50-year vision. If the Paris Accord is to mean anything and if European energy policy stacks up, it will effectively mean we have to go to a zero carbon energy system in that sort of time-frame. Does that mean the Department will have to change its entire energy White Paper, which gives us an out until 2100 before we go to that sort of an energy system? How will we ramp up and change our energy White Paper to reflect that greater ambition we are going to commit to?

In terms of our interconnection, Mr. Brady said we will have to try to secure future gas and electricity interconnection with the UK and that we will have to look for legal mechanisms for that. Is there an alternative to the European Court of Justice, ECJ, as the final arbiter on the legal structures? Have the witnesses met their UK civil service contacts in their counterpart Department? It is no longer called DECC but it is Mr. Chisholm's Department. Has it been an issue for discussion? Where are the discussions on the issue of legal mechanisms?

I am sorry for these rapid fire questions but I could ask questions all night on this because it is very interesting. How much money have we availed of so far? What projects have we planned to avail of from the Juncker investment fund in the clean energy area, whether efficiency, interconnection or generation? I understand they recently increased the fund by €200 billion and directed that 40% of it should be in the clean energy area. I am interested to know what we have so far availed of in the Juncker investment fund. What big projects are ready to go that we think may avail of the Juncker investment fund?

What was our lending in the past two or three years? What do we plan for this year and next year in the clean energy space in terms of European Investment Bank, EIB, lending? What sort of access to funding have we got from that? They are my immediate questions.

**Chairman:** Does Mr. Confrey wish to come in on any of those questions?

**Mr. Eamonn Confrey:** To answer the question about the 16%, the Deputy is right that it remains the target for 2020. We were at 9.1% overall at the end of 2015, so we have quite a way to go. I will comment on how that target is broken down. It is broken down in three ways. The target for renewable electricity is 40% and we were at just over 25% at the end of 2015. The target for renewable heat is 12% and we were just over 6.5% at the end of 2015. The target for renewable transport is 10% target and we were at 5.7% at the end of 2015. In general terms we have quite a way to go.

Our projections and the intelligence available to us suggest we will hit the renewable electricity target, which is 40%, but we have challenges in both heat and transport. The Commission released a progress report on renewable energy on 1 February. Its calculations and methodology indicate that Ireland, based on the trajectory we reported in our successive national energy efficiency action plans, will hit around 15.5% of our overall target which indicates a shortfall of about 0.5%. From our own perspective-----

**Deputy Eamon Ryan:** I will just come in on that. Did Mr. Confrey say the Commission thinks that between now and 2020, which is in three years, we will go from 9% to 15%?

**Mr. Eamonn Confrey:** Yes. That is based on its analysis which was published in recent weeks. We can argue about whether we will get there but, as I said at the outset, we have significant challenges in both heat and transport. It is fair to say we are probably looking at a shortfall.

The Deputy asked about the cost. They are estimates at this stage. The Sustainable Energy Authority of Ireland, which has looked at this, has indicated to us that for each percentage point we fall below the 16%, the cost estimate is in the range of about €100 million to €150 million. What can we do about that if we find ourselves under the target by 2020? There are co-operation mechanisms, called statistical transfers, under the existing 2009 directive. In essence, it means Ireland could trade with other member states that have overachieved. We are at the early stages of analysing what that would require in terms of a legislative framework and our ability to trade. We are one of perhaps four member states, based on the report I have referenced, that are unlikely to hit their targets by 2020. It would allow us a mechanism to purchase our credits on the markets. We will understand what the likely cost of that may be as we get closer to 2020. I hope that has answered the Deputy's question about the 16%.

**Deputy Eamon Ryan:** Will that €100 million fine kick in straight away in 2020?

**Mr. Eamonn Confrey:** Our understanding is that it will be in 2021 because we will be allowed the full year of 2020.

**Chairman:** I am moving on to Mr. Brady now to answer the other questions.

**Mr. Kevin Brady:** I will address the second question on the 50-year perspective. The plan, as currently proposed, requires us to set out our objectives related to decarbonisation with a 50-year perspective. We are in a better position than most countries because we have a White Paper that sets out a vision for 2050, with 2030 being a milestone of that and 2100 being set down as the final target. Would we need to revisit the White Paper? We would certainly need to put our 50-year perspective into our national energy and climate plan. At the moment, our 50-year perspective is very much the 2100 decarbonisation point. It is still a proposal at this point. The key reason I mention it is even though the national energy and climate plan covers the period to 2030, we are very much being asked for what are our strategies, objectives and projections beyond that.

There was a question on the Court of Justice of the European Union and discussions with our UK counterparts. There are a couple of points in this regard. The first is there will be no negotiation until Article 50 is triggered. Within that negotiation, Ireland will be part of the EU 27 so we do not envisage, even when Article 50 is triggered, that we will hop on a plane and go across to the UK. It is very much that we will be inputting to the EU 27 and their negotiations. The UK White Paper on exiting the European Union, EU, was very clear in a number of areas but it left open the potential for the UK to remain within the European framework on different elements. One of those may well be the internal energy market but we just do not know. Ireland would certainly be very supportive of that but how Britain would remain in that without the Court of Justice of the European Union is a key question. How that could be resolved and answered will be in the context of the EU 27 negotiations with the UK, as opposed to a bilateral discussion.

**Deputy Eamon Ryan:** Is the witness saying people from our Department have yet to meet personnel from the relevant UK Department and speak about the issue?

**Mr. Kevin Brady:** No, we meet our counterparts quite regularly but it is very much in terms of information sharing. As the negotiation cannot start, we cannot start discussing potential solutions until Article 50 is triggered.

**Chairman:** Do other witnesses wish to contribute?

**Ms Rebecca Minch:** I will briefly mention EU funding from the energy efficiency perspective and improving energy efficiency in the built environment. The Deputy is right in that there is a very important opportunity in terms of the potential of EU financial instruments. Ultimately, the scale of the action required, looking to the coming decades, is beyond what the Exchequer alone could support. It has been a very important part of energy efficiency policy, in particular, for the past number of years to explore alternative funding options. In that regard, there are a number of issues about the Irish market for energy efficiency, particularly the residential aspect. There is the question of the suitability of the scale of what Ireland would need, as it has tended not to be on the large scale that would normally be funded by these kinds of EU projects. That is one area that must be addressed and there is an openness in terms of the European Investment Bank, EIB, understanding that its approach must become somewhat more flexible.

There is also the very important aspect that when we look at using EU financial instruments, we must have a very well-developed business case to do so. That is why a number of schemes have already begun and we are bringing them forward in 2017, with additional Exchequer funding that we have managed to secure, around piloting deeper retrofits, including fuel switch-

ing away from fossil fuels in the residential sector. That is the kind of larger-scale work, with investments of €20,000 to €30,000 in individual houses, that could allow us to avail of these types of financial instruments.

Having said that, while there is a very clear incentive coming from EU energy policy to avail of these funds, on the other hand there are issues arising from fiscal rules with which the Government must conform. That particularly arises with the public sector and its buildings, which could also be an area of potential for EU funding. The need for any such investment to impact the Government balance sheet is something that the Commission is looking into. Along with a number of other member states, we have pushed for that and we expect to hear from the Commission and EUROSTAT on the rules around the impact on the balance sheet around mid-year. That could be useful in moving on the issue.

**Senator Joe O'Reilly:** I join in welcoming our guests. As I was voting in the Seanad, I am not sure if this has been touched on. My understanding is the transport sector is the great “off-fender”, if I may use that term, with regard to emissions and it is a very difficult area. There is a reference to the proposal to limit support for biomass in new electricity generation to highly efficient combined heat and power, which requires careful consideration. Will the witnesses elaborate on what is involved in that? Why is there a limit to supporting biomass?

**Chairman:** It is COM (2016) 767, a proposal for a directive of the European Parliament and the Council on the promotion of the use of energy from renewable sources.

**Mr. Eamonn Confrey:** I will have a crack at that. I understand the Senator is referring to the biomass or sustainability criteria that will be introduced as part of the new package.

**Senator Joe O'Reilly:** Yes. Could that be explained?

**Mr. Eamonn Confrey:** The proposal on the table will certainly enhance the existing sustainability criteria but rather than just being focused on biofuels it will be extended to biomass and biogas for heat and power. Another issue to note is that new biomass-fuelled electricity plants above 20 MW will be required to use combined heat and power technology. The principle is that biofuels, bioliquids and biomass fuels may only count towards the target if they fulfil certain sustainability criteria and the greenhouse gas emissions savings criteria. This means that, slowly but surely, the drive at EU level is to ensure sustainability criteria are tightened. It picks up the 2020 package in terms of meeting our renewable transport target. Most of our emphasis has been around biofuels but the sustainability element was probably not properly accounted for back then. It is a food versus security debate and concerns the use of advanced biofuels, as opposed to those fuels that are crop-based. I hope that has answered the Senator's question.

**Deputy Eamon Ryan:** The Senator raised a very interesting point on the detail. Does this effectively mean peat-fired power stations would not meet sustainability criteria? Mr. Confrey indicated it applies to new biomass plants but the wording seems to indicate that any support for biomass-fuelled power generation that would not meet sustainability criteria - I cannot see any of our peat-fired plants passing the test - could be restricted. Would it lessen the ability to continue power stations fired by peat mixed with biomass?

**Mr. Eamonn Confrey:** Our understanding is that the existing power plants should not be impacted as this relates to plants in receipt of support after the directive comes into effect. It is something we are analysing to ensure we can state that categorically.

**Deputy Eamon Ryan:** This information is very useful. I take it we have not yet got money

from the EIB or Junckers investment fund. Have we drawn down money?

**Mr. Kevin Brady:** There are examples such as the east-west interconnector.

**Deputy Eamon Ryan:** That is a long time ago. Has there been anything since?

**Mr. Kevin Brady:** The twinning of the gas pipelines in Scotland may well have drawn that funding as well. There is an impetus now to deal with the EIB and try to leverage the funding a bit more.

**Deputy Eamon Ryan:** The EIB last year lent €3.5 billion to the UK. It has lent €30 billion to the UK in the past five years, I think, or seven years - I cannot recall exactly - but it will not be able to do so next year. It is crying out for people to lend money to. The UK is doing very well. We, on the other hand, are one of only four countries which will not meet our renewable energy targets. We are one of only two countries that will not meet our emissions reduction targets. We are not drawing down any public funding from Europe, which is available in massive amounts. Representatives of the private finance industry here went to a sustainable nation conference a few months ago. They said with one voice that we are doing nothing. It is dead. We have no plans for offshore wind, we have nothing happening in solar energy and we are doing nothing on biomass heating. Our electric vehicle, EV, roll-out is dead, flat, not working. We have no smart metering and we have not introduced a large-scale retrofit programme, which we need to do if we are to meet any of our targets. What will change?

**Mr. Kevin Brady:** I suggest a number of things are changing. I will take a few of the matters raised by the Deputy, starting with electricity. He mentioned offshore wind and solar energy. The existing support schemes are the renewable energy feed-in tariff, REFIT, schemes. The next generation of these schemes, the renewable electricity support scheme, is being developed. Two pieces of research on this are ongoing, one of which concerns the technologies involved. Offshore wind, solar, etc., are included in this. We are also considering a separate piece of research by the Sustainable Energy Authority of Ireland, SEAI, to examine how communities can be better involved in renewable electricity. We hope to see the final public consultation on the renewable electricity support scheme take place later this year. The scheme would be very much aimed at not just 2020, but also beyond 2020, and would be the key support scheme for renewables for electricity. If we-----

**Deputy Eamon Ryan:** The consultation for that started in 2015, I understood.

**Mr. Kevin Brady:** It did, and three consultations were initially planned. In order to accelerate progress on the scheme, we are combining the second of those two consultations into a single consultation to take place later this year.

Moving on to heat, I think it was earlier this month or in January that we launched a renewable heat incentive consultation. It is aimed at two of our targets: not just the renewable energy in heat, but also the emissions reduction in heat. It is restricted to the non-emissions trading system, ETS, sector and is very much aimed at the larger industries, in which we see the most cost-effective solutions. There has been a budget allocation for that this year, so that scheme is planned to be up and running this year. It is a key scheme to contribute not only to our 2020 targets, but also forward to our 2030 targets. Regarding the heat sector, there is deep retrofit, our better energy schemes and a new retrofit scheme, about which my colleague might provide more detail.

**Ms Rebecca Minch:** To come back to the question of deep retrofit, particularly in the resi-

dential sector but also in the built environment, Deputy Ryan is quite right that we must find a way to achieve much deeper levels of renovation and energy efficiency and switching from fossil fuels in the residential sector. We have seen the EPA's continual greenhouse gas emissions projections. While measures might contain emissions from the residential sector, they would continue to grow without much deeper levels of renovation. However, an important point to remember in this regard, which experience over recent years has borne out, is that it is not just the provision of financing that brings about the activity we require on the ground; we must remember that for energy efficiency policy to take effect, individual citizens must decide to act of their own volition. This level of central direction is not available to us, so we must make the proposition for deep renovation, of which financing is just one part. This is why €5 million is being allocated to the deep retrofit pilot in 2017 to establish not just the financing options, but the entire suite of the energy efficiency package that will encourage people to make the decision to act, make that investment and seek to borrow money, which would still need to be complemented by a grant or incentive element. The point is that financing is critically important, but there is very clear evidence in Ireland and further afield that it is not the only factor. The proposition must be attractive to consumers beforehand.

**Deputy Eamon Ryan:** I have one very last short question. Our energy efficiency target is not binding. It is 20% by 2020. What is our progress in this regard?

**Ms Rebecca Minch:** We are 12% towards that 20%. This is why the increased allocation in 2017 is very welcome. We are able to ramp up again not just the existing better energy programme, but a range of flagship projects driving at deeper energy efficiency measures across the residential, public and commercial sectors to build a capacity to absorb more Exchequer funding, should it become available in the coming years.

**Chairman:** I ask the witnesses to comment, in the context of Brexit, on the Ireland-France interconnector, where it stands, what the challenges are, what the Department is doing, the progress of its engagement and whether it has plans in this regard. I am probably asking a question in respect of which there are certain unknowns with elections coming up, but what is the Department doing in this area?

**Mr. Kevin Brady:** The Celtic interconnector is a joint project between EirGrid and the French transmission system operator, Réseau de Transport d'Électricité, RTE. In July of last year, a memorandum of understanding was signed between the two companies, witnessed by our Minister, the Taoiseach and the President of France in Dublin to move to the next stage of development, which is the two-year development and feasibility study. The plan is that at the end of the two years, the project would be ready to move to the actual development phase in terms of carrying out the planning permissions and the environmental studies and getting any of the permits and requirements needed. Regarding a timescale, the project would be developed around the middle of the 2020s. The project is very much on course. It is a project of common interest, PCI, under European legislation. It receives Connecting Europe Facility, CEF, funding, and I understand it may well be in the process of drawing down more funding for the feasibility studies it is carrying out. There are a few key points to make about the Celtic interconnector in the context of Brexit. First, post-Brexit, Ireland will only be connected to the European energy market via the UK; we will have no direct connections. Therefore, the Celtic interconnector could be a direct electricity interconnector to the European market, which would give us access to potentially cheaper electricity and the potential ability to export renewable energies to the greater European market. Second, the Celtic interconnector is not the solution to many of the issues we talked about earlier. It is of the order of 500 MW to 700 MW. That

will undoubtedly help our security of electricity supply but it would not in any way replace the question of gas we talked about and the reliance on gas. Reliance on gas from the UK may drop because we may be importing more electricity from France or be able to generate more renewable energy on our own system, but the reliance on gas generally would not decrease. Therefore, I would not like to give the impression that the Celtic interconnector could solve all our problems, but it is definitely a very positive project and is in a very positive space, and work is ongoing on its development.

**Chairman:** What is the Department doing about Brexit and its challenges?

**Mr. Kevin Brady:** That fourth point, which also follows up on something that was said earlier, was that energy infrastructure is a key element. It is important to say that the Government does treat energy as a very high priority and we have been one of the few areas to meet directly with the Barnier task force to discuss and set out. The presentation we gave in Boyle at the civic dialogue was very similar to the presentation we gave to the Barnier task force, setting out the key issues we see for Ireland and the key potential actions that need to be taken. One of the latter is appropriate energy infrastructure. Regarding electricity, direct interconnection to the wider European market undoubtedly needs to be examined more, as well as the potential for other methods of importing natural gas - for instance, liquefied natural gas, which may need to be considered. In the context of Brexit, we are putting these challenges and priorities on the radar of our European colleagues and the Barnier task force, and energy infrastructure is very much one of our four key energy priorities.

**Chairman:** I call Deputy Ryan again before we finish up.

**Deputy Eamon Ryan:** Regarding Mr. Brady's last point, the UK has apparently just signed a memorandum of understanding on the North Seas countries' offshore grid initiative, which the Dutch Government introduced last June. The fact that it did it in November is not insignificant. It will not sell electricity to Singapore, India or effect any of their mad-capped notions about trading globally. It will have to be integrated into the European electricity market. Otherwise, it faces an incredibly expensive electricity future. Its wholesale prices are twice the European average. For us and our connection, we need to be looking not just at the French interconnection but also at additional interconnectors into the UK which it seems would be funded by the Connecting Europe Facility, or Juncker's fund, depending on what happens in the Brexit negotiations.

My concern is that we are not talking to the UK Department, yet we are waiting from for the UK Prime Minister's gun to go off. We should be in there now and getting a deal done on greater interconnection. The UK is not going to leave. It cannot work its energy system in isolation. It will also be gas dependent on Norwegian, Dutch, Algerian, Russian and other gas. It will not go on a solo run in energy. We should work with them still because it is in our interests for it to connect into north west Europe. It has signed up to that in the North Seas countries offshore agreement two months ago. Therefore, we should not just be speaking to the French but to the British as well.

**Mr. Kevin Brady:** To give some context, the UK did not initially sign the North Seas countries offshore grid initiative memorandum because it was in the build-up to the UK elections, so it was under purdah. It subsequently signed it, which is a positive move. There is the Celtic interconnector but there is also a private sector developer developing the Greenlink interconnector, which is a second interconnector from Ireland or a third interconnector from the island of Ireland to the UK. We are very much speaking to our UK colleagues at developer, regulatory

and departmental level. We operate on European groups in terms of the offshore groups and the north-south interconnection groups with our UK colleagues. We work closely on that in terms of interconnection, such as the Greenlink interconnector. I do not want to give the impression that we are not speaking and working closely with our UK colleagues, as we always have. The point I was making earlier was that we just cannot start that negotiating phase.

On the UK's energy future being part of a greater Europe, that is absolutely the context in which Ireland needs to be talking. It is not just Ireland and the UK, but Ireland, the UK, France, Belgium, The Netherlands and Norway, which is not a member state but very much an energy source for a lot of those countries, including the UK. I mentioned liquefied natural gas, LNG, earlier and there are large LNG facilities in the UK and Ireland is gas-interconnected to the UK. Undoubtedly, a close energy relationship with the UK in the future is a high priority and we are very much dealing with our colleagues there on an ongoing basis.

**Deputy Eamon Ryan:** I would like to make a last point, if I may.

**Chairman:** Very briefly.

**Deputy Eamon Ryan:** The transmission infrastructure should be publicly owned. We want connectors, but I am nervous around that going down a private route. We saw what happened in the midlands project where we lost our public support. I think that the Commission and others believe that major transmission infrastructure such as that should be publicly owned as it gives us control and flexibility. It can be built by a private developer but it should be publicly owned.

**Mr. Kevin Brady:** In terms of Ireland's national transmission assets, the White Paper is very clear that they will remain in State ownership. Deputy Eamon Ryan referred to the off-shore Greenlink interconnector, which is being developed by a private sector developer.

**Chairman:** On behalf of the committee, I thank all the officials for attending this evening and giving their time. It is proposed to publish the opening statements. Is that agreed? Agreed.

The joint committee adjourned at 7.15 p.m. until 5 p.m. on Tuesday, 28 February 2017.