

# DÁIL ÉIREANN

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## AN COMHCHOISTE UM IOMPAR AGUS CUMARSÁID

### JOINT COMMITTEE ON TRANSPORT AND COMMUNICATIONS

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*Déardaoin, 20 Meán Fómhair 2012*

*Thursday, 20 September 2012*

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The Joint Committee met at 1.45 p.m.

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#### MEMBERS PRESENT:

Deputy Michael Colreavy,	Senator Sean D. Barrett,
Deputy Timmy Dooley,	Senator Terry Brennan,
Deputy Terence Flanagan,	Senator Paschal Mooney.
Deputy Tom Fleming,	
Deputy Noel Harrington,	
Deputy Colm Keaveney,	
Deputy Seán Kenny,	
Deputy Mattie McGrath,	
Deputy Michael Moynihan,	
Deputy John O'Mahony,	
Deputy Ann Phelan,	
Deputy Brian Walsh,	

DEPUTY TOM HAYES IN THE CHAIR.

## **Business of Joint Committee**

**Chairman:** Senator Ned O’Sullivan sends his apologies. I welcome Deputy Michael Colreavy as a new member of the joint committee. He replaces Deputy Martin Ferris who was very active as a member of the committee and we wish him well.

**Deputy Michael Colreavy:** I hope I continue the good work done by the Deputy Martin Ferris.

## **Bord na Móna: Discussion with Chairman Designate**

**Chairman:** The purpose of the first part of the meeting is to meet the chairman designate of Bord na Móna, Mr. John Horgan, to discuss the approach he will take in his new role and his views on the challenges facing the company. Members will be aware of the Government decision in May 2011 to put in place new arrangements for the appointment of persons to State boards and bodies. The joint committee welcomes the opportunity to meet the chairmen designate to hear their views and trusts this will provide for greater transparency in the process of appointments to State boards and bodies.

On behalf of the committee, I welcome Mr. John Horgan and draw his attention to the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to 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 asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a person, persons or an entity by name or in such a way as to make him, her or it identifiable. Witnesses’ opening statements to the committee will be published on its website. Members are advised and reminded of the long-standing ruling of the Chair 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.

**Mr. John Horgan:** As chairperson designate of Bord na Móna, I am pleased to respond to the request of this distinguished committee to make a short initial presentation outlining my background and vision for the company.

Having been educated in Dublin at St. Mary’s College, Rathmines, and UCD in the 1960s, I studied at Warwick University, Coventry, where I was awarded an MA in industrial relations. I subsequently worked in London for the National Board for Prices and Incomes and the Pay Board, both instruments of government policy, and for a period in the Department of Business Studies at Queens University, Belfast. In 1974 I took up a position as a socio-economist in the Department of Labour in Dublin, working closely as an adviser to the then Minister, Mr. Michael O’Leary, from whom I learned a great deal about commitment and integrity in public life. In 1977 I was appointed deputy chairman of the Labour Court and I became chairman in 1984. In 1989 I went to work for the aircraft leasing company GPA in Shannon as part of a team tasked by Dr. Tony Ryan with using the considerable financial and reputational resources of GPA to

bring investment and jobs to the Shannon region. I was a member of the three-person group referred to at the time as the troika, comprising representatives of GPA, Lufthansa and SwissAir, that established the aircraft maintenance facility, Shannon Aerospace, employing 1,000 people. Subsequently I worked in senior HR positions in Analog Devices in Limerick and Warner Lambert and Pfizer in Cork. Since 2001 have worked on my own behalf as an independent human resources consultant to many employees and employers in the public and private sectors. I am satisfied that none of these assignments presents a conflict of interest in taking on the role as chairman of Bord na Móna.

I have been a member of the board of Bord na Móna since April this year and have thus had an opportunity to form a preliminary opinion of and vision for the company. Bord na Móna has a long and honourable history and I am very conscious of its great traditions and achievements. I pay tribute to the many thousands of women and men who over 76 years have made Bord na Móna such a highly respected company which has been fortunate in having had many inspirational leaders throughout its history. I pay tribute especially to the outgoing chairman, Mr. Fergus McArdle, who has successfully headed the company in recent years with great skill and dedication. Under his guidance, the managing director, Mr. Gabriel D'Arcy, has skilfully built a senior management team of exceptional individuals who, I am certain, have the capacity to lead the company to continued success in the years immediately ahead.

The company, however, is at a crossroads. This year will see it having its highest ever turnover and engage in its largest single investment in wind farms at Mount Lucas and Bruckana, but it faces a crisis owing to the poor peat harvest. The weather this summer was the worst ever for peat harvesting and it is now expected that only 40% of the forecast production will be achieved. Despite some diversification, peat is still the basis on which much of the business is built and this will have severe implications not just for this year but for three or four years into the future as the full effect of the reduction in stocks is felt.

Bord na Móna is now a complex organisation of many parts and a challenge for me as chairman of the board, operating within the code of practice for the governance of State bodies, will be to ensure the board is clear about its mandate and from this to identify the various functions, roles and responsibilities entailed in the delivery of that mandate. The board will be collectively responsible for promoting the success of the company by leading and directing its activities. It will provide strategic guidance and monitor the activities and effectiveness of management. It will be an important part of my role to ensure all board members act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the company, subject to the objectives set by the Government.

Bord na Móna has long recognised the need to diversify its activities in order to secure a sustainable future. It has a unique mix of assets, experience and innovation which will enable it to provide products and services which will assist in meeting Ireland's need for secure sustainable energy, while minimising environmental impact. The company is committed to achieving its objectives in a way that is fully compatible with its vision expressed in A New Contract with Nature. I will be happy to answer whatever questions the committee may have.

**Chairman:** To clarify, how many employees work in the company? What role does the chairman designate see for the increased number of employees and what challenges are there to create jobs within the company? How relevant are the qualifications mentioned by Mr. Horgan to his chairmanship of the board of Bord na Móna?

**Mr. John Horgan:** My academic qualifications are in the social sciences, including an MA

in industrial relations from Warwick University. That entailed gaining an insight into business, but my experience in the Labour Court was to chair meetings and drive consensus and, on occasion, to assess the viability of companies. I have a lot of experience in that field. My role in GPA was within a section of the company designed to invest in new industries. I mentioned Shannon Aerospace as the single most successful of these, but there were others also. I was part of a team that assessed projects for their economic and commercial viability. Since then, I have held senior positions in other companies as part of a senior management team. I think I can bring those qualities to bear on this position. I see my role as being the chairman of the board, rather than having a personal vision. I have to bring the board with me. I must ensure the management brings forward the kinds of proposals that will see the company go forward. I need to take account of and balance the claims of various stakeholders in the company. I refer particularly to the Government and to the Minister as shareholder. There are other stakeholders in this as well. Some local communities depend on it. They have contributed greatly to the success of Bord na Móna. All of those interests have to be taken into account. This issue has environment and energy aspects as well. We have to reflect the part we will play in national energy policy. It is actually quite a complex company.

A key part of my role as chairman will involve organising the discussion when the needs that have to be balanced are brought to board level. I must ensure the members of the board are fully informed on these issues and have an equal say on them. They will all have an equal responsibility for developing the policies and the direction of the company in the years ahead. There are major decisions to be made in that context. From what I have seen so far, many good and carefully thought-out policies are in place. An extremely good process - the Bord na Móna deal process - is pursued by the management and the board in a rigid and disciplined manner when major investment decisions are being made. It ensures no rash decisions are taken and everything is evaluated carefully. As part of this fixed process, the board is told what stage each decision is at and whether it is looking good as an investment or as a way to go. I have to pay tribute to the many good things that are in place to ensure the future of the company.

**Chairman:** I will take all the questions first. That will be faster and more efficient. We need to be out of here by a certain time.

**Deputy Barry Cowen:** I thank Mr. Horgan for attending this meeting and making himself available. I appreciate the initial presentation that has been given. I acknowledge Mr. Horgan's comments about the history of Bord na Móna and its place as a social and economic driver in this country, especially in the midlands. Before this week, Bord na Móna provided approximately 800 full-time and part-time jobs in my constituency. Mr. Horgan said he sees his role as being that of a chairperson, first and foremost. He said he will allow debate to take place and ensure that a means of making decisions is in place. Given that he has been on the board since April, I am sure he has already formulated many opinions. I assume he has ideas about how Bord na Móna might succeed. He will have formed a view on how the board might direct the chief executive and the staff to drag the company back to its former greatness. It is against that background that I would like to ask some questions and seek some opinions. I am interested in the ideas that Mr. Horgan might bring to the fore as chairperson of the board as he seeks to maximise the company's potential and profits. Ultimately, his goal must be to maintain the Bord na Móna jobs in the regions.

It was widely known prior to this week's announcement that morale is not excessively high among the staff of Bord na Móna. Does Mr. Horgan have an opinion on that? Is he aware that unions at the company have circulated a motion of no confidence in the chief executive, to be

taken by the board? That development has been brought to my attention. It is an indication that things have reached a fresh low despite the recent announcements. Mr. Horgan mentioned that the company has approximately 1,800 staff throughout the country, across core and non-core facets of its operations. This week's announcement affected 5% of that workforce. As chairman designate of Bord na Móna, does Mr. Horgan feel that restructuring of this nature is fair and proportionate? I remind the committee that 105 temporary staff are being let go and a further 90 staff, all of whom have been working in core sectors of the company, are being placed on short time. Perhaps this measure would be seen as fairer and more proportionate if it involved some other means of bringing the wider workforce into the picture.

At a meeting on 6 September last, the board was informed that savings of approximately €18 million were needed following the poor harvest this year and the not-so-great harvests of previous years. We would like to know what sort of stockpiling was carried out in previous years. Was it sufficient to accommodate the needs of customers this winter and into next year? I understand that a figure of €24 million was mentioned at the meeting of 13 September even though the harvest had improved by 10% by that time. The required savings had increased by €6 million even though the an improvement on the expected harvest had materialised. Why, in that context, was there such a large expectation that staff would take a further hit?

The losses being incurred by non-core sectors of Bord na Móna in areas like waste management and wind energy, as opposed to its core peat production operations which remain profitable, appear to be dragging the company down. What steps have to be taken, in Mr. Horgan's opinion, to ensure there is a focus on the core activities of Bord na Móna? The company's asset management plan has yet to be published. Is the board contemplating the closure of workshops? If it is, where are those closures likely to happen? What will those workshops be replaced by? At what cost, in terms of funds and jobs, might all of this be done?

Over the years, Bord na Móna had prided itself on the quality of its workmanship and professionalism in trades such as fitters and electricians. Many people in the manufacturing sector throughout the country have been asking me about the noticeable fall-off in this regard. Huge expertise has been built up over time in the training sector. What role does Mr. Horgan envisage that this sector will have in the future? If it is the case that these workshops are to be thinned out to such an extent, is it not fair to assume the company will not take on the number of apprentices it has taken on in the past? If that is what will happen, I hope the board will try to find a means of collaborating with other providers of education in order to continue what has traditionally been done in this regard.

I will conclude by asking about the Government's policy involving the proposed sale of State assets. Does Mr. Horgan expect that Bord na Móna, or any parts of it, will be put up for sale in line with the Government's policy on the sale of State assets?

**Chairman:** I apologise for cutting across the Deputy. A mobile telephone that has been left on is causing severe problems for the broadcasting unit. I ask everyone to make sure their telephones are turned off.

**Deputy Barry Cowen:** I have asked many questions of Mr. Horgan. Perhaps it is not fair of me to do so at this early stage, but it is important for me to get a feel for where he stands on the decisions that have been taken by the board in recent months and how he sees the issues in question being resolved. For example, it has been suggested that operations in other feedstock areas will be subjected to continuous reviews. When will those reviews be completed? Have we seen the last of the restructuring at this stage?

**Chairman:** I am planning to allow more members to contribute to the discussion at this stage. Is Mr. Horgan happy with that approach?

**Mr. John Horgan:** I am happy for the Chairman to proceed as he sees fit.

**Deputy John O'Mahony:** I thank Mr. Horgan for his initial remarks and for facilitating our questions here today. I do not want to duplicate other questions that may be asked. I will focus on a couple of specific areas. Mr. Horgan said in his presentation that Bord na Móna is “at a crossroads”. He mentioned that it has diversified and I presume it will continue to diversify. He referred to the company’s “largest single investment in wind farms at Mount Lucas and Bruckana”.

Will Mr. Horgan comment on Bord na Móna’s policy on investment in the wind energy business? How will this policy evolve in terms of working with communities to create goodwill and encourage their involvement in the process? The joint committee was contacted recently about a case in north County Mayo which relates to 5,000 ha of land that was compulsorily purchased in the 1950s for peat production to supply Bellacorick power station. Part of the site was sold privately in the 1990s and last week Mayo County Council granted planning permission for the erection of wind turbines on the site. I understand the ESB and Bord na Móna plan to erect some of the highest onshore wind turbines in Europe, if not the world, on the land in question. Each turbine will have a span equal in size to Croke Park, which is another site being discussed by everyone in the county this week for different reasons.

I do not have any agenda other than to ensure communities work together with those who are developing the energy resources the country needs. We are all aware of another energy development close to the planned location where mistakes were made in the initial stages. An issue arises because local communities and groups cannot secure planning permission to become involved in the wind energy business. While I accept that Mr. Horgan cannot discuss this case in detail, I ask him to give a general opinion and outline how he envisages this issue developing in future. Perhaps when he assumes office he will negotiate with communities to enable them to become involved in, buy into and support Bord na Móna’s policies on wind energy.

**Deputy Colm Keaveney:** I welcome Mr. Horgan, whose appointment will be wonderful for Bord na Móna and the country, especially given his qualifications in the area of organisational management and leading change. His appointment comes at a time of significant challenges for the company and I wish him the best of luck in that respect.

The singular message of Mr. Horgan’s welcome and precise report is the need to diversify, expand and find a more sustainable foundation for Bord na Móna. Deputy Cowen highlighted a number of issues at micro-level which involve significant changes for individuals and communities. I ask Mr. Horgan to expand on the critical, strategic role for the company, including in the area of innovation and, in particular, big wind energy. Will he share with us the challenges he experiences in respect of the capacity of the Government and the various agencies to react and respond in a manner that will ensure Ireland is an innovator in this area? How can Ireland become a world leader in packaging innovation, technology and our resources, especially in light of the finite carbon energy resources available to us? How can we maximise wind energy for job creation and as an alternative to imported energy sources in the shortest possible time?

I am also interested in hearing Mr. Horgan’s views on the issue of community, which is very important, and the urgent need for the Government and its agencies and organisations to respond by providing policies that will ensure a joined-up approach and prevent a scenario in

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which Bord na Móna is left on its own. It is important that people are clear that the State receives a dividend from the activities of Bord na Móna. We expect such a dividend annually and it is of great importance given the challenges facing the Exchequer.

Will Mr. Horgan outline what will be his priorities for the next 18 months? How can capital investment in big wind energy be accelerated to deliver dividends in terms of the cost of energy to consumers? Will he also address the issue of community buy-in to wind energy projects and some of the fears that are emerging in respect of this type of investment? There is considerable artificial resistance to everything in society. How will the issue be moved on as quickly as possible and what are the challenges facing Mr. Horgan in that respect?

**Mr. John Horgan:** I will first address Deputy Cowen's questions. He asked about morale and whether I was aware of the motion circulated by the trade unions recently. I am aware of it but do not agree with it. I have every confidence in the managing director of Bord na Móna who has done an excellent job since his appointment. I have observed him in action and will have a very good working relationship with him in future. I look forward to that and do not envisage any difficulty in that respect.

The Deputy also asked about the fairness of the lay-offs and cutbacks which unfortunately had to be implemented in light of the catastrophic failure of the harvest due to the weather. As the Deputy will appreciate, in harvesting turf one needs a four-day stretch of good weather to complete a cycle. This summer we had few extended periods of good weather. That is the simple reason.

The board has met on four occasions over the past two months and has been continuously kept up to date by management on progress on the harvest since it became apparent that there could be a problem. We have met and continually revised the estimates of the harvest and actions that needed to be taken to mitigate the effects of these estimates. At our most recent meeting, the board decided on a course of action that I fully support. I have no difficulty in taking full responsibility for all the decisions the board has taken since I joined it and I will continue to take full responsibility for all decisions it makes during my membership.

While the question of fairness will arise, it is the policy of the board that decisions shall be as fair as possible and should not be targeted at particular individuals. However, they must be effective in the prudent management of the company's resources in this extremely difficult time. Further decisions will have to be taken in relation to the next financial year. For the moment, I believe what we are doing this year will be sufficient for this year. However, I cannot give any undertaking that more serious measures will not have to be taken. Some of the solutions that were put in place in the mid-1980s, when lay-offs also occurred, are not available to the board at this stage. The Deputy rightly pointed out that there have been losses in AES, the waste recovery business that was acquired by Bord na Móna some years ago, and the company had to take a write-down on that asset this year. Everything possible is being done to try to turn that around but it is a very difficult business to be in at the moment. Other companies in the same business are experiencing even worse difficulties than AES because of increased landfill levies and other issues. It is not the kind of business that Bord na Móna thought it was going to be when it took the decision to get involved in it. That business must be turned around and will be.

A question was posed regarding the closing of workshops and the asset exercise that is under way. That is an ongoing exercise that will have to be looked at in the light of the development of works in the relevant areas. I do not have the details of it with me but the unions and

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employees are being kept fully informed on the progress and the outcome will be subject to negotiation and, hopefully, agreement at an appropriate time.

The issue of education and the intake of apprentices was raised but I do not have information on that at the moment. It is something I have not looked at yet but I will do so and find out how it is being managed. I agree that it is important that Bord na Móna plays a part in the training of apprentices and the suggestion that we seek collaboration with other educational institutions is an interesting one which I will follow up on.

The Deputy asked about my attitude to parts of the business being up for sale, which is something that I referred to in my opening statement. We now have a very complex situation and there are lots of other interests to be taken into account in the development of Bord na Móna going forward. The decisions on which parts are put up for sale, if any, or on whether Bord na Móna is merged with some other company - there was talk of it being merged with Coillte - are not for the board of Bord na Móna to take. Those decisions will be taken by the Government. I am conscious that NewERA is in place now and that any major investment decisions will go through that process as well, so it becomes quite a complex matter. As far as the board of Bord na Móna is concerned, we want to play the fullest part we can in using the very considerable and valuable resources we have for the benefit of the communities in which it operates and of the shareholder and the country at large. That is a very onerous responsibility but there is great potential there.

I will now address Deputy O'Mahony's questions. Bord na Móna was one of the first organisations to enter the wind energy business, with the development of the wind farm at Bellacorick. I remember seeing it when it went up first and was amazed at it. It was a very innovative idea at the time. Bord na Móna puts a lot of emphasis on innovation and spends a very large proportion of its budget, relatively speaking, on innovation. It has a very definite programme of innovation that is targeted and monitored by the board on a monthly basis. As part of the board papers we get a detailed report on how many innovation projects are going on - currently over 100 - and at what stage they are at. Innovation is absolutely crucial to the success of the company and enormous effort is put into that area. It is very important that we work with local communities, particularly in relation to wind energy, and we will continue to do so. We have a good track record in dealing with local communities and planning authorities with respect to large infrastructure projects. That is a very valuable asset that exists within the competence of Bord na Móna but it must be harnessed and put to work.

To be frank with the Deputy regarding the Mayo lands, I am not sure I fully understand all of the issues involved in that yet. I had a very short briefing note on the matter but need to look into it further. I assure the Deputy that I will examine it in detail and see if progress can be made.

**Deputy John O'Mahony:** Sorry Chairman, if I might just interrupt Mr. Horgan for a moment. As I said, the whole context of this issue is hugely important. There must be goodwill and transparency. The land was compulsorily taken away. It was sold privately and the local people have difficulties in earning a living, while beside them they see the land that was taken from them, although admittedly paid for. That is a big issue.

**Chairman:** In fairness, Deputy O'Mahony, Mr. Horgan is the chairman designate.

**Deputy John O'Mahony:** I know that and I do not wish to push the issue. I am using it as an example of the challenges that are facing him and the board of Bord na Móna in the coming

years. It is an issue to be revisited at another time.

**Mr. John Horgan:** It certainly is and, as I said, I have been briefed on it. I understand in part, what happened. Local landowners were refused permission in circumstances where they believed Bord na Móna would have been given planning permission or indeed, got planning permission next door and to them, that seems unfair. I do not know all of the ins and outs of the case. I know that much and no more. The Deputy has drawn my attention to an issue upon which I have been partially briefed and I will give it my full attention if, or when, I become chairman.

I thank Deputy Keaveney for his kind comments and I hope my experience in change management will be useful. In terms of our role in wind energy, I see Bord na Móna having a huge part to play in the implementation of the national wind energy policy. We have a lot going for us in this area. We have a land bank that is uniquely suited to wind farms and there is a lot of work being done within Bord na Móna to identify the potential that exists, which is enormous. We also have experience in wind farms and in generating electricity. We have the engineers and electricians to do the work. We also have enormous expertise in large infrastructure projects, in obtaining planning permission and so forth. We have a great future in this area but we need to be focused in our involvement. As to the exact way in which Bord na Móna would be involved, I am open-minded. I do not have fixed views on whether we should get involved alone or through joint ventures. I am in favour of leveraging all of the great advantages that we have to the maximum extent for the maximum benefit of the communities, Bord na Móna, the shareholder and the nation.

Various people have made proposals to develop very large wind farms. The east-west interconnector is being opened this afternoon which will greatly improve the potential for the export of electricity from Ireland to the United Kingdom. If that is to take place, I would like to see Bord na Móna have a large role in it, but it must always be based on Bord na Móna getting maximum value for the shareholder and the company. It cannot be on the basis of being in just because we have to be or being in cheap. We must take a very hard-nosed approach and drive the best deal we can with whoever we joint venture with or share in any capacity. This will be a big challenge for us. We must make sure we are not taken for granted or pushed into doing something because it looks good or because someone else says we should do it. We have to recognise the enormous value Bord na Móna has and leverage that. That should be our approach, in a general sense.

The Deputy asked about my priorities. In 18 months time, I would like to see us well advanced in that project. It will not be built by then, of course, but I hope we will have a big and valuable stake in it. That is one of the things I would like to see us do.

**Deputy Michael Colreavy:** Mr. Horgan is very welcome. I thank him for coming and offer him every good wish in the chairmanship of Bord na Móna.

I would not be inclined to include on my CV the fact that I was a member of a troika, although his was a more benevolent and beneficial troika in the 1990s than the current one.

Mr. Horgan says he has full confidence in the senior management of the company. I am aware that many in the workforce do not share that confidence. There are allegations of widespread bullying. Some in the workforce argue that while the weather is a factor in the current crisis facing Bord na Móna, mismanagement is also a major factor. Some argue that unless those problems are addressed, possibly by an independent investigation, nothing will change. I

would like to hear Mr. Horgan's comments on that.

Mr. Horgan, rightly, says the company is at a crossroads and needs to diversify its activities in order to secure a sustainable future. Does he envisage Bord na Móna moving completely away from peat production? Has he looked at the percentages for peat production compared with wind energy production? Has he projected those ratios over the next five, ten or 15 years or does he propose to do that? What are the main challenges Bord na Móna will face as it diversifies in the future?

We understand the effect of this year's poor peat harvest. In his report, Mr. Horgan said this would have an adverse effect for the next number of years. Has that effect been quantified?

Bord na Móna made a loss of €2.9 million last year. This appears to be due to a write-down of AES. I am struggling to understand the rationale of a company like Bord na Móna getting involved in the waste business. Has Mr. Horgan considered disposing of AES, or will it continue to impact adversely on the company's profit and loss situation for 2012 and subsequent years? What impact will that have on whatever dividend will be paid to the State?

I think I am correct in saying Bord na Móna has more than 2,000 employees. Are there projections for the number of employees Bord na Móna will have in the future? Will the number of employees increase or decline as the company diversifies?

I thank Mr. Horgan.

**Deputy Tom Fleming:** I welcome Mr. Horgan to the committee and thank him for his presentation.

The one Bord na Móna success story I am aware of is the waste water treatment units that were in widespread use throughout the country in the past number of years, particularly with the development of single rural houses. Kerry County Council used this system in all its rural houses. They were of a high quality and could compete with any unit being manufactured in any part of the world. How is this business being progressed by Bord na Móna? I believe these units were also being exported.

I come from the border of Cork and Kerry. Barna Bog is a huge disused bog in that area and was an important industry at one time. Could the bog be developed as an amenity? It is lying idle at present and the local community is anxious to avail of it as an officially developed amenity area, with the co-operation of Bord na Móna and possibly of Kerry County Council and local community groups such as the local Leader group, IRD Duhallow. A huge heritage aspect attaches to the bog and it contains interesting flora and fauna. The bog roads are in good shape although they may need some upgrading. I ask Mr. Horgan to examine this matter, perhaps in conjunction with the local communities. I could assist him in identifying the people with whom he could work.

Bord na Móna used to administer a bog road grant which was widely used by people to gain access to turbaries areas. In the past ten years these roads have deteriorated seriously and are becoming impassable. The grant was of great benefit to local communities. Could Mr. Horgan, with the assistance of the appropriate Department, investigate this matter? No assistance is given by county councils or Departments for the maintenance of bog roads and the grants are sorely missed.

What is the total acreage of Bord na Móna land under forestry and wind turbines? Lands

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adjoining wind turbines are often marginal and in poor condition. Could local farmers be integrated into these developments so that they would gain some revenue?

**Chairman:** I remind members that Mr. Horgan is chairman designate of Bord na Móna. It is not fair to query him on specific matters; nor is it the duty of the committee, and particularly of this meeting.

**Deputy Michael McNamara:** Like my colleagues, I note that Bord na Móna made a loss of €2.9 million last year. Will there be a link between Mr. Horgan's remuneration and his performance as chairman, as well as that of Bord na Móna and whether it returns a profit or increases the number of people it employs?

**Chairman:** That is a very good point.

**Mr. John Horgan:** Deputy Michael Colreavy referred to allegations of widespread bullying within Bord na Móna. I can say with absolute certainty that those allegations are utterly unfounded. We have policies and procedures in place to deal with any complaint of bullying. Moreover, these policies are being revised and will be reissued. There is provision for independent investigations within the organisation which, as is the practice for such investigations, are conducted on a confidential basis. This is done in accordance with good human resource practice and the guidelines laid down by the Health and Safety Authority and the Labour Relations Commission. I reiterate emphatically that there is no widespread bullying within Bord na Móna.

On the issue of peat stocks, their depletion means that Bord na Móna will eventually, in 20 or perhaps 30 years, time, have to abandon peat production almost entirely. There are plans in place for this, including plans to remediate the cutaway bog that is left behind and find alternative uses for it. There will be major challenges in regard to diversification, but there are processes in place to ensure Bord na Móna can deal with it in an innovative way. We already have procedures in place by which projects can be measured in order to verify their justification.

Bord na Móna purchased the AES waste recovery business some years ago and, as the Deputy correctly observes, there was a write-down in our last accounts in that regard. Our policy is to turn that business around and make it profitable. Even if we had different plans for it, I would not be at liberty, for confidentiality reasons, to disclose them at this time. As I said, current policy is to turn the business around.

Deputy Tom Fleming asked about the new water treatment units. A great deal of research and development has gone into progressing that project and I am happy to report that we expect to launch several products, based on new and improved technologies, later this year. As I said, ours is an international business with operations in the United Kingdom and the United States, as well as Ireland. A major programme of investment and innovation is under way and we expect to bring several successful products to market very soon.

In regard to Barna bog, we would like to work with local community groups in developing it. It is a project that must be carefully managed. In the coming years a large number of cutaway bogs will require to be rehabilitated. Many will flood naturally if Bord na Mona stops draining them. They will simply return to wetlands and can be part of a diversity programme. Some can be developed for tourism, while others may be used as water reservoirs. At Garryhinch, for example, we are developing a facility to provide water for Dublin and other parts of the eastern region. There are many other similar projects. Extensive work has been done in terms

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of what use can be made of exhausted bogs. It was once thought they could be returned to farm land or used to plant forestry, but, unfortunately, many of those projects proved only partially or not to be successful. However, we continue to examine all options. We have had great success with Lough Boora, for instance, where the wetland has been turned into a nature reserve and tourist attraction. Bord na Móna continues to invest in that facility in order to improve the visitor experience. It is an excellent example of what can be achieved and a model for what might be done elsewhere.

Deputy Michael McNamara had an interesting question on whether my remuneration was related to performance. The answer is “No.” As chairman designate, I receive remuneration of €21,600 per annum, which I understand is a 10% reduction on the original set fee. At the time of my appointment to the board, I was invited by the Minister to forgo the board member’s fee of €12,600 under the scheme in place for that purpose. I declined to do so and I am accepting the full fees for the job. Therefore, I receive €12,600 per annum as a board member and will be in receipt of €21,600 as chairman. That remuneration is not variable and is determined by the Minister, not the board.

**Chairman:** I thank Mr. Horgan for his attendance and wish him well in his future work with Bord na Móna. The committee will inform the Minister for Communications, Energy and Natural Resources, Deputy Pat Rabbitte, that we have concluded our discussions with Mr. Horgan and will forward a copy of the transcript of the meeting to the Minister.

**Mr. John Horgan:** Thank you, Chairman. I am grateful for the opportunity to present to the committee.

**Chairman:** We will suspend the sitting for ten minutes to allow members to meet the Commissioner on the plinth.

*Sitting suspended at 2.50 p.m. and resumed at 3 p.m.*

## EU Energy Policy: Discussion with EU Commissioner for Energy

**Chairman:** I welcome everyone to the second part of our meeting. It is wonderful for members to have the opportunity to engage with the EU Commissioner for Energy, Mr. Günther Oettinger. I hope I pronounced his name properly. Furthermore, I am very pleased to learn that the Commissioner has agreed to come to Ireland again next May during our Presidency of the European Council. I am delighted to welcome the Commissioner to Leinster House and I am sure I speak for colleagues when I say how honoured we are he has chosen to come before our committee. I trust he had a pleasant time this morning at the launch of the east-west electricity interconnector and prior to that at the Institute of International and European Affairs. He had a busy schedule which I hope he enjoyed.

The Commissioner is accompanied by his deputy head of cabinet, Mr. Eric Mamer, and by Barbara Nolan, head of the European Commission Representation in Ireland. They are all very welcome.

I wish to draw the witnesses’ attention to the fact by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence in respect of a particular matter and they continue to do so, they are entitled thereafter only to qualified

privilege in respect of their evidence. They are also directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, 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.

I wish to advise that the opening statement the Commissioner has submitted to the committee will be published on the committee's website after this meeting.

I remind members 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 call on the Commissioner to make his address, following which members can put forward specific questions, as opposed to statements, as we have to conclude in 50 minutes as the Commissioner has to meet a tight time schedule.

**Mr. Günther Oettinger:** Chairman, Members of Parliament and ladies and gentlemen, I am honoured to join you today. This committee has done much to put energy on the political map, to ensure that Ireland plays its part in European energy developments and to raise awareness among colleagues. My visit to Ireland today is a truly enriching experience. This country plays such an important part in Europe's history, in particular as it will hold the EU-Presidency during the first semester next year and no doubt the Presidency will mean that the Government is involved in that function. If the members look to the Lisbon treaty, they will note that we have to increasingly interconnect the Commission's work and the work of all our European institutions with that of the national parliaments. Perhaps energy is one of the main sectors where we need a perfect partnership between member states energy policies, and energy policy on a European level.

The energy sector is a long-term one which needs public private partnership, and it is not only a question of politics or markets but of both. The first item on our agenda is investments, the second is infrastructure and the third is looking beyond 2020 at what is the long-term legal framework in the Internal Market. As members will know, the European Union has two fundamentals - the first is peace and freedom and the second is the Internal Market, an open market for products, wares, goods and services, a market for everybody, for all employees, without protection or subsidisation, namely, a level playing field.

Energy includes the oil sector, its work and functions and also the coal sector, but electricity and gas are young latecomers to our European Union Internal Market. We have to conclude the Internal Market and speak about what is our framework for investments beyond 2020. There is a lack of investments. Today was a good day for this country, the UK and for Europe as a whole. The first east-west interconnector is a huge investment. It is high technology and it is a bridge to the Internal Market in practice. However, we do not have enough investments in areas ranging from research and development to production, transport infrastructure, storage, technologies and capacities to energy efficiency. We need more investment and investment means mainly private investments, and perhaps additional public investments from member states' budgets and from the European Union budget, but investments need long-term clarity and long-term planning security. Nobody invests millions or billions if there is no business case for long-term investment. We need a smart common partnership in energy to develop between members states and the European Union to achieve a confident level for private investments.

What are our instruments in this respect? What is our legal competence on a European Union level? First, it is the Lisbon treaty. In this treaty there is an article to Europeanise, as

it were, energy regulation, although there is one exemption. The energy mix, namely the mix for electricity, is up to member states. We have 14 member states using nuclear power and 13 member states avoiding nuclear power. We have member states using coal for 90% of their electricity production while others have come down to zero in that respect. We have member states which are pushing renewables while others are more defensive. I was in the Baltic states in recent days and gas is dominant in those states while in other member states gas plays a smaller role.

The Lisbon treaty, beyond technology and the energy mix, provides competence to Europeanise, as it were, energy policy. Our 20-20-20 targets, as members will know, include a 20% reductions in C02 emissions, 20% more energy efficiency and having 20% renewables in our European energy mix. In these years we have to control what happens, or in close partnerships our member states can give some advice and some subsidisation, and we are on line to reach these three targets which will have to be realised.

Our next instrument is the Internal Market. The Commission has to be the Internal Market police to observe if anything is working against the operating of the Internal Market rules. The Internal Market means competition, transparency, a level playing field and openness for investors in a market of 500 million consumers and without any internal border. The interconnector is a necessary piece of infrastructure to develop market goods in the Irish market, the UK market and the European market.

If one compares other transport infrastructure, for decades and more recently we developed highways, railways, open airspace with hubs and regional airports, and container shipping to transport products. We have a digital agenda for information, navigation and communication. If one compares these other transport technologies, in terms of quality and capacity, to our existing infrastructure for gas and power, it is as though we are living on the borders of the 19th century. There is no electricity interconnector between Spain and France. In my home region of south-west Germany, in terms of connections to France, there are 60 bridges over the River Rhine for cars, trucks and goods but no bridge for electricity. Lithuania has just one gas pipeline coming from Russia. It is an isolated island that depends on Russian gas because there is no alternative. It is necessary to diversify routes and supplies and to develop new interconnectors between member states. That is key for this political generation.

We have ENTSO-E and ENTSO-G, the European association of our TSOs. They are working closely with the Commission to develop bigger regional visions. One region consists of Ireland, the UK, the North Sea, Denmark, Norway, the Netherlands, Germany, Belgium, Luxembourg and France. The interconnector is just a start. Perhaps it will need more capacity at the end of the day. We could also look to having offshore gas pipelines and interconnectors from the UK to the Netherlands or a North Sea ring interconnecting Denmark, Germany and the UK. There is much to do because without the newest standard of infrastructure there is no competition, there is no solidarity when needed, there is not good security of supply and we cannot invest in the best locations for renewables. As an example, in the southern part of Germany there are many investments in onshore wind, but it is not really a windy region. In Bavaria one has 1,800 hours a year of wind to power. In a year there are 8,765 hours. If I look offshore and onshore on Ireland's western border I see up to 4,000 hours of wind to power. If we had interconnectors, a level playing field and a functioning internal market, investors would invest in this country and not in the southern part of Germany. It is the same with solar energy and the southern part of Europe.

We are now developing bigger European regions for our mid-term strategies for infrastruc-

ture. Our infrastructure package for a faster process to get permits for pipelines and grids is currently under way in the European Parliament. Our position is that if one needs a super-grid or pipeline, between three and four years is enough to prove all arguments and offer a transparent process to citizens to decide which concrete pipeline is preferred. It is not good to spend ten or more years discussing the alternatives. It is not good for nature, citizens, or industry, and it is not helpful in finding a better solution.

In addition, in the Commission's proposal for the next multi-annual financial framework, for the budget period starting in 2014 and ending in 2020, we have our programme to connect Europe's facilities. It is about co-financing projects of common European interest. As members are aware, the European Council gave an order to avoid isolating Ireland before the end of-----

**Chairman:** We have already had a problem today with someone leaving a mobile telephone on. Could they please turn it off? It is interfering with the sound transmission.

**Mr. Günther Oettinger:** It is mine or it is the Chairman's. On the proposal to connect Europe's facilities, the cost will be €9 billion over seven years to co-finance projects of common European interest to more than one member state. We will develop a list of priorities for the European Parliament which will go back to member states as well for a decision on which priorities should be realised in the next five to 15 years and co-financed by the European Union.

My last point relates to investments, infrastructure and the framework Beyond 2020. The 2020 targets are binding ones but the story will come to an end at the end of 2020. My main question to member states currently is whether we need a new common approach - a new generation of ambitious but pragmatic targets. It would not be smart to begin to focus on 2030 in 2020. It is important to examine whether our main goal should be CO2 emissions reduction, renewables or both. We must examine whether we should focus on efficiency or devise a scheme that is a market-based instrument to achieve pragmatic CO2 prices. We must speak about 2030 in order to ensure long-term clarity for investors for the next decade. It is important to do so now. I wish to come to conclusions and binding decisions before the end of our mandate and before the next elections to the European Parliament in June 2014.

There are many other points but that is enough for the moment. It is up to members to say what they expect in terms of concrete positions. Ireland's Presidency in the first semester of 2013 is an obligation but it is a major opportunity also. If it wishes it should continue this contact next month because to involve the national parliaments in the best manner in all these points is relevant. I may have a legal position but without Ireland's acceptance there is not a chance. With its acceptance in a European team involving member states and the European Commission we will have the authority to convince our citizens and develop all these plans in the next five to 15 years.

**Chairman:** I thank Mr. Oettinger for that very good overview. We will go straight to questions because our time is limited. I call Deputy Michael Moynihan.

**Deputy Michael Moynihan:** I welcome the Commissioner and his officials from Europe and I thank him for his outline. I have a number of questions. The expectation is that the European Union as a whole is moving into a deregulated market. Our Commission for Energy Regulation approved an increase in gas prices in particular recently and even though the market is partially deregulated there were a number of copy-cat increases by other service or product providers. What role can the European Commission play to ensure that if we deregulate completely within the European Union we will not have price fixing, for want of a better term, or

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a cartel but absolute competition within the energy market? The United States and Japan have consistently lower gas prices than the European Union. What steps can be taken at a European level to ensure the raw material is at the lowest possible price?

Mr. Oettinger spoke about renewables. Ireland has been going down the path of renewables in every community and county at various levels. I understand the total budget for renewables is 3.7%. Does the European Commission have any plans to target more resources to individual business or even individual house owners to encourage them to go down the route of renewables and direct the grant subsidy to the smaller micro-businesses or communities rather than to multiples or large corporations? There would be a better take-up of it if that were done.

On Monday the European Commission came out with new legislative proposals on the bio-industry, and it has spoken about removing the funding from that post-2020. Following the exit of our country from beet production we have done numerous feasibility studies and reports on renewable energy including ethanol, bioethanol and so forth. Is this measure not a retrograde step? Our entire community is dependent on oil, and I believe 84% of the raw material for energy comes from outside the European Union. Is that sustainable? Will Dr. Oettinger explain the Commission's decision announced on Monday regarding biofuels?

Is there any scope within the Commission's programme for recovery? The Commissioner's stated objective on that point is for growth and job creation. Is there a specific programme within that? If we consider co-financing, this country is co-operating with Europe on austerity programmes to a major extent and we will be looking for more flexibility from Europe and more co-financing in regard to investment. There are people who are willing to invest in alternative energy across this country and more could be done in that regard. The Commissioner might answer those questions.

**Deputy Ann Phelan:** I welcome the Commissioner to Ireland and thank him for his direct and pragmatic approach. I take on board all the points he made, particularly the point that our energy infrastructure has not kept up with other advances in technologies.

What data exists on wind energy and its efficiency in terms of a cost-benefit analysis of setting up wind energy turbines as they feed into the grid? Is it a cost-effective energy source compared to the cost of setting up all the technologies? I have been interested in wind energy for a very long time. Its development is happening very slowly and costs huge amounts of money. What is the thinking in that area, specifically regarding wind energy?

**Deputy Michael Colreavy:** The Commissioner is very welcome to Ireland. I thank him for taking the time to attend this meeting. I welcome Mr. Mamer and Ms Nolan also. The next time they come to Ireland I ask them to please visit the beautiful north west - Sligo and Leitrim, where the next stop is the Atlantic. It is a beautiful area.

I thank the Commissioner for his address. It is heartening that he has a vision of where Europe will go in the coming years. It is welcome that we are presented with the challenges we must face as part of the European vision.

I have two questions for the Commissioner. Would the EU and the Commissioner's office consider a greater investment in the development of sustainable energy in the member states? In terms of our targets that are set out, we may need more encouragement and finance for private-public investment in the member states to make that switch to renewable energy.

Can the Commissioner confirm that it will remain at the discretion of member states as to

the type of energy they will be using into the future, whether it is oil, gas, renewables or whatever? The discretion in that regard will remain with the member states and nobody from Europe will dictate the form of energy generation that is to be used in the member states.

**Mr. Günther Oettinger:** Let me compare energy prices and global markets. Japan is not a problem for Europe because it has so many imports; it must buy more and more gas. Its price for electricity is higher than our price in Europe. It does not have any fuels of its own. It is a big, isolated island. There is no co-operation with anybody - North or South Korea, China or Vietnam. Japan has no advantage in terms of the energy price related to Europe and it will abandon nuclear power. It will not reactivate all existing power plants and therefore energy is no argument to be investing in Japan.

The United States is increasingly producing its own oil. It is accepting some environmental risks, as in the Gulf of Mexico. Its producers are entering deep water to drill, producing sand oil and fracking for oil. The United States has a lower tax rate and only some imports. By producing its own oil it has a big advantage relative to countries in Europe regarding the transport sector and other industries. In former times it imported large volumes of gas from Qatar and Nigeria. Now it does not need any gas from third states and will begin to export shale gas next year. The price of gas in the United States is 25% of that in Europe. There is, therefore, a big advantage. The reindustrialisation of the United States is a prospect and I regard the deindustrialisation of Europe as a danger.

A point was made on elasticity in taxation and pricing. There are two points of note on higher energy prices. First, the higher the price, the more efficient the consumption. This was a strategy. High energy prices make one more careful about using energy and one avoids energy consumption. Second, whenever a Minister for Finance had a problem with his budget, he developed a new energy tax. Increasingly, this practice is ceasing. I have two examples. In France the new President, Mr. Hollande, made a regulation to reduce the cost of petrol and diesel by six cent - three cent from the national budget and three cent from the market. As the market leader is state owned, it is just a public decision. A period of three months applies and it is a question of politics. This runs contrary to what occurred in former times. In Germany the Bundesrat, the second Chamber, asked the Chancellor to reduce taxation on electricity to strike a balance in respect of the increasing volume of renewables and higher guaranteed feed-in tariffs for renewables investment. Increasingly, Europe must work actively to avoid the next steps leading to higher energy prices.

We need more industries in Europe. It would be wrong to deindustrialise it. I refer to the production of steel, copper and aluminium and to the chemical, paper, textile and high-tech textile industries, for example.

With regard to regulation and the market, it is our obligation to reduce regulation. Let me be very frank: member states and the Commission may have varying positions. Increasingly, we develop regulated markets through nuanced market design. "Market design" is a wonderful term. I refer to subsidies, preferences in regard to infrastructure, feed-in tariffs and guaranteed prices, etc. On the subject of harmonising regulation, we ought to be more defensive in approaching new proposals. This should be a common approach in the European Union. We should be more critical of new proposals on regulation.

What can the Commission do? If member states accept our proposal for the next MFF for seven years, they will note three main programmes. First, there is some €9 billion available to connect countries in Europe. Second, there is €6 billion available for energy research in part-

nership with member states with a view to securing public-private projects. Third, there is up to €17 billion in the Cohesion Fund for our structural programmes. This is mainly to achieve energy efficiency in existing buildings. If a mayor of a city wishes to renovate a quarter of his or her downtown area, he or she can get money from the European Union budget. He or she must co-finance it using his or her own budget or that of his or her state. It is also a question of co-financing in order that private investors can renovate existing buildings in the best way to achieve energy efficiency which will be one of the main priorities in the next period in our cohesion programmes.

Consider wind power and the means of comparing investment and costs. The answer will depend not only on wind energy production but also on the oil price in 2020. With oil prices expected to increase step by step and peak oil perhaps behind us, renewables will become increasingly attractive. However, the price increases are not certain. The price of gas is decreasing and the Americans are using their own gas sources and do not need as much coal as they did in the last decade. Therefore, the price of coal on the global market is decreasing. Perhaps not in Denmark or Austria but in the global market fossil fuel prices are competitive.

We need some subsidies for renewables. The first need concerns infrastructure. Bearing in mind the nature of wind generation, one needs additional grid infrastructure where normally one would not need a grid. Infrastructure provision is a public obligation. The EU budget is to be co-financed by member states. Not all of the investment but some may be in our common interest. Second, there is a need for research. Research programmes on the newest renewable technologies are necessary for us to be more competitive in generation.

Perhaps we need some guarantees, or feed-in tariffs, but there ought to be a reduction. I accept the need for public expenditure on renewables but not as a never-ending story. It should be combined with a clear strategy because at the end of the day renewables must be market-based. They must be competitive in the market and not depend for their entire lifetime on public expenditure. Therefore, we undoubtedly need the best locations. Photovoltaic production in Dublin is not meaningful, but it is in Madrid or in partnership with Morocco. Similarly, wind energy production in the North Sea and the Atlantic will be perfect in the long term. I am sure investment costs for offshore wind parks will fall. We have more and more experience of how to install them with specialised ships and greater expertise. Increasing numbers of companies are engaged and competition means lower prices. However, a period of approximately five to ten years will be needed, after which I hope offshore wind parks can be as competitive as on-shore wind parks at the best locations increasingly are.

As for biomass, it has not been forgotten. Perhaps it will be considered in the next round.

**Deputy Tom Fleming:** I welcome the Commissioner and his officials and thank him for his presentation. The situation in the Middle East is volatile and could threaten the availability of oil reserves. While it probably would have a huge impact worldwide, given the dire economic and financial straits in which we find ourselves, it certainly would have a major retrograde effect on this country. Today members received a report on oil security from the International Energy Agency and I wish to ascertain whether the Commissioner is satisfied with the level of Ireland's national reserves. Will it be able to withstand a dramatic fall in supplies? I hope this will not happen, but in the event that there is a sudden lack of availability, would we be able to withstand it? I ask because Ireland is on the periphery of Europe and this emphasises the point on renewable energy. As it is located on the edge of the Atlantic, Ireland probably has the best conditions for both wind energy and wave energy production; the latter certainly has huge potential off the coastline. Is the Commission setting down standards whereby Ireland

should develop priorities in respect of the various factors mentioned and given the availability of energy resources? We probably should try to capitalise on all of these sources. Wave power also should be considered in addition to wind energy.

I refer to the Shannon LNG project in the south west - in County Kerry to be precise. As the Commissioner might be aware, the project proposes the importation, storage and distribution of liquefied natural gas, but it is running into huge impediments. An investment of €1 billion is planned and the project has much potential for job creation. While the particular region to which I refer needs such investment, bureaucracy is preventing the development from moving. I ask the Commissioner to investigate to ascertain whether he can use his good offices to have the project expedited. I refer to setting it up and getting it going.

As for our gas and oil fields and the potential therein off Ireland's southern and western coasts, I note there have been agreements with multinational oil exploration companies. However, Ireland does not appear to be realising the maximum financial gain from these interested bodies. In the Commissioner's opinion, can we renegotiate any deal done in the past in long-term negotiations? It does not appear we will get the amounts in royalties we should in the event that such resources are eventually brought onshore in viable quantities in the future.

**Senator Paschal Mooney:** I also welcome the Commissioner and hope he enjoys his time in Ireland. I am interested to note his background is as a tax consultant and I am sure members would have loved to have the opportunity to find out what were his views on Irish taxation policy in the light of our economic problems. Many of the questions have had a local dimension and I note that, politically, the Commissioner started out as a town councillor and then as a district councillor. Consequently, he will be very familiar with local issues.

My questions are related specifically and solely to hydraulic fracturing in the context of increased dependency in Europe on fossil fuels and a lower investment programme. The Commissioner has noted that as a result of the economic downturn Europe-wide there has been lower investment in renewable energy production, and he has touched on a serious issue. I also noted the references made by him to shale gas production in the United States. In that context, is there not then a temptation for countries in Europe to consider shale gas extraction as a way out of the energy crisis that appears to be developing? How advanced are the Commission's deliberations in formulating a European Union-wide policy, which I presume will emerge from the Commissioner's directorate? Is he involved in discussions on fracking at European Union level? What timeline is envisaged before the Commission issues its proposals which were initiated last year in a report on the environmental impact of fracking? Has the Commissioner seen the report? Has he submitted observations on fracking to his Commission colleagues in that context? Has he answered questions on fracking submitted by MEPs?

I ask these questions to get some context in respect of this growing issue. It is extremely controversial in the region from which my colleague Deputy Michael Colreavy and I come, in the north west of the country. It is so controversial that in the absence of relevant and up-to-date technological data, any attempt to grant a licence for the development of hydraulic fracturing in the area would be met with extremely stiff resistance.

**Mr. Günther Oettinger:** First, in respect of biofuel, as members are aware, we have a binding target of 10%. By 2020, 10% of the transport sector overall - that is, railways, trucks, buses, aeroplanes and cars - should be powered by sustainable energy. One option is electromobility, but reaching a figure of 10% in eight years is not feasible. A target of 1% would be much more feasible; while electromobility will have a future, it needs a period of 20 to 40 years. Conse-

quently, biofuel use is just one answer. We had an obligation to bring forward a report and make proposals on what went wrong. We perceive two problems in biofuel industries. First, some imports from Brazil, Nigeria and the United States are not really sustainable. If one considers Brazil, existing fields for agriculture are being used for biofuel production, but as there is a need for food, people go into forests to activate new fields for new agricultural investments. Imports have to be sustainable. Oil imports alone are not acceptable.

The next point relates to first and second generation energy resources. We are holding to the 10% level. We are saying that up to 2020 just 5% can come from first generation resources and that additionally up to 5% has to come from biomass and second generation resources. The Commission wants to take these two binding decisions to balance what is going the wrong way with what should be brought back to an environmental and sustainable position. An EU regulation means every member state has to store 90 or more days of its oil consumption. We have realised this target. We have perfect systems to transport oil in pipelines and trucks, etc. We have 90 days' supply in each of the 27 member states. It is a perfect system. When there were no oil imports from Libya last year, it was not really a problem for Italy. The oil ban on Iran announced in July has not affected Greece and Italy. We have a functioning market, with solidarity between member states. Therefore, security of supply to the market is guaranteed and there is no need to open our storage capacity to bring supplies into the market. Saudi Arabia is producing more oil than ever. It is bringing volumes to the market at a time when Iran is not as active as an exporter to the European Union. There is some debate between the United States and the International Energy Agency. The Commission and member states have to reflect on what should be done. There is an argument that increasing oil prices to bring more volumes to the market could be a way of reducing the price of oil. There is no really binding argument for the opening of our storage capacity. There is an open debate between the United States, the International Energy Agency and us, and I hope it is a rational one. As there are elections in Washington, we will wait and see.

What is the role of gas production? That is an important question. There is no doubt that gas is a perfect partner for renewables because it is environmentally friendly and flexible. As a power source it is more flexible than a coal or nuclear power plant can be. Our strategy is to diversify sources and tools for gas supply. We have new LNG terminals and new pipelines. We have to open new regions such as the southern corridor with Azerbaijan and Turkmenistan. I do not know what the concrete business case is for the Irish LNG terminal. We have to look at issues such as what is subsidised, whether there is a problem with our internal market rules, whether there is a business case, whether there is enough consumption and the relationship with the pipeline. In general, in Europe there is not enough infrastructure. We need more LNG terminals, more pipelines and more storage capacity. I cannot say which one is the most important. The European Union cannot reach all of its goals without new infrastructure. Germany does not have its own LNG terminal.

The EU gas market needs 530 billion cu. m of gas each year in order to meet consumption levels. According to our outlook, that figure will increase to 600 billion cu. m. Our own gas resources will come to an end in the years to come. The United Kingdom will stop supplying gas in the next decade and the Netherlands will stop some years later. Some 64% of the gas used in the European Union is imported from third states. This means that 36% comes from our own resources. Our Russian partners are our most relevant partners. Every year some 140 billion cu. m comes from Gazprom sources to us. Norway is in second position and Algeria, third. When our own resources come to an end, we will need an additional 180 billion cu. m each year. This volume should not be imported from Mr. Putin; rather, it should come from

Qatar and Nigeria by ship to our LNG terminals, or it should come from shale gas. Shale gas is not the perfect answer when we are trying to avoid imports. It is not a replacement source of energy; rather, it is an additional source. If some volumes come from shale gas, that will be welcome. We are comparing demonstration projects and looking at all reports. We are comparing and analysing them. That work is being done by my colleague, Janez Potočnik, and me. Some regions in the European Union are sensitive for reasons relating to nature and soil, etc., and there are other regions where we could test this. Perhaps Poland is in the leading position.

My advice would be not to make any decision for the next decade. Ireland should be open and flexible. Perhaps it will be in a better and more competent position in three to five years, time. Some experts and engineers have said to me that in five or ten years, time all we will need is water and pressure. We will not need chemicals. That is different from today. Perhaps some demonstration projects in Poland will inspire more confidence among citizens and bring more clarity to the issue across Europe. It is not necessary to enter this market now. However, it would be wrong to decide, now and forever, that there would be no shale gas used anywhere in the European Union.

**Senator Paschal Mooney:** Conversely, it would be wrong to commit to using shale gas.

**Mr. Günther Oettinger:** Yes. Perhaps we will have some models from member states engaged in this process. Other member states should wait and see. They should be open. Perhaps they should be defensive, but they should not decide against it.

**Deputy Michael Colreavy:** I would like to repeat a question I asked earlier because it has not been answered. Will the discretion to decide the form of energy generation remain with member states into the future?

**Mr. Günther Oettinger:** Yes, of course. We need member states and the Council for all of these decisions. This means that national parliaments are needed at the end of the day. These are historic decisions. It is not part of the daily operations of the Commission.

**Deputy Michael Colreavy:** Will the Irish Government retain its discretion in the context of deciding whether hydraulic fracturing can be used?

**Mr. Günther Oettinger:** Yes, of course.

**Senator Paschal Mooney:** What is Mr. Oettinger doing at present with regard to investigating the various technological advancements and environmental concerns relating to shale gas extraction?

**Mr. Günther Oettinger:** We charged several institutions with providing us with inputs. We are in close contact with research centres in the science sector. We analysed all the reports we received. We also have contacts with gas companies that are active in the US in the context of discovering what has been their experience, particularly regarding what can go wrong. In March of next year I will be travelling to Houston, Texas, and the American mid-west in order to visit some exploration fields. We are also in contact with our Polish and other partners.

**Senator Paschal Mooney:** Will the Commissioner be publishing his conclusions?

**Mr. Günther Oettinger:** Yes. We published three reports ten days ago. All of the information we obtain will be made available to everybody in a transparent way.

**Chairman:** I thank the Commissioner and his colleagues for coming before the committee

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and providing members with such food for thought. I have no doubt that the information supplied will be of great benefit to the committee as it goes about its work. I wish the Commissioner a safe journey back home.

**Mr. Günther Oettinger:** I thank the Chairman. I am glad I could be of assistance.

The joint committee adjourned at 4 p.m. until 9.30 a.m. on Wednesday, 26 September 2012.