

DÁIL ÉIREANN

AN COMHCHOISTE UM CHOMHSHAOL AGUS GHNÍOMHÚ AR SON NA HAERÁIDE

JOINT COMMITTEE ON ENVIRONMENT AND CLIMATE ACTION

Déardaoin, 2 Meitheamh 2022

Thursday, 2 June 2022

Tháinig an Comhchoiste le chéile ag 2.10 p.m.

The Joint Committee met at 2.10 p.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Réada Cronin,	Lynn Boylan,
Cormac Devlin,	Alice-Mary Higgins,
Darren O'Rourke,	John McGahon.
Bríd Smith.	

I láthair / In attendance: Senator Róisín Garvey.

Teachta / Deputy Brian Leddin sa Chathaoir / in the Chair.

Engagement with the EU Commissioner for Energy

Chairman: Apologies have been received from Deputies Bruton and Whitmore, and Senators Pauline O'Reilly and Dooley.

The purpose of today's meeting is to engage with the European Commissioner for Energy, Ms Kadri Simson, who is visiting Ireland this week. I welcome the Commissioner to the committee. Her officials are here with her. On behalf of the committee I thank the Commissioner for taking the time to meet with the committee during her visit. This is an important opportunity to meet with Commissioner Simson and her colleagues. The committee is looking forward to a productive discussion on a wide range of energy-related matters, particularly energy security and decarbonisation pathways for the energy sector in Ireland and in the EU in the context of the war in Ukraine and in the context of the climate emergency. We will also discuss the need to develop and expand alternatives to fossil fuels as we strive to reduce emissions and move to a cleaner and greener economy and society.

Before we begin, as usual I will read out the note on privilege. I remind witnesses of the long-standing parliamentary practice whereby they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable, or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. If their statements are potentially defamatory in regard to an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative they comply with any such direction.

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. I remind members they may participate in this meeting only if they are physically located on the Leinster House complex. In this regard, I ask any member joining us online to confirm, prior to making his or her contribution, that he or she is on the grounds of the Leinster House campus.

I call the Commissioner to make her opening remarks.

Ms Kadri Simson: I truly appreciate that I have received this invitation to speak to the committee today because in my previous life, before I was nominated as EU Commissioner for Energy, I was in national politics and for almost a decade a national parliamentarian. I understand the need to give the committee first-hand information on what we are doing at Brussels level. As every member state is unique and the energy mix in each and every member state is different, this is also necessary for me and my colleagues to hear from the committee members what are their national challenges and expectations. I will make some introductory remarks and I hope the committee members will have comments and questions.

When I think of Irish energy pioneers, John Tyndall comes to mind. He was the first scientist said to have discovered the greenhouse effect, and one of the most important factors driving our energy policy action in the EU today is greenhouse gas emissions. He was one but, of course, not the only one. I want to talk about this matter among others today.

Right now, there is a dilemma at the heart of EU energy policy. First, there is a changing climate. They say that last year might have been one of the hottest on record but, instead, one should consider that it might be also one of the coolest for the next 100 years. Second, there are changes in wholesale energy prices. The committee members are well aware of this because

Ireland's electricity prices are higher than the EU average. Third, there is the war in Ukraine. This is a reality that is causing us to reconsider Europe's energy security.

Let me focus on this last issue for a moment. The war in Ukraine has changed things when it comes to energy. We are focused to confront the fact that we are too dependent on imports from Russia. Energy is being used as a tool for blackmail and this is something that we cannot tolerate. The committee will be aware that so far, since the war broke out, we have proposed already six sets of sanctions against Russia. The first set of sanctions targeted technology that they need for their refineries and drilling. The fifth set of sanctions covered coal imports and the last one is about oil.

We have to also think in the longer term about our relationship. We cannot justify our dependence on Russian fossil fuels. We have agreed to remove all of them from our system as soon as possible. We were prepared for that because we are on the road to a climate-neutral Europe with the European Green Deal. Last year, we proposed our Fit for 55 package. A year later, the reality has changed and we need to go one step further and faster. This is why we brought forward the REPowerEU package last month. This is our plan to get rid of Russian fossil fuels as soon as possible. That means we will move further and faster in every aspect of the Fit for 55 package, we will diversify our gas supplies, we will ramp up renewables and we are going even further with energy savings. Without the latter, it is impossible to get rid of Russian imports in the short term.

All this will not be easy because doubling down even further will take a commitment and effort across society, including addressing the main obstacles holding us back. The details have to be in place. The first thing proposed is that we have to increase the renewable share in our energy mix. By 2030, it has to reach 45%. It is difficult because there are challenges in building new renewable parks. The biggest bottleneck is permitting so we have to shorten this. Right now, we are looking at timeline of up to a decade for offshore projects. It is time we do not have now. We are also proposing a massive solar PV deployment via the European solar rooftop initiative. To underpin this, we wish to amend the energy performance of buildings directive to make solar panels on the rooftops for newly built buildings mandatory. We have to, of course, ensure there is a skilled workforce available and also manufacturing here in Europe. We plan to set up an EU large-scale skills partnership as well as a European PV solar industry alliance, so that we do not create new dependence on imported solar panels from China.

We cannot replace Russian imports with our own alternatives supplies. We have to replace Russian imports with renewables and savings. We also need to diversify our supply routes and that means securing around 50 billion cubic metres of liquefied natural gas, LNG, and an additional 10 billion cubic metres of pipeline gas from non-Russian sources. This is ongoing work. We have been contacting all the major reliable partners across the globe but mainly in our closest neighbourhood. We are planning to aggregate EU demand so that we can negotiate the price with these suppliers. The next step will be a joint purchasing mechanism that member states can participate in. They will then receive cheaper shipments if we are successful. We are planning to build long-term partnerships at first for LNG, but in the long run for renewable hydrogen.

We are also making suggestions to member states as to what they can do before this winter approaches. Members have probably seen our toolbox. This also includes short-term measures from taxing windfall profits to using regulated prices for most vulnerable consumers. These are the main points in this package.

I would like to add that the strength Ireland has is that it has huge opportunity to offer on renewables. The national energy climate plan is ambitious if we compare it with other member states. The proposal set out in Ireland's climate action plan shows confidence in the potential on this island. I am going to visit the green energy projects in the midlands tomorrow. There are few places in the world that are better suited to offshore renewables than Ireland. Sitting on the edge of the windy Atlantic gives Ireland great potential to produce more renewable electricity. From our side, I believe our guidance on permitting gives Ireland an opportunity to boost the domestic industry massively. This has potential for job creation in communities all along the Wild Atlantic Way as well as around the country.

I also want to mention retrofitting because there are some sectors where savings are relatively easy to achieve. Energy efficiency is one of those and retrofitting Ireland's building stock will immediately cut its emissions and ease the pressure on the environment and reduce the need for energy. It also makes a just transition possible as increasing our efficiency allows us to offer the final consumers more affordable energy bills. It helps us to tackle energy poverty at its cause. Again, ambitions are high here. The plan aims to retrofit more than 1 million homes by the end of the decade and to install more than half a million heat pumps. We will help from our side with legislative proposals. I think that European energy performance of building directive is most useful here.

The three main issues that dominate our landscape right now are sustainability, affordability and security. Ireland is among the ambitious member states. There are very difficult negotiations ahead at Council level because, as I mentioned, we are proposing that member states agree to cover 45% of our energy consumption with renewables by 2030. If we keep in mind that the existing target is only 32%, then this is a major achievement that will not be achieved without member states agreeing on it.

From our side, there are some additional new funds that Ireland can use. Private investors are willing to invest. Consumers see that when they have a chance to use renewables in these regions, prices are more affordable. The biggest bottleneck is permitting and we do not have a decade to waste.

Chairman: Thank you very much, Commissioner Simson, for those opening remarks. This will be a short engagement as we have until 3.45 p.m. I propose that each member takes just two minutes to address their questions to the Commissioner to ensure every member gets an opportunity to do that.

Commissioner, you touched on many of the areas I was interested in raising with you, but we might go into those a little more. You are absolutely correct in saying that every member state is unique. Given the vast resources in Ireland, we would say we are in a particularly good position, certainly when compared to other member states. The conversation here has changed significantly in the last few years. We are starting to realise that we can use the resources we have, not only to decarbonise our own country, but to help Europe decarbonise as well. This committee is very engaged and we have had very significant public sessions recently. We hope to publish a report very soon on the larger opportunity. We talk not about the 5 GW but about the 50 GW, which is off the south and west coast of Ireland, and how we realise that. To realise that, we need to ramp up the scale of development enormously. This is a scale that is hard to imagine but can be done. We need to develop further interconnection with Europe and to be able to transfer that power from this island directly to the European Continent.

My fundamental question is on how the Commission and Europe can help Ireland to, in

turn, help Europe. This is a very new conversation and with the war in Ukraine, everybody is thinking about it now. I think the penny is dropping in this country that we can really help Europe. I hope that this is understood across the member states and in the Commission.

With respect to hydrogen, we talk about green hydrogen here. We do not talk about low-carbon hydrogen because we have that vast renewable energy resource. It will be with renewable electricity, through electrolysis, that hydrogen would be generated. It would then become a storage medium for generation and, perhaps, industry and transport. There are risks with green hydrogen. We have a significant concern that hydrogen, when it is blended with natural gas, could, in effect, lock in natural gas for decades to come. That is not what we want to happen. We want to go to 100% hydrogen so that it is a quicker decarbonisation path than anybody envisaged before. Recognising that Ireland has that unique renewable resource, the fundamental question is how the Commission can help us to realise it because that, in turn, will help Europe.

Ms Kadri Simson: I thank the Chairman for his question. In the medium term, we see that it is possible to replace Russian imports with diversifying supplies but, in the main, we have to replace Russian fossil fuels with home-grown renewables. We can replace natural gas with clean gases. We will ask our member states to promote biomethane production, for example, because it is something that might give us additional alternatives. It could provide 35 billion cu. m of our own gas production.

On hydrogen, we will need molecules in some sectors because electrification there is technically impossible and not economically viable. Last December, the European Commission presented our hydrogen and gas decarbonisation proposal. With that proposal, we tried to create a well-functioning hydrogen market in Europe. We will set clear rules and identify what is green hydrogen. By doing so, we expect that our international partners will also consider that this kind of certification for green hydrogen will be internationally accepted. There are sectors where green hydrogen in its fullest form is necessary, such as industrial production, as well as some transport modes that are more challenging. Aviation and maritime shipping come to mind in that regard.

Where we can, we will use electricity because promoting electrification helps us to avoid losses. That is why our REPower EU plan includes an annexe with necessary interconnections and investments. Members may have noticed there were some oil pipelines. We had to give alternative supply routes to landlocked countries that currently receive crude oil from Russia. We absolutely tried to avoid investing EU funds in fossil fuel pipelines. The need we identified only came to €2 billion. Then we said we needed an additional €28 billion for electricity interconnections because we should get rid of natural gas from power generation, for example, and, of course, one needs green electricity to replace it. There are several hours when offshore wind farms, for example, will produce more electricity than the grid consumes and this makes a perfect business case for hydrogen production. We know that by the end of the decade, European industry will consume more hydrogen than we will be able to produce here, so we set a very ambitious target to produce 10 million tonnes of green hydrogen in Europe and import 10 million tonnes from our neighbours. One of those neighbours will be Ukraine. We have committed to help it rebuild its economy. Instead of being a transit country for Russian oil and gas, it could be a producer of green electricity and renewable hydrogen.

Deputy Cormac Devlin: I welcome Ms Simson and thank for her remarks, particularly as regards the REPower EU plan. Obviously, the emphasis of the plan has changed, given the geopolitical events Europe is facing. I am particularly struck by the need to protect and support Ukraine, Moldova and the Baltic states. I had the opportunity to visit Lithuania recently. I saw

what it did long before the Russian aggression in Ukraine began. It kind of had a prelude to the use of energy as a weapon. We have now come to see that right across Europe.

Ireland is facing a skills shortage, as is the whole of Europe. Ms Simson mentioned that issue, which I welcome. Although it is not specifically under her remit, it has a direct impact on that remit. I ask her to address how Europe will provide, support and attract those necessary skills. We can do nothing without them. All the great plans cannot be dealt with if we do not have those skills.

Ms Simson touched on solar. She is welcome to Dublin. I assure her that the sun shines here the odd time and we will be able to use solar power. Europe as a larger entity has great plans in that regard. I ask Ms Simson to expand on that issue in the context of the EU solar strategy specifically.

As Ms Simson rightly pointed out, the committee and the State have been working in recent years to improve our credentials in terms of better energy security for the island and, ultimately, as the Chair stated, seeking to export in order to help support colleagues across the EU.

I again thank Ms Simson. It is great to have her here with us.

Ms Kadri Simson: Earlier today, we discussed with our head of representation here that this Commission has been very productive. We have presented lots of proposals, including legislative proposals, that we are currently negotiating with our co-legislators in the European Parliament and the member states. We started our mandate with the outbreak of Covid and, in response, we presented our recovery and resilience plans. We were afraid that Covid would have a major impact and that people would lose their jobs. We had to respond in a way that would create jobs but, of course, we kept in mind that we had committed to becoming climate neutral.

One of the priorities two years ago was to start renovations. Renovating their home helps final consumers to take responsibility for their heating bills. It creates local jobs and uses materials that are locally produced and, of course, helps to cut emissions. Two years on, we see that all the governments are committed to starting renovation activities but there are various bottlenecks, such as finding skilled workers. With the current high prices, it makes sense to insulate one's home. People who are living in apartments or houses that are in the lowest performance category of buildings, at F level, have to consume as much as ten times more energy to get to a comfortable temperature than those who live in newly built apartments. The skills, however, are now the bottleneck. My colleague, Commissioner Nicolas Schmit, is dedicated to this topic 24-7. He will present our proposal in this regard. Although training, including vocational training, is decided at local level, we have to endorse these activities. On solar strategy, if we want to replace fossil fuel electricity with something else, solar rooftops are an option that do not face strong public opposition. Solar PVs are coming from third countries so we have to help our industry to build back the production facilities here because the technology was created here. The industry has innovative solutions and we are trying to tap into those with the help of member states. State aid may at some stage be required to secure the availability of the necessary raw materials for the production. We see great potential for solar energy. Farmers may consider using their land for the production of solar energy and might install solar panels that do not disrupt the production of agricultural products.

Senator John McGahon: It is great to see the Commissioner and I thank her for coming. Will the Commission support Ireland to develop further interconnection infrastructure? Would

that support come from the EU through funding? The trans-European networks for energy, TEN-E, which has €5 billion, would be a useful source of funding but that is something the Irish Government would have to request. Would the Commissioner support the Irish Government if it made a request for funding? I raise the issue because as the Commissioner will know, the Celtic interconnector received planning approval. However, it will transfer only a very small amount of electricity. We have so much potential with offshore wind that we can be of real benefit to Europe but we need that funding to provide the infrastructure in the first place. Will the Commission support the Government on that issue?

My next question does not fall exactly within the Commissioner's remit but is connected to it. It falls more under the remit of Commissioner Mairéad McGuinness and relates to the EU's sustainable finance taxonomy policy. That policy was designed to implement a gold standard of green investing where investments were labelled as climate friendly. What is the thought process behind the EU labelling nuclear energy climate friendly and a green type of energy? It is not, to be frank. It is so slow that it will not help us to reach our 2030 or 2050 targets. It is not sustainable. What is the thought process behind considering nuclear energy green and including it in the taxonomy rules in the first instance?

Ms Kadri Simson: I thank the Senator. The answer to his first question is "Yes". We do plan to support member states that are still missing interconnections to the rest of Europe. The Celtic interconnector is a fine example and the Commission has co-financed the project. Ireland certainly needs additional interconnections. We also agreed last December with our co-legislators that we can now use TEN-E funds for financing offshore connections. Offshore parks are built in the regions where there are no connections and that might be a burden for private promoters. Countries can apply for co-financing for such projects. The North Seas Energy Cooperation, NSEC, is in place. It is a good organisation. Ireland has the presidency of the platform at the moment. We are planning a mesh screed at the sea-base level that will help us to upgrade offshore potential, which we strongly support.

The Senator also asked about taxonomy and why a second delegate Act covered some natural gas and nuclear investments. We have never financed nuclear power plants from EU funds. On the contrary, we have only co-financed three dismantling projects for the old pipes in the Chernobyl nuclear power plant that were built decades ago. Three member states, when they joined in 2004, committed to closing their nuclear facilities. That is the only financing from the EU that has been used in nuclear sites. We take care of nuclear safety and half of my directorate is doing dedicated work to keep the standards at the highest level. We run regular stress tests on nuclear sites. Despite that, some member states have informed us that they will achieve their climate neutrality targets with the help of nuclear power. That is their right because according to the treaty, member states can choose their energy mix. Through the taxonomy delegated Act, we will guide private investors towards these projects that are very restricted and meet the highest available standards. This is to avoid a situation where those private investors will finance a project that it is not meeting the highest standards. It is for private investors and, as such, based on the advice of an expert scientific panel, we thought it our duty to guide private financing to limited possible future investment.

Senator John McGahon: That is excellent. I thank the Commissioner. I am sorry but I have to leave because I have another committee meeting to attend. I will be back for the end of the meeting.

Senator Róisín Garvey: It is an honour to be here today and it is great to have the Commissioner and her team before the committee. I welcome RePowerEU and the plan to rapidly

reduce the dependence on Russian fossil fuels and fast-forward the green transition. What does the Commission propose to do to support states and businesses to ramp up the production of low carbon energy products such as solar PV, offshore wind turbines, ships for deploying offshore wind, port investment in places such as Shannon and Kilrush, which are in my own county? The scale of all European countries' ambitions will only be realised and affordable if supply chains expand rapidly to meet demand. I know the Commissioner has mentioned she is aware that this must be done. Having travelled in Ukraine, Moldova and eastern Europe many times for environmental conferences, I think it would be good to see manufacturing being created in those countries which have the workforce and necessary skills.

We must see this as an emergency issue because of the war and climate change. I was involved in organising a protest intended to shut down a nuclear power plant in Sellafield in England and was also involved in starting the campaign to ban fracking in Ireland. We also have an emergency around where we source our fuels. We do not want to be stuck in a situation where we have to import fracked gas from anywhere, war or no war. Unless we understand at an EU level what a climate crisis we are in because of the war and our dependence on fossil fuels, we will be forced to use fuels we do not want to use. That is true not only of Ireland but also of other countries. We are in a state of emergency. The manufacturing of everything we need to switch from fossil fuels must also be seen as an emergency. During previous wars, when men were out fighting, we got the women into the factories. That was the case in the 1930s and 1940s. We must consider this as a similar level of emergency because otherwise we will fail and will be forced to compromise and pay people for fracked gas. When we do not want it in our country, it is not fair to say that we will take it from other countries. I feel the same about nuclear power. We must expedite this and provide financial supports to help countries to do that. We should manufacture in eastern European countries because the labour force is there. Otherwise, we are not going to be able to transition and will be forced to compromise ourselves. That is my big concern. As the European Commissioner for Energy, Ms Simson must grab the bull by the horns, as it were, and consider the situation as a real emergency. We have seen what is happening with the climate irrespective of the war in Ukraine. If we do not expedite our response and treat the situation as the number one priority on the agenda of the European Commission, we will fail and will have to compromise.

Ms Kadri Simson: I agree that, after the war ends and Ukraine prevails, we should not return to Europe being so dependent on imported fossil fuels. We still are, with 97% of our oil consumption made up by imports and 90% of our gas coming from third countries. If we deliver our REPowerEU plan, we will partially replace fossil fuels with renewables this year and next. We must do our utmost to achieve our 2030 targets so that 45% of our consumption is covered by renewables, which are home grown and we are not dependent on volatile prices and so on for them.

As to where we will get the necessary equipment, European companies still hold the global leadership in offshore wind technology. The wind turbines are produced in Europe and the vessels necessary to install bottom-fixed turbines offshore are at our disposal. This gives us a competitive advantage. Our offshore targets are significantly higher than anyone else's. If we are talking about 65 GW in the North Sea, it is a significantly higher ambition than is envisaged for all of the US. When we presented our offshore energy strategy, we also claimed that it would create jobs, not only in coastal regions where the maintenance of wind farms would offer job opportunities for coastal towns all year around, but also in landlocked countries, given that blades and other components can be produced in Europe. For regions that will lose mining jobs, for example, we have offered additional financing via our just transition mechanism so

that they can attract new, clean industrial job opportunities.

Regarding solar PV, the greatest challenge is to secure the necessary components - rare earth minerals. We are preparing our strategy to secure those, but an important role will be played by the circular economy. There are already many panels. If they are ageing, we should make the best use of existing materials. We will promote that.

Deputy Darren O'Rourke: I thank the Commissioner for her presentation. Regarding the gas package, directive and regulations, how would she respond to the charge that the European Network of Transmission System Operators for Gas, ENTSOG, has too much influence and input? Should there be explicit transparency obligations to ensure that measures are consistent with EU and national climate and energy obligations as part of a plan to start decommissioning and reducing the use of gas in the medium term by the latest?

There is a debate in Ireland on liquefied natural gas, LNG. We may be using it via the pipeline, but we do not have LNG infrastructure. There is commentary to the effect that we should move in line with the move at European level and have that infrastructure here. This is understandably of deep concern to the climate movement. What is the Commissioner's response to that debate, in particular the prospect of locking ourselves into infrastructure, technology and fossil fuels for decades? Our starting point is different than others' starting points.

A large and rapid move to renewables is required. I hope that everyone is moving in the same direction, but this puts challenges on the capacity to deliver turbines and solar panels at scale at European level. How do we prioritise in this regard at a time when we are pulling from these resources to deliver LNG here, there and everywhere?

Ms Kadri Simson: The Deputy's three questions map to the landscape correctly. We have to deliver on all fronts, but we are relatively well prepared. In Europe, we faced our first gas disruption in 2009. Member states were not connected to one another via gas pipelines and there were few LNG terminals. Despite the fact that 40% of the pipeline gas that Europe consumed last year came from Russia, all member states that were customers of Russia's Gazprom had alternatives via reverse flow or because they had access to some LNG terminals. With the help of ENTSOG, which is a distribution system operator, DSO, organisation, we have prepared a map of missing interconnections or links. There are very few.

Our main challenge is that, if we have to replace 155 billion cu. m. of Russian natural gas, no other producer can provide us that volume. LNG terminals alone will not do the trick because we would have to find producers that were ready to scale up their production in a relatively short time. The US has been a great help. Since the beginning of this year, Russia has cut off several European countries, but they have not seen major disruptions because we have received record volumes of LNG to European LNG terminals each month. However, this is only possible while the disruptions are partial. Otherwise, we will have to replace gas with alternatives. Such alternatives could be clean gas. Our governments are announcing that they are incentivising farmers to produce biomethane and we already have more green hydrogen projects in the pipeline than we expected a year ago because the people involved can see the market case for such projects, given that natural gas is more expensive. Many companies that are consuming gas are considering alternatives and are willing to take up hydrogen instead of natural gas.

This brings me to the Deputy's first question on whether we are giving too much power to gas DSOs. With our gas decarbonisation and hydrogen package, we have shown that that is not our intent. We will create a dedicated alternative network for hydrogen that is not controlled

by gas pipeline operators. Our intention is to create a well-functioning market. This is a very nascent market right now but it will be built up in a transparent way from the beginning. Unbundling is one of the principles to promote in that regard.

Energy infrastructure is a national decision. If we build an energy terminal or rent a floating LNG vessel, we are doing our best to attract more volumes for this heating season. In the longer run, however, if our member states achieve everything proposed under Fit for 55, then by 2030 Europe will consume 30% less natural gas than we consumed in 2020. This is an extraordinary time and there is major pressure before this heating season but, in the long run, we will decarbonise and replace a significant share of our gas consumption with clean gases or we will start using gas in power generation for fewer hours. That means our consumption will come down because there will be more and more hours when all our consumption will be covered by renewables.

Deputy Darren O'Rourke: What about the lock-in with new fossil fuel infrastructure, especially LNG? I also have a question about scaling up across Europe towards renewables. How do we do that when there is such a limited supply to start off with?

Ms Kadri Simson: On the lock-in effort, some of the member states are now doing their utmost to find other alternative entry points for gas. The pipeline that connects them with Russia is now a stranded asset so they have opted for floating regasification vessels. This means that after a couple of years they will be sent to other regions where governments will most likely need them to switch from coal to gas. At European level, we have committed to no co-financing for pipelines unless they are hydrogen ready. There are some ongoing projects for gas interconnectors that we will need during the transition time because, according to our estimations, some natural gas will be necessary until 2050. After that date, the gas market has to be decarbonised so the perspective is 28 years.

How can we accelerate renewable deployment? There is strong ambition from the private sector. We have strong technological know-how and we have production sites. It is interesting that people in our windmill industry are complaining that in previous years they have been under significant pressure. It was difficult for them to get private financing because no financial institution was willing to finance the projects since they did not know how long the permitting process would take. This was a major bottleneck for that industry because financial institutions wanted to know when the projects would be ready. The permitting throughout Europe has been very time-consuming.

We hope we will help this sector with our permitting proposal. As the Deputy will know, we proposed three innovations, including allowing member states to dedicate certain territories as go-to zones where the permitting process is handled faster. We also proposed there should be shorter processes when people want to re-power existing wind boxes. This applies to wind boxes built ten or 20 years ago but, with the new technology, can now produce significantly more using the same land space. We also proposed that the permitting process should be significantly shorter for solar rooftops. These are proposals that member states and the European Parliament have to endorse before they become legislation, but I have had positive feedback from the European Parliament and member states. They see that in these extraordinary times we need to deliver fast from our legislative work.

Senator Alice-Mary Higgins: I confirm I am on the Leinster House premises. I thank the Commissioner and her staff for their very interesting presentation and for the discussion. I will follow up a little on the question of lock-in that was raised. It is a real concern, and one the

committee has discussed, that there is talk, for example, of contracts going to 2049 in respect of some of the new potential infrastructure around LNG. There is a fear, in effect, that the idea of having new contracts going until 2049, and simply saying that in 2050 we will suddenly talk about net zero but not have a genuinely strong emission path up to it, is the real danger. In fact, Europe, and the EU in particular, does not have 28 years, given our disproportionate responsibility for driving climate change. We should be leading and ahead of the curve in decarbonisation as our fair share will be exhausted before that. I am quite concerned.

Ms Simson mentioned the investment in new gas infrastructure if it is hydrogen ready, but it seems there is a lot of lobbying for investment in gas infrastructure and the conversion of gas infrastructure rather than, for example, investment in new infrastructure. This is the case even when it comes to things such as hydrogen and green hydrogen or the idea of more investment in things such as ammonia or ammonia storage. On LNG, given we have methane targets and methane is increasingly being recognised as an accelerant, and we know LNG and fracked gas in particular can drive that, there are dangers a major push on the LNG market will lead to an acceleration in methane emissions. There are concerns about that.

I also know that - and this relates to the substitutions and the dangers of tying ourselves long term to fossil fuel infrastructure and new fossil fuel - Qatar, for example, about which Human Rights Watch has raised very significant concerns, is one of the major producers of LNG and one of the major exporters to the EU. While people are moving away from Russian coal, there are concerns coal is now being purchased from the Cerrejón mine in Columbia. There is a danger that while we are exercising sanctions on Russia we are actually contributing to human rights breaches in other parts of the world, and by continuing to invest heavily in gas and coal, even if we are not buying directly from Russia, we are contributing to the asset price and to that market. We are at a crunch point in that regard in terms of what we scale up.

I have two specific questions, one being on the renovation wave and the prioritisation of public buildings. I am not referring simply to the market in renovation. Do we need security and energy-demand reduction to really accelerate? Will the EU support these through public, not just private, investment in this area?

My last question is on the Energy Charter Treaty. We talked about the dangers of lock-in. Can countries seeking to make an energy transition, including developing and EU countries, afford to sign up to the treaty at a time when energy is so politically central? Should the EU consider pulling out? If the EU pulled out, would it give greater flexibility to developing-country governments in charting a more renewable energy path?

Ms Kadri Simson: I will start with the Energy Charter Treaty because my team is negotiating its modernisation. We have studied the position on opting out of an energy charter treaty. However, as the Senator knows, there is a very long transition period in which we cannot change and do not have a right to change the organisational decision-making, but we remain a member. The work is ongoing and we have not lost hope that we can modernise the charter treaty.

My next point is on lock-in effects. Right now, according to the EU legislation, we do not have in place a ban on long-term contracts for the companies buying natural gas. In our gas decarbonisation package, we just made a proposal that any contract signed by a private company should not extend beyond 2049. The market participants are private companies and some of them, including Gazprom, have long-term contracts. Some of them will last until 2040, so we believed it was necessary to give information to our trading partners that, after 2040, our gas market will be de-carbonised and that they will not have a trading opportunity involving fossil

fuels. Of course, we have also sent them a clear message that we will also prioritise their willingness to tackle their methane emissions, for example. This was one of the main deliverables for my sector at the last Conference of the Parties in that we managed to sign a methane pledge. More than 100 signatories, by signing, committed to tackling methane emissions.

There is a decision that EU funds will not be financing fossil fuel infrastructure. This is REPowerEU. We gave landlocked member states a right to use their recovery funds for some necessary interconnectors. The situation is that we have several crises ongoing. All member states have committed to becoming climate neutral by 2050 but this year some of them need emergency investments to get rid of Russian imports. We want to help them to replace Russian pipeline supplies with alternatives. It is not easy to replace them with renewables in such a short term. This is what is behind the flexibility that offers some landlocked countries a window in which they can use their own recovery funds to finance pipelines. Mainly, they will be financed against the market because, in the next decade, there will be a continuous demand for oil and gas. Without our legislative proposals, we will do what we can to reduce our fossil fuel consumption.

Senator Alice-Mary Higgins: It strikes me that the 20-year exit from the ECT involves a much shorter timeframe than the 28-year planned transition in terms of fossil fuel infrastructure. We have spent two years on the negotiations so far. It strikes me that if we were to look to an exit, the EU and its member states would be, at least by 2042, in a position to be very much, and properly, taking decisions solely based on policy without the fear of litigation in terms of the energy transition. We, and I am sure the Commissioner, hope countries will want to make the transition before 2049.

Chairman: I thank the Senator. Time is limited and we have to be finished within the next 20 minutes. Other members wish to contribute. Deputy Bríd Smith is next on the list.

Deputy Bríd Smith: I thank the Commissioner for attending and for her presentation. Has she seen a study produced by InfluenceMap in the past few weeks that shows the ramping up of the production of shale gas and fracked gas in the US to replace Russian gas? It is said its extent is like peace-washing in that it is like using the war to ramp up the extraction to a very extreme degree. Huge profits are being made by the fossil fuel industry across the US on the back of this. Has the Commissioner seen the study, and what is her view on it?

Does the Commissioner genuinely believe our expansion of LNG and new gas projects is sustainable or in any way in line with the climate goals given that the International Energy Agency and others have explicitly said to us that we must not have any new fossil fuel infrastructure if we are to reach our Paris targets? Our reaching of these seems to be increasingly distant.

My next question is on the energy market itself. I do not expect the Commissioner to be familiar with our history but, about 20 years ago before we deregulated the market, we had a national company, the Electricity Supply Board, ESB, which supplied all our electricity, and we had the cheapest electricity for the consumer in the whole EU. Our electricity prices are now among the dearest. I interviewed representatives of the ESB during the week and they explained to me that although the company does not profit vastly from the huge increases in energy prices – many companies do, not only in Ireland but also across the board – it is subject to international energy price mechanisms. Is it not time for the Commissioner and the EU in general to press for a review of how our energy is priced on the global market and do away with the extraordinary and obscene profiteering that is happening at the same time that ordinary

people are driven into energy crises?

Ms Kadri Simson: We want to send a clear message to our trading partners that they can be our trustworthy partners if they take care of the environmental considerations. That is why I mentioned earlier that methane is the second most potent greenhouse gas, with carbon dioxide being the first. We are sending a clear message to our trading partners that are producing natural gas that they have to take care of venting and flaring. We are strong supporters of the International Methane Emissions Observatory. This is a topic we discuss regularly with our US counterparts. US companies are committed to taking care of the methane leakage. Having said that, Russia, as a producer, has been relatively non-transparent about how it is reducing its fossil fuels. Replacing their production with alternatives does not necessarily mean that we will end up in the situation where our emissions are growing. On the contrary, we will try to find alternatives that are renewable.

On the global level, high fossil fuel prices are impacting us a lot but some poorer regions will be impacted even more. Of course, we are monitoring the direct connection between high crude oil prices and what the impact is on food prices. At a certain level this might mean there are countries that cannot afford sufficient food for their inhabitants. This is a serious risk. Together with our partners, we have developed and made attempts to control the world market prices. The committee will know that all EU members states have strategic oil reserves. Together with our International Energy Agency organisation partners, twice this year we have made the decision to partially release these reserves. By doing that, we aim to stabilise the volatile crude oil market globally so that poorer regions will benefit from it. By doing that, we also compensated the decline in oil that is coming from Russia. As I mentioned, we have put in place already six sets of sanctions, the first of which is aimed at Russia's ability to produce oil or to import the necessary technology equipment for their refineries. This is already impacting the world crude oil markets. By releasing our strategic reserves we have attempted globally to control the market price, but there are some expectations that the market price will be higher than it is right now.

On the electricity markets, we tasked our European regulators to analyse what we can do to open our electricity market design in a way that it would be more resistant to unwanted volatility. Our aim is to incentivise investments into renewables. Renewables will deliver most of our electricity and lower prices. There might be hours, however, when there is a volatility because of peak demand. This also requires fossil fuel power generation to come into the market. Our aim is to achieve a market where the average price is lower compared to the situation where power generation comes from fossil fuels.

I missed the third question.

Chairman: Was the third question was around the prices?

Deputy Bríd Smith: I really only had two questions for Ms Simson to comment on: the peace-washing, and the massive increase in shaled gas from the US and if this is sustainable with our Paris targets. Given that the International Energy Agency has explicitly told us there would be no new fossil fuel infrastructure, how can we ever hope to meet the Paris targets?

Ms Kadri Simson: The COP conference last year in Glasgow was a success. We managed to convince major economic players to come towards the climate neutrality targets. That also has triggered the high demand for energy. We are all aware that China is using more and more energy to replace coal. This means that their emissions, year by year, have to decrease. They

have promised that they would reach a peak within this decade and then their emissions will decline. Indeed, we will meet the Paris commitment only with the help of global players. Europe is responsible for 9%, and a lot of our international work is dedicated to convincing other Governments to do their part. I guess that we are successful because they do see that our green deal is not only about our responsibility to take care of global warming challenges. They understand that this is also a cross strategy and that we will replace the energy import bill where, for example, the EU paid €300 billion last year for gas, oil and coal. We will replace that with something we will produce here. If this is convincing enough and is also a strategy that creates jobs here, then they will follow the path.

Chairman: I thank the Commissioner and I thank Deputy Smith. I call on Senator Boylan.

Senator Lynn Boylan: I thank the Chairman and I apologise to our guests for arriving late. We were debating the protection of the Irish native honeybee.

I want to go back to the Energy Charter Treaty. In 2018, Commissioner Malmström announced that investor-state dispute settlement, ISDS, was over and dead. Investor-state dispute settlement is not even on the negotiation proposals under the modernisation process. It is my understanding that the EU is hoping the UN is going to deal with that. If, however, we are now in a situation where we are talking about new liquified natural gas, LNG terminals, whether they are in Ireland or in other EU member states, we are locking in those provisions under the Energy Charter Treaty for all of those new LNG terminals by not withdrawing from the Energy Charter Treaty.

The other issue is that the Intergovernmental Panel on Climate Change, IPCC, working group's sixth report clearly referred to the Energy Charter Treaty as hindering progress in climate action. It names the Energy Charter Treaty specifically as something that is preventing member states and Governments from taking climate action because we must compensate for the stranded assets of fossil fuel companies. The first point is the element of why ISDS was not part of the modernisation process. At what date is the EU going to cut its losses and say that we cannot modernise this treaty? If the EU intends to stay in and is successful at getting an EU carve-out from the ISDS provisions, how is that ethical when then say that the global south members who are joining the Energy Charter Treaty will not have same exemptions from the tribunal process? Surely it is completely unethical to say that we have two sets of rules.

The second question is on the proposal. I believe the proposal to remove the "do no significant harm" principle comes under the recovery and resilience facility legislation. We all agree that we must do what we can to end the war in Ukraine and deliver protections and results for the energy-poor across Europe, but EU funds should not harm nature, climate, or the environment. We would like to see that principle actually strengthened rather than removed. I would like to hear Commissioner Simson's comments on that please.

Ms Kadri Simson: The Senator referred to Cecilia Malmström, who was the EU Commissioner for Trade. The Commissioner made some strong statements four years ago about the Energy Charter Treaty. Indeed, we do see that the Energy Charter Treaty is a tool for trade. Right now, my colleague the executive vice president Valdis Dombrovskis, is the EU Commissioner for Trade, and is part of our discussions on how we will achieve the modernisation of this treaty. We should not lose faith that we can convince the international community to follow our path.

On investments here in Europe, the Energy Charter Treaty does not apply to intra-EU investment.

Senator Lynn Boylan: That is being ignored though. That ruling has been ignored repeatedly by the tribunals because EU law is a separate code of law from international law. It has been rejected and the tribunals are progressing. I know there is agreement at EU level for countries to appeal that but they have all been rejected.

Ms Kadri Simson: Yes but our position is that it does not cover the intra-EU investments. We are clear in our contacts with national governments. These are the companies that are disputing this in court.

Senator Lynn Boylan: The tribunals are still taking place and finding against member states on intra-EU disagreements. All they need to do is get the compensation from a country that is outside the EU and that could be Britain or Switzerland. Spain has 48 cases pending against it so it could be a Latin American country where it has assets. The tribunals are still happening even though the European Court of Justice ruled.

Ms Kadri Simson: I am afraid that I am not well informed about these cases. This is some kind of service relating to the Director-General for Trade, that is if the European Commission is involved at all. I am not in a position to give the Senator an answer on that.

On the recovery and resilience facility, RRF, and the principle of do no significant harm, we strongly suggest that member states should avoid investments into the standard assets. We advise them that the recovery plans have to have high ambition on the climate-related projects. Just yesterday we approved the plan for Poland. It will dedicate 47% of financing to climate-related projects. We face a situation when the Commission proposed a set of six sanctions that covered all the Russian oil imports, both seaborne and pipelines, and some member states had no alternative routes in place so they had to create a plan for how to build alternative pipelines. It was impossible to finance them from energy funds because we had just completed negotiations and our Connecting Europe Facility is no longer suitable for fossil fuel interconnections. We have committed that we will finance only the kinds of pipelines that are hydrogen-ready. We truly believe that all the member states are willing to stop payments to Russia but they must do that in such a way that their security of supply is taken care of. That was behind our decision to provide some flexibility to use recovery funds to build these alternative routes. This is not something that we encourage but without it we cannot expect that we can reach consensus on banning all Russian oil products. That is an honest explanation as to why this flexibility was introduced.

Senator Lynn Boylan: So we are excepting that some countries will carry out significant harm.

Ms Kadri Simson: Yes but with our REPowerEU plan, we indicated that investment needed to create alternative interconnectors necessary for fossil fuel imports is worth €2 billion. We also indicated that we need additional investment into the electricity grid so that we can replace a large share of fossil fuels with renewables. It is worth €28 billion. We will prioritise renewables and the total value of REPowerEU is more than €200 billion, so only 1% will be dedicated to fossil fuel infrastructure.

Chairman: I thank the Commissioner. It is 3.45 p.m. so there is no time for further questions. I thank the Commissioner for all her very thorough and comprehensive answers. I also thank the members for their thorough and comprehensive questions. It was a very worthwhile engagement and we got a lot from it. We appreciate the Commissioner coming before the committee and our engagement with her.

JECA

I thank the Commissioner and her officials and wish her well in the remainder of her visit to Ireland. I hope we can engage again in the future, perhaps when she next visits Ireland.

The joint committee adjourned at 3.47 p.m. until 11 a.m. on Friday, 3 June 2022.