

DÁIL ÉIREANN

AN ROGHCHOISTE UM GHNÍOMHÚ AR SON NA HAERÁIDE

SELECT COMMITTEE ON CLIMATE ACTION

Dé Máirt, 15 Nollaig 2020

Tuesday, 15 December 2020

Tháinig an Roghchoiste le chéile ag 1.30 p.m.

The Select Committee met at 1.30 p.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	
Richard Bruton,	
Réada Cronin,	
Alan Farrell,	
Darren O'Rourke,	
Christopher O'Sullivan,	
Eamon Ryan (Minister for the Environment, Climate and Communications),	
Bríd Smith,	
Jennifer Whitmore.	

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

Renewable Energy Directive: Motions

Chairman: Today, the committee will consider the Dáil motions on the proposed ratification by Ireland of agreements with Denmark and Estonia for target compliance purposes under Directive 2009/28/EC, the renewable energy directive. The motions were referred to the select committee by order of the Dáil on 4 December 2020.

I welcome the Minister for the Environment, Climate and Communications, Deputy Eamon Ryan, and invite him to make any opening remarks regarding the motions that he wishes to make.

Minister for the Environment, Climate and Communications (Deputy Eamon Ryan): My thanks to you, Chairman, and the members of the select committee for facilitating the urgent discussion on these two important international agreements that I signed with Denmark and Estonia last week.

Ireland committed to achieving our 2009 renewable energy directive target of meeting 16% of energy demand from renewable sources by the end of 2020. While good progress has been made to date, especially in renewable electricity, where we have achieved 36.5% in 2019 as against our target of 40%, it is projected that a shortfall of between 3% and 4% is likely by year end. In terms of renewable heat, Ireland is projected to achieve approximately 50% of the 12% target by 2020. Ireland is not alone among member states that will fall short of their binding renewable energy targets.

To meet the 2020 target and ensure compliance with the directive, my Department has negotiated international agreements with Estonia and Denmark to purchase statistical transfers for 2020. Following Government approval on 24 November, I signed both agreements in Dublin earlier this month and they will enter into force subject to ratification by Dáil Éireann.

In terms of costs, the State will pay €37.5 million to Estonia for the purchase of 2.5 terawatt hours, TWh, of energy and €12.5 million to Denmark for a volume of 1 TWh of energy. In total, the State will procure 3.5 TWh of renewable energy at a cost of €50 million. This is a significant cost to the State but it is important to point out that the funds received by both Estonia and Denmark will be used to accelerate deployment of renewable electricity in their jurisdictions in line with their national energy and climate plans. While it was not our preference to achieve compliance via this mechanism, which is available to all member states under the directive, we have exhausted all alternative options for compliance through short-term action. This mechanism is part of the European architecture under the 2009 renewable energy directive designed to allow member states meet their targets. Ireland is not alone in that Luxembourg, Malta and the Netherlands have all concluded similar arrangements in recent years.

Since the Government took office in June, it has launched the first auction under the transformational renewable electricity support scheme. This will see a major upscaling in renewable energy projects connecting to the grid from 2021, with, for the first time, solar energy and community-owned projects supplying homes across Ireland. Similarly, we are rolling out schemes to decarbonise and electrify our heat and transport sectors and combine these with a renewable electricity supply that is the envy of the world. Already, Ireland has surpassed Denmark as the number one in onshore wind power in Europe and soon the first offshore wind farms will be connecting to our grid, charging our electric vehicles and powering heat pumps throughout the country. Through the support scheme for renewable heat, substantial progress will be delivered

in decarbonising our heat sector and weaning ourselves off fossil fuels.

Unfortunately, these policies and programmes will not be deployed in time to contribute significantly towards our 2020 targets, and it is important for Ireland to demonstrate its commitment to meeting renewable energy targets and honouring its EU commitments as part of the wider aspirations of the EU Green Deal. The necessary funds are available in my Department's Vote this year. It is important to point out to committee members that the money will be used by the member states concerned to promote renewable energy projects within their countries. I am confident other opportunities may be afforded to Ireland in future to work closely with our EU partners on meeting renewable targets.

Both of the agreements are with EU members states with which Ireland shares a common commitment to taking robust climate action, to accelerating the roll-out of renewable energy to supply our grid, to heat our homes and to move our people as part of an integrated transport network. Like Ireland, Denmark and Estonia are small countries with a strong European identity which have a shared ambition in developing offshore wind resources as well as a strong commitment to the digital economy. I hope that these agreements will strengthen future co-operation between Ireland and its fellow member states to tackle the climate emergency and put citizens at the heart of the climate transition.

Regarding the setting of climate targets more broadly and future compliance costs, I stress that the overarching context of the 2030 climate targets was Ireland's commitment to the goals and objectives of the 2015 Paris Agreement and regard for the evolution of climate and energy policy at EU level. The negotiations led to an EU-wide binding renewable energy target of 32% by 2030, with national contributions to be identified through the national energy and climate plan process. The solution to avoiding future costs for statistical transfers or other such measures is not to reduce ambition; it is to accelerate delivery across all the Departments and State agencies concerned. These costs to the State act as a reminder of the shared EU commitment to climate action and the failure to deliver.

The programme for Government acknowledges the increased effort required at national level to meet the global climate challenge and commits Ireland to a 7% annual average greenhouse gas emissions reduction between now and 2030. When compared with the new EU-wide target in the European Green New Deal, the level of ambition in the programme for Government comes out at between 55% and 60%. The overall objective of the programme's climate and energy commitments is to underpin the long-term, sustainable competitiveness of the economy as we transition from a redundant fossil-fuel based economic model to a carbon-neutral one. The transition will support further job creation through the development of new and emerging sectors. The climate action plan, which will be forthcoming next year, will further step up our ambitions with necessary actions to ensure that the cross-government effort required is being implemented and monitored effectively.

The green economy, including the retrofitting and renewable energy sector, the circular economy, clean mobility, green and blue infrastructure, sustainable agriculture and the bio-economy, will all create high-quality employment opportunities that will be a source of significant employment growth over the coming decades. I am confident these enduring benefits will outweigh any short-term costs and I look forward to working with the committee in future on delivering on this ambitious agenda. I thank the committee for its attention, and I am happy to take questions.

Chairman: I thank the Minister for his statement. I invite members to raise issues with him

in the order in which they raise their hands. I call Deputy O'Sullivan.

Deputy Christopher O'Sullivan: I thank the Minister for bringing this to us today. To say it is not ideal is a bit of an understatement. We are where we are, however. If anything, this agreement underlines and further emphasises the need for immediate action in respect of our goals regarding the reduction of emissions and meeting our targets. The figure of €50 million is one we could use here in our economy and put into our own infrastructure, but this is what we have met with. The point I am trying to make is that this necessity underlines and re-emphasises the importance of meeting our goals.

In that regard, I have some questions concerning updates on particular steps. The first is marine planning legislation, which is going to be vital in stepping up our ambition in offshore wind energy. Where does that legislation stand and what kind of timelines can we expect for a Bill coming through the Houses? I would also like to get the thoughts of the Minister regarding wind energy. The possibilities of offshore wind are spoken about a great deal, but there is also a major part to play for onshore wind in reaching our renewable energy goals. It has huge part to play in helping us to do that, although I know it is difficult and can be contentious. I believe, however, that there should be an emphasis on continuing onshore wind projects, where possible.

Turning to retrofitting, which is obviously a major part of the programme for Government and how we achieve more efficient heating, could the Minister update us on where that scheme stands? As we know, the current Sustainable Energy Authority of Ireland, SEAI, scheme is caught up in administration. There are some long waiting times, up to six months in some instances, where people are put in applications for the SEAI grant to retrofit their homes. That needs to be addressed. Is there a plan to bolster the staff complement administering that scheme so that applications can be dealt with faster?

Finally, and this is not quite under the remit of the Minister, but he might have answers to this question since he is in Cabinet. A robust, extensive and significant agri-environmental scheme is absolutely vital in ensuring that in some years' time we are not facing these types of penalties again. It is not only that aspect which is important, but also bringing the farming community and the industry with us in reaching our goals. One of the most important elements of the programme for Government is the introduction of results-based agri-environmental schemes, where farmers are being encouraged to not only protect but enhance and increase biodiversity on their land. The sequestration element of native woodlands must also be considered. Where do we stand with that? I appreciate that the Minister may not be able to provide a detailed update on that, but I would just like to emphasise its importance. I have probably gone a bit over my time, I am sorry.

Chairman: I thank the Deputy. There are questions on four areas there for the Minister - the timeline for the marine planning and development management Bill, plans for onshore wind, retrofitting, including plans, waiting times and SEAI grants, and the agri-environmental scheme.

Deputy Eamon Ryan: I agree with the Deputy that this agreement is unfortunate and we must ensure it does not happen again, as best we can. I refer to investing in our own country and ensuring that we meet our targets. The Deputy is also absolutely right that the marine planning and development management Bill is critical legislation in that regard, because we have potential in offshore wind to deliver. I think there is agreement across most parties on that, and the outgoing Oireachtas agreed it in the climate action plan. There was a target of 70% renew-

able electricity, and broad agreement that something like 35 GW of offshore wind could help us to deliver that target. The full 35 GW will probably happen at a later date, but the path to achieving that will allow us to meet the 70% target of renewable electricity.

The Government has three clear legislative priorities. I heard the Taoiseach state this on several occasions and he is correct. We need the climate Bill as the governance structure; we need the Land Development Agency because the housing crisis is a central problem; and the third Bill mentioned as top priority is marine planning and development management legislation. It needs to be in place so that by the end of next year we go to having an auction system for that offshore wind. There will probably be some 2.5 GW of offshore wind in the Irish Sea, and then subsequent options in short order after that development to roll-out that offshore wind aspect.

The planning legislation is critical in this regard so that we can have good environmental planning, manage our agriculture and fisheries and other elements at the same time and ensure that we get certainty, reliability and predictability in bringing costs down. My understanding is the Minister for Housing, Local Government and Heritage, Deputy Darragh O'Brien, has responsibility for delivering it. Every effort is being made to publish that legislation early in the new year, as I understand it. The heads of the Bill came to Government a few weeks ago and it is getting top priority from the Office of the Attorney General. I expect the Bill to be ready, therefore, early in the new year.

Moving on to the issue of onshore wind, the Deputy is correct that it will continue to have an important role, particularly because we have a comparative competitive cost advantage. It is a lower cost system. The recent auction where we approved a range of new onshore wind farms, as well as, importantly, solar farms, is critical in this regard. Going on memory, and my officials will correct me, the contract price we struck was approximately €74 per MWh, which is approximately 20% below that of the existing renewable support schemes. I want to see the price come down more. It can and will and should. Onshore wind energy, therefore, has a critical role to play.

There is a limit, however, and that is why we are looking at what is possible offshore. There are planning constraints on that, as we saw recently in Donegal, and we must, therefore, be careful in that regard. I agree with the Deputy, however, that onshore wind has a critical role to play in this area. The development of community ownership of onshore wind is also critical, and we are also looking to promote that element. We did it in the latest auction, and we will do so again. We also want there to be community gain from onshore wind projects, which is stitched into the auction process. The Deputy is correct that the SEAI was limited in its capacity. Part of our difficulty in the heat sector is that we have not been able to ramp up in both commercial and domestic heat. That is one of the reasons in the recent budget we sought approval for a significant increase of more than 50 new posts for the SEAI. This recognises that we do not face this situation in future. We have seen a massive expansion in the retrofitting budget and the SEAI's management of it. The company is currently filling those places. We have significant plans for next year. We have a budget agreed this year of more than €750 million, most of which is targeted towards local authority housing and the warmer home schemes, where some of the specific backlogs to which the Deputy referred are arising. The scheme is popular, not surprisingly because it is a 100% grant. It gives significant health and comfort benefits as well as benefits to the buildings. It is key.

I agree with the Deputy on the need for a much wider agri-environmental scheme. Again, it started in this budget with an allocation of €70 million to a new environmental scheme. It

is well structured in the sense that it will fund a lot of investment in training, soil analysis and scientific preparation for the supports we will need to give to pay farmers for environmental services such as improvements in water quality, storage of carbon and improving biodiversity, as well as food. These nature-based solutions, coming in tandem with the climate solutions, are absolutely critical to where we want to go.

Last but not least, we must pay for new forms of forestry such as closer to nature and continuous cover forestry, which are rich in employment, promote rich biodiversity and have a much longer term timeline but have real benefits in terms of high-quality woods for a range of different uses, including renewable heat which will help us meet future targets. I agree with the Deputy on the need for that. That will be the start of a big scale-up in our ambition.

Deputy Richard Bruton: I congratulate the Minister on his appointment. I spent 18 months in the Department and enjoyed the work there. It is crucially important to the future of this country. The Minister is well suited to the task. I hope the framework that we sought to put in place over the past couple of years with the climate action plan, the implementation board and the draft climate Bill has laid a foundation for the work he is undertaking. I welcome the enhanced ambition at 51%, which is going to represent a significant change in the coming decade.

On the 55% decision made by the European Council to reduce Bonn 1990 levels by 55%, at what point will it become clear what Ireland's contribution will be? What progress has been made in the renewable electricity support scheme, RESS, auctions, particularly the community pot? This will be important in building community support over time to the switch to renewables. How is that going and will we see further development in that area?

On the offshore issue, it will present a real opportunity for Ireland in the long term. Will the State commit in the new economic plan to putting in the platform infrastructure required to see this take off rather than rely on individual commercial operators bringing renewables ashore one by one?

When does the Minister plan to bring forward the national energy plan, an obligation we have to the EU, and the next climate action plan? These would give this committee an opportunity to move on from the legislative framework, which is extremely important, to the practical policy initiatives that we now need to be socialising to achieve the targets we are setting for 2030?

Deputy Eamon Ryan: Deputy Bruton's work in those 18 months was of huge importance. We had an Oireachtas joint committee which worked collectively before. This was backed up by an approach from the then Minister, Deputy Bruton, which put much of the thinking into the 2019 climate action plan that he devised. His previous experience with the jobs action plan and in different Departments also went into it. As I said at the time and have said publicly since, the structure and the approach was the right one. We are looking to continue that. We actually submitted that existing plan, as required under European legislation, at the start of the summer. At the time, we said we were looking to use those structures and the governance approach but, as per the programme for Government, increase the ambition. The jobs action plan, climate action plan and multiproject timetabled systemic approach is the right approach and a real credit to Deputy Bruton.

Within that, the European Council decision last week to go to a 55% ambition is significant and progressive step. I will have to come back to talk to Deputy Bruton after this Thursday be-

cause I am due to go to the European Council meeting in Brussels on Thursday. Some of those details of where we will go next with effort-sharing decisions will only be worked out then. We could not really decide on that in advance of the climate conclusions. Just as the committee is finalising its report on climate legislation, there is real urgency in the European Council that we turn the Heads of Government agreement into climate law in the European Union and set out the effort-sharing mechanism for each member state. That will apply to climate emissions.

I also expect it to apply to both renewables and the energy efficiency targets which are 32% and 32.5%, respectively, in the plans to date. These will be different from what we are dealing with here in that to date they have not been country-specific targets. We can expect significant ramping up of both the climate emissions targets, the energy efficiency targets and renewable energy targets. That is in tune with the programme for Government. It is appropriate we made that decision back in June and July because it puts us in line with where the European Union and similar states are going.

With regard to the RESS auctions and the community pot, it has been difficult for us and it has taken a long time to develop community energy projects. In truth, the Templederry community wind farm is the one notable example of a project at scale. It was welcome in the recent RESS auction system that seven projects were approved in the process. We are restricted under European Union competition rules as to how much of the auction process can be allocated for a community pot. It is a 2% overall limit. We are one of the few countries that has got an agreement from the European Union to allocate a specific community fund within the auction system. We are looking to continue that with the next auction next year. It may well evolve towards a 100% community-owned project approach. We have had a push to date for community projects where private developers can row in with a share of the project. I am keen, given the small allocation within that overall pot, for there to be as much community ownership as possible but we will continue to monitor and address that and consider other mechanisms. This is something that is evolving. It is not only on the energy side. We always focus on the generation but forget that efficiency comes first. The first most important fuel is energy not used. The Sustainable Energy Authority of Ireland's work on sustainable energy communities has been significant. More than 200 plus communities engaged with it to devise plans. Many of them relate not only to energy generation but to potential energy savings, co-ordination around retrofitting or other mechanisms to go into energy saving.

On the community energy side, I expect within the coming weeks to issue a public consultation on the switch towards a mechanism for us to be able to sell power back to the grid and to promote what we have been talking about for a long time but which has not taken off at scale yet, namely, the ability particularly for solar power to be done at a community level, with easy access to the grid and a price guaranteed for power that is exported where existing demand has already been met.

The Deputy raised a wide range of issues. The development of offshore wind will require a great deal of State involvement in a variety of ways. First, we will have to look at our ports to see how we can support the development of the offshore wind industry that is coming into play. That can include in certain ports operations and maintenance facilities, which will be an important part. In others, it may be a deployment facility where an area is needed to store, assemble and prepare for the installation of wind farms and beyond that, thinking bigger, looking at the generation of a new industrial supply chain around not only the development, particularly in the long run, of the offshore floating wind energy but the development of the use of the power that comes back in, where there is massive potential for economic development in our port areas

and regional development.

Increasingly, people are considering hydrogen as a storage mechanism for conversion by electrolysis of offshore wind to such power supplies which provide the potential for our ports not only to be assembly or development points for offshore wind but to be the capture point of the energy and the deployment of the energy in new industrial uses close to the source of the power. That is the long-term prize and the reason the marine planning and development legislation is such a priority for the Government. It will be a long process and we expect the first auction of offshore wind energy will be at the end of next year. It will be targeted in the Irish Sea area and will involve some 2.5 GW of offshore wind. It will deal with many legacy projects which have licensing, in some instances, going back a decade. In the first instance, because of the short distances involved and many of the existing licensing and other arrangements are in place and grid offers and connections are organised, it will involve tiebacks to the system, particularly being close to Dublin where much of the demand is, that makes sense. We would be tying industrial development with renewable power. We have that in terms of offshore developments that will occur on the east coast. That auction at the end of next year will be followed by other auctions, where we start to move into the Celtic Sea and look at the western coast and offshore floating wind energy. The scale of power there is beyond compare. If we were to develop that initial target of 30 GW of offshore wind, particularly floating offshore wind, it would be six times peak demand at the moment, which gives a sense of the scale of opportunity. However, in this instance to get it right, the State has a key role to play not only in the ports to support that but in the management and development of the grid. The question at issue is how do we collect, share, distribute and use that power. In that instance, companies like EirGrid will have a critical role to play.

Interestingly, I will be going to the Environment Council meeting on Thursday but I spent most of yesterday at the European Energy Council meeting and I also attended a meeting with the North Sea countries' offshore grid initiative, which is something I was proud to sign ten years earlier. This is centre stage in European economic plans. This is what every country is talking about as their main focus. Most of the meeting of the energy ministers yesterday was taken up with the development of offshore wind and the use of the power using new power supplies like hydrogen. We have a comparative competitive advantage. We have the wind dislocation and a sea area ten times our land area. I spoke to the Norwegian Minister and heard that Norway has already deployed an 80 MW floating offshore wind field. We can expect the cost to come down and, subject to that, we can expect a major new industrial opportunity to open up for our country, in which the State will have to be centrally involved, particularly on grid planning.

I hope I have addressed most of the questions. Regarding the national energy climate action plan, as I said, we submitted the outgoing 2019 plan to meet our European obligations and they allowed the European Union to close the book, as it were, on the existing national energy and climate plans, NECPs, and to do a new impact assessment on what additional capabilities there are for each country. The Commissioner is in the middle of that process. We go into the new year with the aim of having an updated climate action plan which goes with at least a 7% reduction a year in a decade, a 51% reduction over the decade, and set that as our goal. We aim to engage with all Departments and agencies to have that plan by summer next year. It will be quite a tight timeline to get the plan completed in that time, as the former Minister, Deputy Bruton, will know, but one of the reasons we have that timeframe is to fit into the European NECP process and for us to be able to go to Glasgow next year with a clear understanding of what our role is in this transformation.

One of the urgencies around the climate action Bill is that I am keen that work is done in tandem with our ability to have a new climate advisory council in place for it to feed into and for its budgeting and three five-year process to be in sync with that same timetable. They will not be exactly in sync but that makes sense. Another reason it makes sense is that I expect those first six months next year to be critical for the review of the national development plan. It is critical we have the new climate action plan in tandem with the national development plan review. That is the reason this timing is as tight as it is but it is appropriate in my mind.

Chairman: I thank the Minister for his comprehensive reply. There is much talk of national plans. Deputy Bruton mentioned the national economic plan with regard to the offshore wind opportunity. Does the Minister want to address whether it would be weaved into that?

Deputy Eamon Ryan: It is not finalised yet but one of the areas I expect us to signify with respect to the need to invest in our ports would be an example of the projects we might indicate in the national development plan as a signal to the market that we are going in this direction.

Deputy Jennifer Whitmore: I thank the Minister for attending today. It is beneficial we are having this discussion and that there will be a debate in the Dáil tomorrow. It is important the public get to see there are not only environmental costs to us not meeting our targets but economic and social costs. I note the Minister said this money will be going to Estonia and Denmark and will be contributing to them investing in their public infrastructure in renewables. My preference would have been that it stayed in Ireland and would have been invested in contributing to us meeting our targets. That would have been a much better use of the money. The sum of €50 million is a considerable amount of money to be transferring overseas. It could have paid for 5,000 solar panels on schools or retrofitted 2,500 homes. It is not an insignificant amount of money but it is good we are having this debate.

I have some specific questions on the cost of the transfer. If time permits, I also have some broader questions and if I could proceed that way, it would be good. The statistical transfer is directed to two countries. The transfer to Estonia is costing €15 per MW hour and the transfer to Denmark is costing €12.5 per MW hour. There is quite a differential between the two. One terawatt hour of energy to Denmark is costing €12.5 million and for Estonia it is costing €37.5 million. I had a look back and the agreement between the Netherlands and Denmark was also €12.50 per megawatt hour, and similarly with Luxembourg and Lithuania. Why are we paying Estonia €15 per megawatt hour, as opposed to €12.50, which seems to be the going rate?

Deputy Eamon Ryan: I do not know if my officials are allowed in, but I will invite them to speak if that is possible because they were involved in the negotiations. My understanding is that there were not many countries where there were potential bidders and there was a limited volume available so that may have been a factor. I will ask Mr. Confrey to come in on that.

Mr. Eamonn Confrey: It is precisely for that reason: it is a question of supply and demand. Unfortunately, Denmark was not able to give us any more volume than 1 terawatt hour. Estonia was, but it drew a higher price. We are not the only member state that is in the market for these particular transfers.

As part of the agreements, we have purchased fixed and optional quantities. The fixed is what is before the committee today in terms of the €50 million in overall terms, but we reserve the right to purchase future optional amounts with Denmark at that lower price, should that be needed.

Deputy Eamon Ryan: The reason for that, as I understand it, is that we are not yet at the end of the year and we will not know our final year figure until next year. There may need to be a balancing of a much smaller volume, of the order of €4 million or €5 million. It could be more or less: it is hard to know until we get the statistical analysis as to what the final outcome is this year. That option is on the balancing figure, whatever number it is.

Deputy Jennifer Whitmore: I wish to ask another question on that so I can understand it. While Denmark did not have enough to give to us upfront, does it have optional capacity, so we can go back to the table and get some more? I do not quite understand how it did not have capacity.

Mr. Eamonn Confrey: Denmark did not have the volume this year. The agreement Deputy Whitmore referenced was between the Netherlands and Denmark. The total was 16 terawatt hours. The Netherlands has purchased 8 terawatt hours, as Deputy Whitmore correctly points out, at €12.50 per megawatt hour. Essentially, most of the surplus that Denmark has, is going towards the Dutch agreement, if we can put it that way, so that is why Denmark was not able to offer us any more, but they are confident that they can offer us what the Netherlands may not need next year, should we require it, but at the lower price.

Deputy Jennifer Whitmore: It seems that Luxembourg and Lithuania established their agreement in 2017 and fixed the price. I imagine the supply and demand would have been different then. Why did we not have an agreement in place earlier? It seems that we could be one of the last countries to establish such an agreement. Is that correct? Could we have got a better deal if we had begun to negotiate earlier? We have missed our targets every year since 2017. It did not come as a surprise that we were going to miss the target. Would it have made a financial difference if we had begun the negotiations earlier?

Mr. Eamonn Confrey: In our case informal, tentative negotiations commenced in 2018, principally with Estonia and with one or two others. Whether we could have achieved better value remains to be seen. An opportunity arose this year because of the funds that have become available from savings elsewhere in the Vote. That opportunity was not open to us in previous years. It is a significant cost. We are one of a smallish number of member states that are going to be in deficit so we are, unfortunately, at the mercy, if I can put it that way, of the supply and demand in terms of the costs that are being charged.

Deputy Jennifer Whitmore: Is the price of €15 per megawatt hour the most expensive statistical transfer that is happening at the moment?

Mr. Eamonn Confrey: No. My understanding is that the Maltese did a deal with a member state - I will not say the name in case I get it wrong - at a cost of €20 per megawatt hour.

Deputy Jennifer Whitmore: I also have a broader question. The Minister was talking about how we are going to make sure that we do not miss targets on the infrastructure. It is important that we get moving on the infrastructure. There is a significant lag time in developing that kind of renewable energy infrastructure. One of the points that really struck me with the programme for Government is that the target for something relatively simple like retrofitting homes was a 2030 target. Why was the target back-loaded? A regulatory framework must be put in place for wind farms and then the engineering of the infrastructure will take a considerable period. I would have thought retrofitting could have been front-loaded and that we could have invested heavily in it, allowing us to create jobs, plus reduce emissions. I am just wondering why that was the case. What I find most difficult about addressing our climate responsibili-

ties is our speed of action for even simple things. The roll-out of electric vehicle, EV, charging points or smart meters seems difficult. Does the Minister think that is a barrier to doing the big infrastructure programmes?

My two questions are on why the retrofitting of houses was not front-loaded and on the speed of our implementation. Does the Minister see it as a significant barrier?

Deputy Eamon Ryan: The retrofitting of 50,000 houses is probably going to be one of the most complex targets because we are talking about 50,000 families and 50,000 different types of house. Sometimes it is easier to do one big project than 50,000 individual ones. They are not small projects. We are talking about deep retrofitting. The cost is not insignificant at between €30,000 and €50,000 a year depending on the house. The key will be public buy-in and that it is seen as a good investment and it is the right thing to do. One of the reasons it may take time to ramp up is due to the fact that at the moment we do not have the workers in place with the necessary skills to do the work at that scale. As part of the summer economic stimulus package and again in the budget we significantly invested in new apprenticeships and education and training programmes for people with the necessary skills. The Minister for Further and Higher Education, Research, Innovation and Science, Deputy Harris, spoke earlier this morning about how we are going to ramp that up. The Irish Congress of Trade Unions estimates that we need something like 30,000 jobs in the area. In truth, a year ago, if one talked to people in the industry, they could not get anyone as there was a labour shortage. That has changed now because we have such high unemployment but even then, it will take time for us to ramp up the skills to be able to do that work, which is skilled and labour intensive. It will also take us time to set up and put in place, but I am confident we can do it in the early to middle part of next year in terms of providing the necessary finance and other mechanisms. It will be a case of learning from neighbours. That will help to determine our ambition, which is that it will build up and ramp up very significantly. That is not a small challenge, and in some ways, it is probably bigger. It would be much easier to deliver 5 gigawatts of offshore wind in the next ten years than it would be to retrofit 50,000 houses because we are talking about seven or eight projects and one client compared to 500,000 projects.

Increasingly, one of the reasons it seems to take very long to do anything in the country is the planning process. The timeline for a project of any scale is at least ten years. That hinders flexibility, speed, action on climate and so on. On the other hand, one wants to get the planning right. One wants to get consultation right and to have public support and engagement. There is an issue regarding resources and planning officers within the planning system. It is very frustrating for all concerned, whether one is an objector or a developer. It is a ten-year process one is engaged in whether one is worried about one's local community being affected or what one's investment prospects are. In this instance the issue is more about resources the State controls, but the key obstacle to further speed is resources in the planning system. I will be pushing and supporting my colleague, the Minister for Housing, Local Government and Heritage, Deputy Darragh O'Brien, in every turn to get those supports. Investing in planning resources allows us to maintain the twin objectives of getting good planning but not having a ten-year wait for everything.

Deputy Bríd Smith: My thanks to the Minister for the presentation. I want to comment on what we are doing today. Most people will look at this and ask what we are buying for €50 million. In the past, at least, the Minister would have agreed with me that these accountancy tricks - that is basically what they are - completely fail in the attempt to deal with our climate challenge and crisis. This is a failure and we should acknowledge that it is a failure. Since

we have failed to reach our legally binding targets we are buying fantasy energy credits from Denmark and Estonia. This energy will not heat homes or help to produce power that will run factories or anything else. The energy is fantasy but the money - the €50 million - is absolutely real. That real €50 million could have paid student nurses or could have been involved in all manner of community projects. As was mentioned, it could have been used to help retrofit homes and solar power schools. We should spend some time thinking about why we failed.

I do not believe it is simply an oversight or a technical matter. Ministers may pat each other on the back for what they have done to reach renewable energy targets, but the case remains that we are still overwhelmingly reliant on fossil fuels in every category, including electricity, heating and transport. It is worth noting that our targets are percentages of the overall electricity and energy demand.

The Minister talks about the drive to industrialise and develop the ports and create all this new economic energy. Our demand for electricity will go up and, therefore, the overall percentage will go up that is allocated to fossil fuels. It could actually mean a larger volume of carbon dioxide and greenhouse gas emissions.

My main point is that the failure of the last Government, the previous Government of Fine Gael with the Labour Party, the Government of Fianna Fáil and the Labour Party and all the combinations of Governments is something that we need to be cautious about when we are being given commitments that new targets will be set and that they will not fail. We hear that the reason they have failed is because of planning difficulties and upsets in the markets. Although it has not been said explicitly, we hear that maybe even community opposition to some renewable projects is a cause.

I fear that the root cause is none of these. The reason for past and future failures is the reliance on private enterprise to deliver the targets we need in renewable energy. Deputy Bruton mentioned the climate action plan, as did the Minister. We worked and looked at this. One of the recommendations we made, although I have no doubt it has not been acted on, was that we would look at the possibility of a State-run, State-led renewable energy company that could be invested in to deliver the targets we need to reach instead of always relying on the investment decisions of private corporations and actors which are sometimes nudged and guided by State incentives. The failure rests ultimately on the policy that holds that we have to rely on the private sector.

This raises an interesting current question for us. If we continue to do this, if we continue to rely on a sector that may or may not invest or may or may not expand on this area, depending on how profitable it is, then how are we to handle the sector in a situation where we sign off on the CETA agreement? We did not do it today but I note the intent of the Government to do it in the next month or so. That would really copper-fasten the idea that the State cannot and will not see any prospect of taking ownership of the kind of decisions we may need to guarantee that we could reach our energy targets in future. It would really make it impossible for the State to set up publicly owned renewable energy companies if the private sector was already in place. The legal challenges would be so great. I would appreciate if the Minister would comment on that and on my overall contention. I believe we need an ESB-style determined State company, like we had in the past when we had few or no resources in the country. Such a body could really drive forward the switch to renewables, just as the ESB turned on the lights in every corner of the country in decades gone by.

Deputy Eamon Ryan: I have assurances from the Danish and Estonian ambassadors - I

have no reason to doubt them - that this money will be going into specific projects, including renewable electricity generation projects that will contribute to the decarbonisation we need as a matter of emergency. I have faith in that because I have faith in our European system. It is something we committed to under the renewables directive in 2007, when it was originally framed. It was designed to provide what was not a get-out or accounting trick but a mechanism or stick for states. The idea was that if a state is not meeting its targets, it will have to meet them another way and pay. This is a stick. At the same time, I believe it is an appropriate stick that promotes or encourages those who have met targets. In a sense, it rewards them. They get the cash, but it can only be invested in renewable projects. I agree with the European directive. I was involved in framing it, so I suppose I would, but I believe it was an appropriate mechanism.

Deputy Smith is absolutely right about electricity and energy demand being the key and first priority. There is always a focus on generation. That is why, in some ways, the heat target is especially important. One key project we are going to do involves electrifying the generation of heat through the use of heat pumps. We all know that heat pumps do not work if they are not deployed in a building that is efficient. The dual tack involves insulating, and therefore promote energy efficiency, as well as using electricity to power heat pumps, which is a highly efficient use of electricity. This is where we are going to go. This is ending the use of fossil fuels in oil-fired and gas-fired burners and heating systems and ending the burning of coal or other smoky fuels. It means radically investing in energy efficiency first and heat pumps to warm far more efficient buildings.

I want to give a sense that this is possible. There are many examples of where we are not delivering it. There is one key issue around electricity demand in the past ten years. People will know that we recently reached a new peak in electricity consumption. Two weeks ago, electricity consumption peaked at 5,100 MW or 5,200 MW on a Thursday evening. In truth, that is the same level, effectively, that had been in place over ten or 12 years ago. Our economy has grown significantly in the intervening period. It is possible for us to create employment and run our economy without necessarily having a vast expansion in our electricity use. Our economy in the intervening ten-year period must have grown by between 50% and 80% if we do the mathematics based on 5% or 6% growth each year, on average. Electricity demand did not grow commensurately. Thus, we can promote energy efficiency in everything we do.

Why is it that we did not meet targets? Why is it that we do not compare well with Denmark or other countries that clearly have done so? It is demonstrated by the fact that we are paying them or Estonia for their projects. They have a tradition at it. They have been going at it for approximately 40 or 50 years. The Estonians and others, especially the Danes, responded to the first oil crisis in the late 1970s by investing in wind generation. They developed a comparative competitive advantage in this as well as in district heating. They developed real efficiency around district heating. The significance and importance of that area is underestimated in terms of how we meet the next targets. The 40-year advantage is what those countries have in the sense of understanding that this is going to be good for us as an economy. A whole range of companies developed in the areas of energy efficiency, heat management and district heat management out of that strategic decision made 40 years ago in Denmark, and not just Vestas Wind Systems in wind turbines. We must develop in the same way and have the same widespread public understanding that this is the better solution and the direction in which we are going to go. I think the Irish people are there. I agree with the Deputy, and blaming communities is not the approach I would take in this regard. I think Irish people are waiting for the correct signals, supports and regulatory systems that will deliver this new energy-efficient heating system. The climate action plan can and will deliver the required systemic approach.

Turning to the aspect of public versus private enterprise, both will be involved. The State has a role, as do community energy projects. Large-scale interventions by the State, such as by the ESB and Bord na Móna, have real scaling efficiencies in energy systems and logistics. I am committed to supporting Bord na Móna as it moves from being a brown company to a green one and to defining itself as a climate solutions company, endeavouring to use its resources and expertise in engineering, which it has in abundance, in furthering our renewable energy future. It is the same with the ESB and any other public bodies moving into this space. That does not preclude private companies being involved, however. Those 50,000 homes will be retrofitted by a host of Irish building businesses of different sizes, and that is appropriate. Many Irish companies have expertise in this area. We want to encourage that and allow them to flourish so they can grow to become major exporting companies for us, in the same way those Danish companies did in the 1970s.

In that regard, my clear understanding of the policy of the European Union, in respect of CETA or any other policy, is that public policy aims in respect of the environment are protected. DG Competition keeps a close eye on whether there is inappropriate market manipulation or state aid which undermines the competitive market, but it is not a matter of ruling differently concerning private or public enterprise in that regard. In that context, it was interesting that much of the discussion at the meeting of the Energy Council yesterday concerned the need for DG Competition to be aware that we need flexibility in how we apply competition rules so that we can get innovation and development. A key issue across Europe, as well in the trade negotiations with the UK, concerns how we can maintain a level playing field while at the same time protecting our environmental and social standards. We need to do that, because this is the future economy and we must ensure that it is not a race to the bottom. It must allow communities, State companies and private enterprises to work in a fair way.

Deputy Bríd Smith: I again ask the Minister to comment on how CETA might impact on our ability to run State renewable energy companies if we first tender out to the private market.

Deputy Eamon Ryan: I do not see the State having any restrictions in respect of CETA which will constrain the policy decisions we need to make.

Deputy Bríd Smith: I refer to the possibility of litigation.

Deputy Eamon Ryan: I do not see where that would come from and how it would be successful.

Deputy Bríd Smith: That is fine.

Deputy Eamon Ryan: It has been in operation for three years. The former Minister, Deputy Bruton, has left now, but he might have been able to comment on whether CETA impinged on his portfolio or came across his desk when he was in office in respect of being a restriction on any investment or policy decisions. I have not seen it mentioned once in any consideration of any energy policy decisions so far. If I do, I will happily share that information with the Deputy and raise similar concerns to those which she would have.

We must evolve our international trade rules and ensure that they are in step with environmental and social objectives. It is an evolving process, and no one is saying that it is a perfect system now. We seek to change it as we do further trade deals with other countries. We have 40 such deals in place now and another ten are on the horizon. The critical thing is to ensure that we continue to evolve the rules so that they are in step with our climate ambition.

Deputy Darren O'Rourke: Some of the language here is almost Orwellian. I refer to anyone looking in and hearing talk of statistical transfers and proposed ratification of agreements for target compliance purposes. This is a €50 million fine for failing to meet agreed targets, and we should be explicit about that. It is slightly more complicated in respect of the mechanisms, but we should be straight in this regard.

For clarification purposes, a small number of European states are in the same boat as ourselves, including Malta, Luxembourg, and the Netherlands. Are there others, or is it only those countries? Regarding the targets, the Minister touched on some of the reasons he thinks we missed them. It is important that we think about that aspect and seek to address it. He also mentioned that Denmark more or less had a 40-year head start on us in this area. Are there other reasons, however, he thinks we have missed these targets? Were those targets fair and reasonable at the outset? In the briefing note, it is stated that our starting point was 2005, when it was 3.1%, and we had to make up 12.9% over the 15 years. When did we commit to that? Was it in 2009 or later? I am just trying to get a sense of what the expectation was for us. Was it to achieve about 1% in reductions per year? That strikes me as reasonable, and gives some perspective on the scale of our failure, for want of a better phrase. Regarding the 2.5 TWh of energy, is that the equivalent of the 3% to 4% and is it a direct comparator?

Turning to the Minister's opening statement, and the 55% to 60% equivalence with the EU-wide target, I raise this in respect of the programme for Government commitment and the figure of 51% which has been widely mentioned in public. Is the difference there in the comparable baseline figure? Are we talking about a 2018 baseline figure compared with a 2019 baseline figure, for example? I ask that because it is generally helpful to be clear and consistent in respect of our terminology and how we report these things. Otherwise, it can seem as if we are massaging figures or using them in different ways. I am not suggesting that is what is happening here. I just think there is a benefit in a consistency of approach.

On a related issue, the guidelines for onshore wind farms are long out of date. Will the Minister give us an update on where we are at with new guidelines and when we will see them published?

Deputy Eamon Ryan: I thank Deputy O'Rourke, and he is right that this is a fine. It is a structure, as I said, which has been designed to be a deterrent and a way of enforcing the targets so that people have something to fear and avoid. That is the reason we would aim for it. The Deputy is right. With those added complications the fine does not just go into a bunker, so to speak. It is deployed in a way that is beneficial to the wider environment but there are no two ways about it. There is no Orwellian mixing-up of language here. This is not good. This is not what we want to be doing.

In terms of other states, Luxembourg, Malta and the Netherlands were mentioned earlier. France and Poland as well, I understand, are in a similar position. I presume some of them may be close to their targets. As I said, it is a 2020 target so in terms of those states reaching their targets, whether they will be there or thereabouts remains to be seen. Other states may be included but they are the ones I see.

As to whether that 12% target was fair and reasonable, there are different views on that. If I recall correctly, that was in 2009 or 2010 - I am advised it was 2007 or 2008, in the run-in to the end of the decade. Some people would argue that Ireland's was too stringent. One may see this as a burden but I believe the moving away from fossil fuels is an economic benefit. It creates benefits in terms of employment and balance of payments as well as environmental benefits. It

develops the local economy. Having an ambitious target, therefore, is a good incentive. It is not punitive. We are going to have to stop burning fossil fuels anyway. The sooner we do it the better we will become at it and the more economic savings we will make from it.

If I was to give one reason we have not been good at this it would be that within our wide public, administrative and other systems, for too long we have looked at this as a cost and a burden to be avoided rather than as a necessity and an opportunity to be attained. One could apply that to the energy efficiency target and the overall climate emissions target. I could look at specific examples. There is a further target in terms of our public buildings. I recall being in this committee room a year or two ago when the Office of Public Works, OPW, witnesses were asking why it was that on that target, where one would think we would have full control in terms of the efficiency in our public buildings, we will not meet it. It is because in a succession of policy decisions it was seen as a sunk cost or a wasted burden and therefore to be avoided. We did all the behavioural energy efficiency measures in terms of the public use of buildings, and achieved a fair bit by doing that, but we reached the limit of what was possible in that regard and did not spend the money on the building fabric. What Deputy Whitmore said is true. If we were spending this €50 million, my preference would be to spend it on the 5,000 solar panels, water heating systems and so on in our schools to help us meet our renewable heat target. However, that philosophical perspective of how those targets impinge on us has been one of the real difficulties.

With regard to the target, unfortunately, this is complicated. In terms of the Government's target of a 7% reduction in emissions per annum, with a 51% reduction over the decade, that target was based on science. It was based on taking the Intergovernmental Panel on Climate Change, IPCC, report and saying that that is what we need to do over the next ten years. For us, the target was best done on the basis of when will be the first year, starting from early this summer. It was a 2018 target because those were the first statistics we had in terms of where we are and we had to start from somewhere. Unfortunately, there were further variations in that. The European Union tends to set its targets from 2005. The United Nations Framework Convention on Climate Change, UNFCCC, and the Chairman can correct me if I am wrong, sets its target year from 1990. To make it even more complicated, the UNFCCC includes land use policy and land use changes, although the rules on that are evolving and need a good deal of tightening. The European Union does not include many of those but in the middle part of this decade need to start to include that, or even sooner depending on political decision-making. It is a horrifically complicated variety of different targets.

The reason I said that that 55% target is a positive development, which was welcomed yesterday at the Council meeting, is because it signifies a significant increase in ambition from the 30% original outcome. There were even further complications in that with the target within the emissions trading system, ETS, and non-ETS sectors. We have had many targets deployed in a variety of ways and it will require many countries to significantly scale up their ambition.

Many countries are further along than Ireland. Having failed to meet our 2020 targets, we are a good 20% behind where we should be now. For us to meet a 51% target or anything like it is an incredibly more ambitious target than that of almost all other European countries because most other countries are starting off having already achieved a 20%, 25%, 30% or 40% reduction. It is akin to going into a 55 m sprint race when the other teams have a 20 yd start on us. That is the scale of the problem. The ambition we are setting is very significant. That is appropriate because this is the new economy. Other economies will be looking to get what the Danes and others have done from being first mover advantage of having the economic ca-

pability in heating, transport and energy systems that they then sell to the rest of the world. We should aim to do the same.

In that regard, I accept and agree that the slow pace of the development of wind farm guidelines has been a real failing for both those communities that are concerned about wind farms and those people involved in the industry. It suits no one's interests. I had hoped we would have them agreed by the end of this year. That looks unlikely now but I commit to presenting them very early in the new year because as several Deputies said, we need to start acting more quickly.

Chairman: I thank the Minister. If I may, I will ask some questions. First, on the cost in terms of what we are paying to Denmark and Estonia, it is €50 million. At the start of the year the estimate was €110 million. Why is the figure less than the estimate? Is it Covid-19 related? Is it accelerated progress in the roll-out of renewable energy across the three sectors? The Minister might address that.

Second, the Minister mentioned the renewable electricity support scheme, RESS, auctions and the offshore RESS also. Is he looking at annual RESS auctions onshore? He might elaborate on those and how he sees them rolling out in the decade.

Third, on transport, we achieved a 10.7% reduction. That is, by and large, made up of biodiesel and bioethanol coming into the fuel mix. There is limited capacity to go further in that area and we will have more ambitious transport renewable energy targets as we go forward. Given that transport accounts for 40% of energy related emissions or 58% of non-ETS energy related emissions, this will be a huge challenge. Would the Minister outline his thoughts on and plans for the transport area in particular so that we might reduce emissions but certainly increase the proportion of renewables in that sector?

Deputy Eamon Ryan: I might ask my official, Eamonn Confrey, to answer the first question.

Mr. Eamonn Confrey: I thank the Minister and the Chairman. To explain, three or four years ago when projections were being made about what the cost might be, Sustainable Energy Authority Ireland, SEAI, had projected that it could be somewhere between €65 million to €130 million per percentage point. They were very preliminary figures and were guesstimates at that time. We then had a couple of the other deals come into the markets. Luxembourg was probably first into the pool in 2017. More recently, on the €110 million figure the Chairman referenced, the Comptroller and Auditor General issued a report in September of last year in which he and his team had estimated the figure at approximately €110 million. The Chairman rightly asked how we arrived at a figure of €50 million now. As I said in an answer given earlier, part of the reason is because of supply and market force. The Danish deal that had come into the public arena at €12.50 euro per megawatt hour put a frame on the price. Everyone has commented that although a very significant amount of money is being paid over, it could have been an awful lot higher given that we are one of a number of member states that is in deficit. Unfortunately, in that situation one is at the mercy of those that are in surplus and therefore can drive further price. I hope this answers that piece.

Deputy Eamon Ryan: With regard to the renewable energy sources, RES, auctions, the RES auction just completed this year sets us on the path to meeting the 2030 target. This is the first important thing to recognise. The large number of solar projects that bid in was also significant. The role of the auctions has impacted the development of a variety of things including the

critical constraints around grid, access to grid, and the ability of the ESB and EirGrid to deliver grid connections. Critical in this is the issue of constraint or curtailment and grid constraints. This is not very glamorous but we are already starting to see a significant amount of curtailment of the wind we do have, because of grid restrictions. That is one of the limiting factors in it. I expect it to be, if not annual, certainly very regular. Similarly, offshore would not be annual, but not multiannual gaps. It takes a long time to go from the auction to delivery of the projects. We have ambitious targets to meet and we want to go further and faster if we can. Doing it in a step basis where there are regular auctions is much better than betting it all on one big auction system. I would expect in each case maybe two or three auctions within the lifetime of this Government for each area, if not more. That is the sort of timeframe. Effectively it would be annually, but with a variety of different approaches, onshore or offshore.

The Deputy is right with regard to biofuels. Most of the generation of the target was reached with the use of blending in bioethanol and biodiesel. On the ethanol side there are technical limitations as to how much the engines can actually cope with. On the biodiesel side the real constraint is around environmental constraints such as land use implications and long-term or major expansion in fuel supplies. We absolutely want to use waste materials and convert them to biofuels. While there may well be further developments in that regard it is limited.

The original directive, from memory, included electricity as a renewable fuel in meeting that renewable target. We see the real potential in the switch to the electrification of transport. Another key point, and going back to the argument of efficiency being everything, is that the key metric should be how to reduce the amount or volume of travel needed. Nobody looks for a long distance commute as a quality of life measure. There is nothing low-carbon in having a really sprawled development model. There is everything to be gained from a 15 minute city with services in close reach of community. This is for social and community reasons as well as for zero carbon reasons. Our first key target should be looking to see how we can reduce the amount of long-distance commuting as a quality of life measure as well as to reduce the use of fuel. With Covid there is now a strange opportunity to deliver on this.

Chairman: Would anyone wish to come back in, as we have time? No. This concludes our consideration of this matter. I thank the Minister, Deputy Ryan, and his officials for attending the meeting and for answering our questions.

Message to Dáil

Chairman: In accordance with Standing Order 90, the following message will be sent to the Clerk of the Dáil:

The Select Committee on Climate Action has completed its consideration of the following motions:

That Dáil Éireann agrees the terms of the agreement between Ireland and the Danish State on the establishment of a framework for the statistical transfer of energy from renewable sources for target compliance purposes under Directive 2009/28/EC

and,

That Dáil Éireann approves the terms of the agreement between Ireland and the Republic of Estonia on the establishment of a framework for the statistical transfer of ener-

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gy from renewable sources for target compliance purposes under Directive 2009/28/EC.

The select committee adjourned at 2.55 p.m. *sine die*.