

# SEAI Public Consultation on Renewable Electricity Corporate Power Purchase Agreements

Response from the American Chamber of Commerce Ireland  
to the SEAI's Consultation Document

March 2021

## Intro

The American Chamber of Commerce Ireland (the Chamber) is the collective voice of US companies in Ireland, Irish companies expanding in the US and organisations with strong bilateral links between Ireland and the US. We are the leading international business organisation supporting the transatlantic business relationship. Our member companies, positioned at the centre of the world's two largest and most integrated economies - the US and the EU - are playing a critical role in Ireland's economy and society

The Chamber appreciates the SEAI's consultative approach to the development of Corporate Power Purchase Agreements (CPPAs) in Ireland. A proactive approach to the development of corporate renewable energy procurement will play an important role in decarbonising Ireland's electricity supply.

We fully support the Government's ambition to decarbonise the economy by 2050, as well as the EU's increased decarbonisation target of 55% emission reductions by 2030. We applaud the global leadership shown by Ireland in seeking to set a goal for CPPAs.

The Chamber is calling for a comprehensive and inclusive roadmap outlining how all sectors of the Irish economy will adapt to sustainably contribute to lowering Ireland's emissions, ensuring that ambitious target-setting by Government is matched with appropriate regard to how Ireland's future economic growth will be achieved. The production of 70% of Ireland's energy needs from renewable sources by 2030, will be a significant step towards achieving Ireland's targets.

## Overall Comments

The Chamber believes that CPPAs should play an increased role in Ireland's energy markets. Leveraging of private capital is an important mechanism in ensuring that Ireland meets its targets under the Renewable Energy Directive and other international commitments. A fully realised competitive CPPA market facilitated by a reduction in regulatory barriers, is an opportunity for Ireland to reduce its reliance on the current Public Service Obligation (PSO) levy structure for mature technologies including onshore wind and solar.

We agree with the SEAI's and the Government's objective of setting a target for CPPAs within the Climate Action Plan. For Ireland to meet 2030 goals, it is important that all targets are achievable. As noted in the Baringa report, the target of 15% of demand 'implies a more central role for corporate PPAs in renewable build out than has been achieved to date elsewhere in Europe'. The target set must realistically reflect the level of activity and supply available in Ireland's CPPA market based on best available data and should be underpinned by the necessary regulatory conditions.

The realisation of the target set will be reliant on a significant increase in the supply of electricity available for procurement through a CPPA. Our members have highlighted the lack of supply as the most serious barrier to the expansion of CPPAs in Ireland. The 2020 RESS auction purchased nearly 80% of

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offered capacity.<sup>1</sup> Additionally, organisations based in Ireland are currently paying a higher price for renewable energy than many other European countries. The creation of a cost-competitive market for CPPAs, with sufficient supply, will be key to the success of many of the proposal outlined in the Baringa report.

We appreciate that many of the factors, driving the supply of renewable energy, fall beyond the scope of this consultation document. The adoption of modern technology with greater capacity, a more equitable allocation of business rates, consideration of transmission costs, and the development of additional grid capacity with increased interconnection points for new renewable energy projects would all contribute to an increase in the number of CPPAs created. In the short term, we ask that consideration be given to modify the PSO levy to send a price signal to encourage corporate renewable energy investment in Ireland.

We are not in favour of mandating demand, while Ireland is still developing the capacity to deal with current and predicted demand. Without a sufficient supply to meet the current market demand for CPPAs, a mandating approach would have serious negative consequences for the Irish CPPA market. Requiring companies that seek to invest in Ireland to sign a CPPA would make Ireland a European outlier, making it a less attractive location for global organisations to invest and create jobs. Furthermore, we are concerned that mandating demand could eliminate the competitive market for suitable projects, causing the cost of renewable energy in Ireland to increase and potentially falling foul of European State Aid rules.

## Consultation Questions

### *1. What role should CPPAs have in delivering Ireland's renewable energy ambitions?*

The Chamber believes that CPPAs can play an important role in realising Ireland's renewable energy ambitions. In addition to the significant public investment in Ireland's energy infrastructure, private investment through CPPAs will help Ireland to reach 70% renewable energy by 2030.

The increased adoption of CPPAs will have a positive impact beyond the organisations party to the agreements. An uptick in the number of CPPAs entered into will mitigate costs that would otherwise be passed on to customers through the PSO, as well the associated benefits for the grid, for customers, and for communities working towards renewable energy targets.

We would appreciate the inclusion of a clear definition of a CPPA in an Irish context. In particular, we would appreciate clarification on whether the target set will include any future corporate project that seeks to add renewable energy to the market, or will it be limited to the current structure of CPPAs in Ireland.

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<sup>1</sup> [https://www.eirgridgroup.com/site-files/library/EirGrid/RESS-1-Final-Auction-Results-\(R1FAR\).pdf](https://www.eirgridgroup.com/site-files/library/EirGrid/RESS-1-Final-Auction-Results-(R1FAR).pdf)

## *2. What are your views on the shortlisted options in the Baringa Report?*

The low supply and high cost of energy procured through CPPAs, as well as the current distortion within the market, contributes to the low levels of CPPAs entered into in Ireland. We note that the cost of renewable energy through CPPAs in other EU Member States is reaching, and in some cases is below, parity with the cost of electricity available through the grid. The market for CPPAs must be fostered through the reduction of barriers, consideration of policies that affect pricing, and promoting the importance of CPPAs.

We suggest that reconsidering the structure of the RESS auction (including the introduction of limits on the frequency of auctions, volume restrictions, separate auctions per technology and the separation of technologies), caps on the amount awarded to developers, and higher bonding requirements, as well as the realignment the PSO structure, would have a positive impact on the cost of renewable energy in Ireland and in turn the number of CPPAs entered into.

We are concerned that several options included in the consultation would negatively impact the market for CPPAs, in particular mandating demand (discussed above) and the closing of the supplier lite option. The option is integral to how the SEM and now ISEM market work. We do not believe that removal of the supplier lite option will encourage the development of CPPAs.

Furthermore, we are not in favour of mandating fuel disclosure. We are concerned that it is likely to discourage future buyers from entering the Irish market. However, if such a system was introduced we strongly suggest that it should be applied across the entire market – including retail supply companies selling green products to consumers and renewable assets with REFIT/ RESS contracts.

## *3. Should CPPA's receive favourable treatment in terms of grid access or otherwise?*

The Chamber is very supportive of increasing access to the grid for all projects that are ready for construction, by replacing the yearly application process with quarterly application opportunities. Grid access is a key enabler for the transition to renewable energy. To maximise Ireland's chances of reaching its 2030 targets, we believe priority should be given to all renewables that have a route to market solution. It is important that all elements of the eco-system work together to ensure the speedy delivery of the maximum number of projects possible. CPPAs should also be given priority to operate during periods of curtailment.

The current process for awarding grid capacity is too long, costly, and unclear. Consideration should also be given to policy options that would help to increasing the cost competitiveness of CPPAs from a corporate partner and developer perspective.

## *4. What priority should be given to the options?*

Given the urgent need to increase the production of renewable energy in Ireland, the Chamber believes that priority should be given to policy options that will have the greatest impact in the short term. Many of the world's largest corporate power purchasers, who have publicly committed to investing in

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renewable energy, are located in Ireland and are keen to invest in CPPAs. Fast-tracking grid connections for CPPAs and ensuring that CPPAs have priority for dispatch in the market, as well as providing increased opportunities through the year to secure interconnection agreements, would increase the availability of projects available to the market.

The fastest and best option to encourage CPPAs in Ireland is to modify the PSO, sending a price signal to encourage buyers to procure renewable energy from projects in Ireland. Under the current PSO, buyers currently pay twice for their renewable energy. Modifying the PSO will relieve this burden, making the market more attractive to organisations considering how to reduce their carbon footprint. We would appreciate the opportunity to work with the SEAI and the Department to ensure that the PSO be modified in a way that achieves net savings on PSO costs for all Irish ratepayers.

*6. How can the supply of renewable projects for CPPA contracts be increased, and should RESS and CPPAs be more integrated or less integrated?*

The Chamber strongly believes that an increase in supply is key to the success of CPPAs in Ireland. The small number of available renewable energy projects, combined with the strong demand from RESS have set an artificially high price for renewable energy projects in Ireland. The price for a MWh of wind or solar in Ireland in latest RESS auction was set at €74<sup>2</sup>. While we appreciate that each country's auction is structured differently, Ireland's rate is far higher than in other EU countries, such as Germany (~€60's)<sup>3</sup>, Denmark (low ~€40's)<sup>4</sup>, and the Nordics and Spain (low to mid ~€30's)<sup>5</sup>, which SEAI has noted as having the most robust markets for CPPAs. In order to protect the integrity of the CPPAs, we believe that they must remain independent of the RESS. However, both schemes should be underpinned by a coordinated policy response to ensure a competitive renewable energy market to benefit of all Irish consumers. Ireland should adopt pro-supply policies and increase the pipeline of available projects to meet the demand that exists within our membership to enter into CPPAs.

As we noted above, the current design of the PSO levy is a significant barrier to the development of CPPAs in Ireland. Organisations entering into CPPAs contribute directly to financing additional renewable energy capacity, supporting Ireland to reach our overall national targets. As electricity consumers, these organisations are also paying a PSO levy, and thus are paying twice for renewable energy developments - once through their direct renewable purchases, and again through PSO payments. Modifying the PSO to encourage CPPAs should be a priority to increase CPPAs projects in Ireland.

Permit-granting procedures and planning permission are major barriers to the development of renewable and storage projects in Ireland. The procedures are overly complex, restrictive, and involve too many contact points leading to long delays and increased uncertainty. Project delays reduces

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<sup>2</sup> [https://www.eirgridgroup.com/site-files/library/EirGrid/RESS-1-Final-Auction-Results-\(R1FAR\).pdf](https://www.eirgridgroup.com/site-files/library/EirGrid/RESS-1-Final-Auction-Results-(R1FAR).pdf)

<sup>3</sup> <https://www.pv-tech.org/france-supports-341mw-of-solar-projects-in-latest-renewables-auction/>

<sup>4</sup> <https://www.sciencedirect.com/science/article/pii/S0306261920302890>

<sup>5</sup> <https://about.bnef.com/blog/sweden-spain-the-cheapest-european-markets-for-wind-and-solar-corporate-ppas-bnef-survey-finds/>

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Ireland's access to the latest technologies, increases the perceived risk for projects, and thus the cost of capital, which is a significant cost component for renewable energy projects.

We are supportive of a comprehensive review of Ireland's disparate planning legislation to produce a consolidated Planning Act, to ensure certainty of process and improve the efficiency of Ireland's planning system. We believe that Ireland should be benchmarked against the most streamlined and business-friendly planning processes in other jurisdictions. Making proportionate changes to Ireland's planning process will narrow the differential between us and our competitor locations and support the effective realisation of CPPAs.

*7. How can LEU demand for CPPAs be stimulated and translated into signed CPPA contracts?*

Many of the Chamber's members have publicly committed to very ambitious global carbon reduction targets. Companies recognise that the climate crisis requires an urgent response, and they are increasingly taking voluntary action to meet this challenge. The appetite for CPPAs is growing within Ireland and across Europe.

Ireland must compete globally to win private investment in renewable energies by positioning itself as an attractive cost competitive location to enter into a CPPA. As noted in the consultation document, we face significant competition from other European countries with more established CPPA markets. In particular, we suggest that Ireland can learn from the experience of Spain, the Nordics, and the UK who now have thriving CPPA markets. Any policy modifications to Ireland's CPPAs should be made in the context of the Common European Market for renewable energy buyers.

*8. Are any of the shortlisted measures infeasible from your perspective? Why?*

Given the current constraints on supply, we do not believe the "mandating demand" approach included in the consultation document is an appropriate approach to improving the Irish CPPA market. Our members are concerned that this approach, particularly the introduction of penalties for noncompliance, would have a significantly distortive effect on the market - eliminating competition and causing an unnecessary rise in the cost of renewable energy in Ireland. Furthermore, a mandatory requirement within our CPPAs regime would make Ireland an outlier amongst our European competitors, reducing Ireland's attractiveness as a location for businesses to invest in.

We also believe that ending supplier lite scheme or changing the fuel declaration options would limit rather than increase supply. Both are fundamental elements to the structure of the Irish CPPA market. Removing the supplier lite option would cause considerable disruption to the investment models for renewable energy in Ireland, at time when we need to further investment. The supplier lite model is key to the ensuring that the operation of REFIT and RESS schemes within the SEM / ISEM and the decision to remove or limit it would significantly reduce the number of suppliers who can supply the market.

*9. What role and application method could enhance transparency have in the encouragement of CPPAs?*

Significant reporting mechanism are already in place for organisations investing in CPPAs. Our members currently produce substantial independently audited annual reports, which include details of their

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energy mix. We are concerned that further administrative requirements would limit the number of organisations willing to invest in renewable energy in Ireland.

Unnecessary complexity should be avoided, and any provisions adopted should seek to minimise the cost of compliance and mitigate the administrative burden where possible. We ask that any requirement take account of the pre-existing reporting requirements under common protocols for corporate sustainability efforts, such as the Greenhouse Gas Protocol. In particular, we suggest that the reporting requirements include flexibility for organisations with publicly available renewable energy procurement methodologies to reflect these methodologies in their reporting

As previously stated, we believe that any transparency measures should be required across the entire market, including retail supply companies selling green products to consumers and renewable assets with REFIT/ RESS contracts, to ensure equality.

*10. Do you have suggestions for alternative packages of complementary measures that would fulfil the policy objectives?*

In addition to the suggestions above, we suggest that the SEAI and the Department of the Environment, Climate and Communications consider mechanisms to reduce the credit risk associated with CPPAs, thus increasing the number of organisations who can consider entering into a CPPA. We would welcome the adoption of financing and de-risking facilities measures that are available in other EU Member States. For example, the Spanish government recently announced a financial support scheme for corporates seeking PPAs that includes credit risk guarantees. In Norway, energy-intensive companies and buyer consortiums can benefit from a publicly guaranteed scheme supported by the Norwegian Export Credit Guarantee Agency.

*12. Is the scale of ambition of CPPAs realistic by 2030? i.e. a 15% Target of all electricity demand, or 85% of projected total large energy user consumption growth to 2030.*

We are very supportive of setting an ambitious goal for CPPAs within the Irish renewable energy market. However, we are concerned that the target does not reflect the level of current activity and supply available in Ireland's CPPA market. The current market comprises of a very small number of large energy users. We recommend that the SEAI base their target on a comprehensive review of potential large energy buyers in Ireland, the project pipeline, and the competitiveness in the market for CPPAs.