Call for Expert Evidence 2022
Environment and Climate Action Plan Delivery Division
Department of the Environment, Climate and Communications
29-31 Adelaide Road
Dublin 2
D02 X285

20th September 2022

Re: Call for Expert Evidence - Climate Action Plan 2023- Bord Gáis Energy Response

Dear Sir/ Madam,

Bord Gáis Energy (BGE) welcomes the opportunity to respond to this Call for Evidence on Climate Action Plan 2023. The intention of this Call for Evidence is to reflect upon the increased climate ambition as set out in the sectoral emissions targets and determine how this higher ambition can be met, as well as what specific actions should be prioritised.

Earlier this year BGE released a Sustainability Strategy outlining actions being taken within our organisation to reduce emissions. The Strategy strongly aligns to the Government's climate policies, and it highlights that we continue to be a key delivery partner of many aspects of the Climate Action Plan. With the help of our third parties and through engagement with customers we plan to deliver significant emissions savings in areas such as:

- Low carbon dispatchable power generation
- An increased renewable electricity portfolio
- Rolling out smart services
- Increasing energy efficiency measures and retrofits
- Rolling out solar and battery to consumers
- Implementing solutions which will lead to the electrification and decarbonisation of heat

When assessing how the higher level of climate ambition can be achieved, we feel there is a need to take stock of the success, or otherwise, of existing measures and in the context of acute market trends determine how those measures may need to change. We would like to emphasise three key areas that will require close assessment and prioritisation:

1. **Energy security issues point to a need to expedite policy in support of domestic, flexible renewable energy sources**

The Russian invasion of Ukraine and its knock-on energy security impacts, coupled with the difficulties in delivering generation capacity domestically point to a need for stronger security of supply policy and regulatory frameworks. Several actions will be needed in the short-term to address generation needs, which will be guided in large part by the Department's Review of the security of energy supply of Ireland's electricity and natural gas systems. In addition, it's important that we also look to the medium- to long- term. It is vital that there are suitable signals to investors to introduce decarbonised, dispatchable generation to support intermittent renewables such as wind and solar. Both will be essential to meeting the 80% renewable electricity target by 2030. Hydrogen-run

generators will be vital, yet Ireland lags many European Member States who have already developed policy frameworks and are delivering on national strategies. We believe Ireland's Hydrogen Strategy must be prioritised and expedited to encourage investment in new hydrogen-run generators and so that investors can take time-appropriate decisions to invest in re-powering existing plant. Our response to the recent Hydrogen Strategy consultation is attached for further detail.

2. **Market dynamics present considerable retrofit challenges**

Alongside electrification, energy efficiency is a key pillar of Ireland's climate policy. Ambitious targets of 600,000 retrofits to B2 standard by 2030 have been put forward and many steps have been taken to quicken the pace of rollout including increased grant aid and the development of One Stop Shops. BGE has recently restructured its teams to develop a services business arm that aims to play a substantial role in retrofitting. However, we are experiencing very challenging market conditions, including:

- **Inflationary pressure**- although increased energy prices present a stronger case for retrofit at present, this is undermined by the rising costs of the raw materials and labour needed to support energy efficiency measures
- **Rising interest rates**- will result in more expensive borrowing that could deter consumers and increase the overall costs of retrofits
- **Access to skilled labour**- there is a considerable shortage of craftspeople to deliver retrofits[1]

Given these market dynamics, we're seeing a dampening of customer demand which presents a risk to delivering on Ireland Climate Action Plan goals. We ask the Government to review the existing retrofit policy framework to understand if it is fit for purpose in the context of the above challenges.

We believe the review should consider:

- **Customer affordability and whether existing grants are feasible**. We ask Government to consider whether adjustments can be made to improve affordability. For example, through the Electricity Association of Ireland, we recently suggested that Government considers setting the VAT rate for energy efficiency measures to 0%
- **Access to finance**. The need for a government-backed low-cost loan scheme is stronger than ever. The launch of the scheme is expected in Q3 this year and it's important that this scheme is delivered without delay
- **Measures to address skills shortages**. Consider the success of existing measures and whether any further Government initiatives can be rolled out to increase the availability of labour to carry out retrofits

3. **Increasing calls for fossil-fuel boiler bans need to be supported by full coverage of low-carbon alternatives**

We are aware that the Government is considering a ban on fossil fuel-l based boilers (potentially for new boilers and those in need of upgrade). We urge the Government to conduct a study into the expected coverage of lower carbon alternatives such as heat pumps and district heat to ensure there are sufficient options available for the variety of different consumer scenarios. While the National

[1] Skills for Zero Carbon report available here

Heat Study concluded that heat pumps are technically feasible in the majority of homes, it did not cover considerations of whether heat pumps will be economically feasible. Also, there may be challenges associated with space restrictions in terraced homes and apartments that could make heat pump installs unfeasible. The assumption may be that these types of homes typically exist in urban areas and may be catered for by a district heat scheme. While Codema and SEAI are working on district heat mapping on what schemes may be possible, this research needs to be joined up with a more comprehensive study on heat pump suitability to determine if any gaps exist. If a fossil-fuel boiler ban is to be introduced there should be comfort that alternative low-carbon solutions are possible for consumers. If neither heat pumps nor district heat are feasible alternatives must be considered such as biomethane and hydrogen. This would mirror a similar approach to the UK[2] and other countries where these technologies remain under consideration for certain cases. If these or indeed other viable sources of heat are needed, Government should also consider how they might be incentivised for use in home heating.

We hope you find our contributions useful, and we remain ready to discuss these proposals with you and your teams.

Yours faithfully,

[by email]

[redacted]
Bord Gáis Energy

[2] See BIES report on 'Clean growth: transforming heating - overview of current evidence' available here