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# National Energy Demand Strategy

Response from the American Chamber of Commerce Ireland  
(AmCham) to the Commission for Regulation of Utilities'  
public consultation.

February 2024

# **The American Chamber of Commerce Ireland**

## **The Voice of US-Ireland Business**

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The American Chamber of Commerce Ireland (AmCham) is the collective voice of US companies in Ireland and the leading international business organisation supporting the Transatlantic business relationship. Our members are the Irish operations of all the major US companies in every sector present here, Irish companies with operations in the United States and organisations with close linkages to US-Ireland trade and investment.

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AmCham recognises that efforts must be accelerated if Ireland is to reach its goals of a 51% reduction in greenhouse gas (GHG) emissions by 2030 and carbon neutrality by 2050.<sup>1</sup> Significant progress needs to be made in a relatively short space of time, and AmCham has continuously stressed the need for action in this area to ensure that Ireland meets its targets.

As the consultation document notes Ireland is a “*world leader in digital and ICT technologies, and in the R&D and manufacturing of pharmaceuticals, biotechnology and other sectors.*”<sup>2</sup> There are almost 972 US companies in Ireland who directly employ over 210,000 people and indirectly support a further 168,000 jobs in the Irish economy. A policy approach focused on attracting inward investment to Ireland has delivered FDI which supports over 80% of Ireland’s current corporation tax receipts and over one-third of Ireland’s current income tax receipts. The presence of multinationals in Ireland also significantly benefits our indigenous business environment, our local communities, and supports balanced regional development. As reported by the OECD in 2021, one of every four multinational employees who moved job either went to work for an existing Irish company or set up a new one.

Ireland is fortunate to have, right across the country, some of the largest and most advanced manufacturing facilities in the world in sectors including medical technology, biopharmaceuticals, semi-conductors, automotive technology, and food/beverage as well as significant data centre investments. These facilities supply key global supply chains and markets, and have already committed to their production/output targets. Lives around the world depend on those targets being met, for example – four out of every five medical stents, saving lives around the world, are created in Ireland. Many of these facilities operate on a 24/7 basis and very carefully plan their shifts to ensure the people needed have sufficient notice. Most already implement best-in-class energy efficiency and are making strong energy demand reduction efforts as energy is one of their biggest costs.

The CRU acknowledges “*industry’s own clear ambition to decarbonise*”<sup>3</sup> and AmCham members are reflective of this strong commitment to climate action. A recent survey of AmCham members found that 42% have committed to reaching carbon neutrality by 2030, with this rising to 64% aiming to reach this goal by 2040. Despite the numerous challenges businesses have faced in recent years, our members remain committed to achieving a more sustainable future. MNCs in Ireland are determined to deliver on ambitious goals in diverse areas such as renewable energy, waste reduction, and net zero. AmCham members are focused on how best we can ensure that all sectors of the Irish economy adapt and contribute to meeting Ireland’s climate action goals, including through consideration of our renewable energy policy, the adoption of pro-innovation pilot programmes across potential

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<sup>1</sup> Climate Action Plan 2024, Government of Ireland.

<sup>2</sup> National Energy Demand Strategy Consultation, CRU.

<sup>3</sup> Ibid.

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technologies, focusing on achieving net zero, and identifying opportunities to improve energy efficiencies. AmCham and our members continue to closely engage with Government and State agencies to address the various requirements needed to ensure that Ireland meets its net zero ambitions.

It is key that every sector of the economy plays its part in ensuring that targets laid out in Ireland's carbon budgets are met. The energy sector in particular should take a leading role in doing so. In this regard AmCham has continuously stressed the need for accelerated action in terms of the development of indigenous renewable energy in Ireland through offshore wind development, hydrogen production, and biomethane production. Whilst there is industry wide appreciation that Government has clear intentions to increase the roll out of renewable energy across Ireland, in line with its own obligations under EU law, there is still much to do. More needs to be done by government bodies, planning authorities and regulators.

Industry continues to play its role and has been focused on energy efficiency for quite some time. However, it is important to note that flexibility when it comes to energy demand creates challenges in terms of the outputs of MNCs. Business needs to be supported to the fullest for flexibility enablement given the disruption to business models if designed incorrectly. Indeed, as industry continues to electrify its heat, there will need to be mechanisms to avail of low carbon electricity from the grid as that is a key means to decarbonise Scope 1. Mandatory measures should not be implemented unless absolutely necessary, and only be considered as a last resort.

## **Do you agree with the overall approach to the NEDS?**

AmCham welcomes the various different opportunities to provide feedback to the CRU on the NEDS, notably the call for evidence in the summer, the workshop on the NEDS in January, and the series of consultations that are currently being held. It is essential that this sort of dialogue is continued, and indeed enhanced, throughout the lifespan of the NEDS. It is crucial that industry understand what is expected of them, and have the opportunity to explain the complexities of their specific operations and the practicalities of implementing demand side flexibility. Despite the consultation process there is a significant lack of certainty for Large Energy Users (LEUs). Greater guidance, clarity, and cohesion from Government, and alignment between Government the CRU on an approach to energy demand policy and decarbonisation is needed going forward.

The 'twin transition' of climate change and digitalisation should be a core priority of Government policy going forward, as noted in the CRU's consultation document. Digitalisation will be a core mechanism to advance climate action in the years ahead. Indeed, digital technologies can deliver up to 20% of the 2050 reduction needed to hit the

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International Energy Agency climate goals in the energy, materials and mobility industries.<sup>4</sup> However, the measures laid out by the CRU serve to somewhat undermine the processes that are needed for this enhanced digitalisation.

Core Government messaging, as found in papers such as the White Paper on Enterprise 2022-2030, highlights how *“FDI and trade will remain central to our growth model and economic strategy.”*<sup>5</sup> The measures led out by the CRU appear to be in tension with such ambitions. The CRU’s recognition of Ireland’s status as *“a world leader in digital and ICT technologies, and in the R&D and manufacturing of pharmaceuticals, biotechnology and other sectors”*<sup>6</sup> does not acknowledge that this position depends on the reliable delivery of and access to energy. This is needed to maintain the targets and outputs that are necessary to support global businesses operating from Ireland. Certainty is key for business and as such the uncertainty that has stemmed from the NEDS risks undermining Ireland’s reputation as a leading location for FDI. There needs to be greater alignment between Ireland’s ambition for economic growth and its ambition to reach its climate targets. The two can work hand in hand, as the CRU suggests, but further consideration should be given to how best this can be achieved.

AmCham notes that the approach adopted by the CRU, that of obligating electricity users to deploy additional generation capacity, is different to that which is being implemented in Europe. In Europe, the regulatory model that has been established makes National Regulatory Authorities responsible for the provision of resource adequacy, and for upholding a market that is able to deliver the adequate resources. For Ireland to maintain its competitiveness, consideration should be given to the European approach in terms of the responsibility that is being placed on energy consumers. AmCham suggests that this is kept in mind by the CRU in how it plans to implement its strategy. In this regard, AmCham notes that collaboration with industry will be essential in ensuring that any change is both practical and manageable.

### **Do you agree with the sources of demand flexibility that have been identified (storage, transport, domestic, industrial & LEUs, commercial)? Are there other sources of flexibility that could contribute to the demand flexibility targets?**

The overall approach of the NEDS would be strengthened by a greater awareness of the realities of introducing demand side flexibility to operations which depend on forward

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<sup>4</sup> Digital solutions can reduce global emissions by up to 20%. Here’s how, World Economic Forum.

<sup>5</sup> White Paper on Enterprise 2022-2030, Department of Enterprise, Trade, and Employment.

<sup>6</sup> National Energy Demand Strategy Consultation, CRU.

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planning and certainty if they are to successfully operate in Ireland. Flexibility is a significant cost to business, and quite often uncertain or unquantifiable. There is a need for greater consideration of this by the CRU. The consultation document notes that LEUs will need to *“to invest in flexibility capability from the outset”*<sup>7</sup> however does not provide concrete details of this and does not acknowledge that these sorts of costs present a significant deterrent to businesses further expanding in Ireland, particularly given that electrification of heat will bring significant costs in terms of infrastructure and likely operational costs.

The suggestion that industry could change production schedules fails to take into account the practicalities of operating large sites, with 24/7 shift patterns and many needing to maintain batches at strict temperatures. Power interruption may have a lasting impact in terms of potential damage to industrial tools. Several industries need a minimum amount of gas for production continuity. If production is stopped, it cannot be easily restarted without significant delays, regulatory approval, and costs.

Additionally, LEUs need considerable forewarning if they are to adjust their output. It will therefore be essential that measures to enable an activation notice of several hours, as much as 24 hours in some cases, are enacted. In doing so LEUs who need to change the level of available capacity and the number and duration of events must be accommodated for.

As AmCham has outlined in previous submissions to the CRU, LEUs are most likely to have stable and predictable energy needs. In the context of security of supply, any increase in demand by LEUs is foreseen and, as such, should and can be planned for. When it comes to decarbonisation LEUs can be part of the solution. Several LEUs are working on technology that would allow the energy storage systems used for backup power to help address any variability within Ireland’s power grid. For example, innovation in relation to grid-interactive UPS technology would also allow for backup energy storage systems within facilities to send power back to the energy grid. The potential exists for such systems to significantly reduce Ireland’s carbon emissions whereby they could be utilised to reduce the dependence on fossil fuels, and therefore would contribute to reducing Ireland’s overall emissions. It is also important to note that several AmCham members are the leading purchasers of renewable energy on the planet. Whilst it is fair to point out the amount of energy that LEUs need, this shouldn’t be presented in isolation from the realities of how these users operate.

In order to continue to attract investment to Ireland, the CRU needs to further consider the impact that the implementation of this strategy will have on LEUs. A greater degree of clarity regarding what will be expected of LEUs, how much this will cost, and what incentives will be put in place, is needed.

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<sup>7</sup> Ibid.

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## **Are there additional considerations or clarifications required in defining demand flexibility?**

AmCham sees no major issues relating to the CRU's definition of demand flexibility, as detailed in the consultation paper. However, the provision of a more in-depth definition, including clear examples would be beneficial to ensure that what the CRU means by demand flexibility is fully understood.

## **Can the items proposed for Area 2: Demand Flexibility & Response, as outlined, provide appropriate incentives to improve flexibility, particularly non-fossil fuel flexibility, across the relevant target sectors (i.e. larger business and industrial users, and the transport and public sectors)?**

AmCham notes that market-based mechanisms should be the core method enacted to manage energy demand. The CRU needs to make these market-based mechanisms as attractive as possible to provide LEUs with the appropriate incentives to manage their demand as is needed. Importantly demand flexibility should not be mandatory or a requirement. AmCham is particularly cautious of the various different conditions suggested by the CRU for new LEU connections and will be responding to the CRU's consultation on this topic.

The NEDS should look into specific ways in which flexibility can be encouraged in LEUs. For example, as noted above, many LEUs require significant foresight if they are to adapt their level of demand. In this regard, the development of products that can assist with this forewarning should be prioritised. It will also be important that LEUs providing demand flexibility are not subject to imbalance charges. Finally, Ireland should look to best practice international case studies. For example, the model used by Danish TSO Energinet includes a voluntary Limited Grid Access Tariff for LEUs.

Further, the CRU should consider allowing multisite customers with onsite renewable generation, and demand side flexibility, to trade energy at no cost across the grid between sites. At present, companies who are producing surplus renewable energy are selling this to the grid cheaply, and then buying it again at other sites at full market price with no renewable element included. Steps should be taken to allow for a more direct and cheaper exchange of energy between sites of the same company.