



Energy Policy & Planning Unit
Department of Communications, Energy & Natural Resources
29 – 31 Adelaide Road,
Dublin 2

To whom it may concern,

The American Chamber of Commerce Ireland welcomes the opportunity to contribute to the Green Paper on Energy Policy in Ireland consultation. Many of our members are among the largest energy users in Ireland and they are acutely conscious of the need for a stable, transparent and cost effective energy environment. The Green Paper's ambition to set the parameters for energy policy up to the end of the next decade is welcome and has the potential to provide some much needed certainty. While the international energy environment is ever evolving it is clear that certain policy directions can be assumed. The growing importance of renewable energy, the expansion of unconventional energy sources, new developments in biomass, heat generation and hydroelectric are all having an impact on how energy is sourced. Plotting a path to the future is of course fundamentally uncertain and we welcome the Green Paper's focus on security, competitiveness and sustainability as the key parameters for policy decisions.

Our members are necessarily concerned with all three priorities. Cost competitiveness is the day-to-day driver of efficiency measures, but this is not to ignore the value that firms apply to becoming less intrusive on the natural environment, nor to devalue the importance of efficiency measures in aiding productivity. Security of supply to Ireland is hugely important to our members and we believe that all avenues of potential should be explored to help ensure that is strengthened and renewed. Just as businesses must remain alive to the need for change in their operations to remain competitive and relevant to their customers, so must the way in which they use energy. Businesses are key contributors to meeting national targets for renewable energy, energy use reduction, and carbon emissions. Despite significant progress toward reducing Ireland's energy intensity, our members are of the view that demand for energy by large users has not lessened and that policymakers must be cognisant of that when formulating policy. It is therefore essential that the cost of energy in Ireland become more internationally competitive.

Markets, Regulation and Prices

High energy utility costs are a perennial issue for energy intensive plants in Ireland. In particular, when comparisons are made by US Corporate HQs between Ireland and their other locations around the world, we often suffer by comparison. Being competitive as a location for business operations within a multinational's global structures is vitally important. Ireland's track record in delivering consistent excellence has given us real competitive strengths, but we can never become complacent about this. Cost competitiveness, however, remains a key consideration for our members, and it is essential that, where they arise, opportunities to reduce the cost of energy are taken.

American Chamber of Commerce Ireland

6 Wilton Place, Dublin 2, Ireland

Tel: +353 1 661 6201

Fax: +353 1 661 6217

Email: info@amcham.ie

www.amcham.ie



Energy costs in the US and a number of other competitor locations have fallen in recent years, generally as a result of greater use of unconventional sources, such as shale gas and oil. This is having profound effects on global energy markets and on the competitiveness of industry in the US. European energy prices compare poorly with the US, and within Europe Ireland has prices that are among the highest¹. The American Chamber, recognising that Ireland is a price taker in global markets, believes that all measures possible to lower those prices should be employed. We also wish to support the proposal that a portion of Irish carbon taxation revenues be set aside on an annual basis, to be disbursed among electricity intensive firms whenever Irish industrial electricity costs are substantially higher than the EU average². Due to our reliance on natural gas for electricity generation our wholesale prices are particularly vulnerable to international price movements. Acquiring the ability to hedge against volatility for energy intensive businesses would provide a welcome competitive boost to industry. Such a mechanism could also provide some certainty during periods of price uncertainty and should avoid prejudicing the interests of other groups of consumers.

We encourage certainty regarding the future of the peat firing stations in Edenderry, West Offaly and Lough Ree, in particular regarding the potential for converting the latter two to co-firing biomass plants. The potential cost implications of such conversion should be fully explored before any decisions are made, particularly if the PSO levy is to continue in some manner to support that. It will be a source of concern to our members if the potential cost saving from discontinuing the PSO contribution to these plants is not realised due to a shift in their usage and policy should be cognisant of that. Our members believe that the PSO levy should be reoriented to incentivise flexibility in power supply and away from rewarding capacity. The allocation made to producers could be set against peak demand. We know that intermittency is increasingly likely as the amount of renewables on the grid increases therefore it is vitally important to ensure supply.

In its review of Irish energy policy in 2012, the International Energy Agency noted that the increased integration of renewables into the market requires that sufficient flexibility be provided³. In their view the capacity payment mechanism, which provides for an annual capacity pot for operators in the single electricity market, should evolve to reward flexibility in generation. Currently the mechanism rewards generation. The Chamber believe that controllable costs such as the PSO levy and capacity payment mechanism should be as low as feasible, should reward flexibility and encourage investment in cost effective generation.

Planning and Implementing Essential Energy Infrastructure

Our members are concerned that the planning process in Ireland is not sufficiently transparent or predictable. A number of US companies in Ireland have undertaken localised renewable energy projects which endured significant delays due to the planning process. This creates difficulties both for the practical implementation of plans and in accounting to Corporate HQ for delays in the completion of projects. Significant time and capital investment are therefore put at risk by a planning system that is unresponsive and oblique.

¹ Ireland's electricity costs are the 6th highest for large users in the in the euro zone (National Competitiveness Council, Costs of Doing Business in Ireland 2014)

² As verified by Eurostat

³ International Energy Agency (2012) 'Energy Policies of IEA Countries: Ireland 2012 Review'



The lack of information exchange during the planning process also gives rise to difficulties as Irish operations are unable to update HQ on the project, its chances of progressing or the timelines involved. An easier, more transparent planning process would make industry more inclined to undertake such projects and thereby aid meeting the State's renewables targets.

On a national level, it is vital that Ireland's infrastructure continues to be upgraded and keeps pace with future demand and technological advances. To that extent it is clear that the planning process has delayed the completion of the single electricity market. The North-South interconnector has been stalled due to planning delays which put it at odds with two of the three core considerations of policy: undermining security of supply and undermining competitiveness by raising costs to the consumer.

American Chamber members are acutely conscious of the importance of security of supply. Many of them run operations that require an uninterrupted energy supply. It is an essential aspect of their functions and any supply interruptions would be of fundamental concern. We believe that ensuring security of supply nationally would be boosted by the completion of the Shannon LNG project. An LNG terminal would provide another source of energy supply for Ireland, which would be all the more welcome in light of our dependence on gas imports and low level of native sources of gas.

Putting the Energy System on a Sustainable Pathway

American Chamber member companies are fully aware of the importance of Ireland's transitioning to a more sustainable energy mix. Many such companies are committed to the use of renewable energy sources, combined heat and power solutions, and other environmentally sustainable approaches. Such measures are naturally just part of the energy mix that large plants can employ for their needs. American companies in Ireland are also keen to undertake energy efficiency related projects to exercise some cost control. In order to proceed with these projects they require the support of their US parent. This can be hard to come by if the return on investment anticipated with the project is insufficient.

By way of contrast R,D & I investments are favoured by HQs. We believe that more should be done to encourage businesses to engage with the national schemes available to support energy efficient investment. Furthermore, the Government should encourage engagement between large energy users in Ireland and international financing bodies to tap dedicated private finance for energy efficiency projects. The Chamber is persuaded by a recent report of the Energy Efficiency Financial Institutions Group⁴ that advocates standardisation in the EU context of procedures, legal contracts, best practice, and documentation and so on, to provide certainty to potential investors. In addition, our members are clear that tax breaks are the most effective and attractive mechanism by which they can secure capital from their HQ for efficiency investments.

Our member companies are among the most energy efficient in Ireland, and are both ready and willing to share best practice among their industry partners. The Chamber believes that while the

⁴ Energy Efficiency Financial Institutions Group (2014) 'Energy Efficiency – the first fuel for the EU economy'



sharing of best practice has been well facilitated by the SEAI's Large Industry Energy Network, there is scope to go further. We believe that providing greater access to relevant data on cost savings and energy efficient initiatives is required to improve decision making in this area.

Collaboration between industry partners can become increasingly important for delivering large scale energy efficiency projects. As previously noted, the planning process must be more responsive and timely for such investments to happen. Policy should encourage the willingness of companies to jointly invest in projects designed to meet common energy needs. Such projects can of course benefit not alone the partners to them but also broader society as any excess power generated is fed back into the grid. Industry is willing to play a leadership role in this regard but will need to be facilitated to do so.

Additional observations

The Green Paper provides a largely comprehensive overview of the key energy policy issues affecting Ireland. There are some other issues to be addressed which the Chamber considers to be important for our members and Ireland's competitiveness.

North-West Natural Gas Infrastructure

The supply of natural gas into Ireland is an essential part of our energy mix. There are currently only a few areas of the country that cannot benefit from the supply of natural gas. Among them is the North-West covering Donegal and Sligo. The Chamber's members in that region are very keen to see the extension of natural gas to the area as their businesses would benefit in a range of ways. Furthermore, putting the necessary infrastructure in place could provide another factor for attracting investment to the region. The Chamber is of the view that the Western Development Commission's work on this issue has been comprehensive and provides a roadmap for delivering the necessary infrastructure. We believe the Government and all relevant stakeholders in those counties should explore the available options to resolve this impasse.

PSO levy administration

The Chamber is conscious that the administration of the PSO levy is a function of the Commission for Energy Regulation and therefore falls outside of the structure of the Green Paper. However, we are of the view that recent very large percentage increases in the PSO levy are becoming a problem for our members and believe it is relevant to highlight this here. Most multinational corporations set their global budgets centrally and at particular times of the financial year. This requires that each global subsidiary in turn submit their local budgets in advance to their HQ. Having set budgets in advance for the full financial year our members are seriously inconvenienced when energy prices suddenly spike due to a significant PSO levy increase. Our contention is that the timing of the PSO levy increase should be changed to accommodate this process to aid budgetary planning.



Conclusion

The American Chamber welcomes the opportunity this consultation has provided to highlight some key issues for our members. Our members are ambitious for their operations and they are ambitious for Ireland. For those ambitions to be met we must be cost competitive and we must be a location that has a reliable, certain supply of energy. Our members will be encouraged by greater certainty around energy costs and the direction of policy over the next decade and a half. They are keen to drive efficiencies in their operations and will look to policy to help further facilitate that. We remain available to the Department for any further consultation they may seek to undertake on this vital area of public policy.