IBERDROLA
RENEWABLES
IRELAND

Email: CallforEvidence@decc.gov.ie

Date: 20 September 2022

Dear Team,

Call for Expert Evidence: Climate Action Plan 2023

We welcome the opportunity to respond to this Call for Expert Evidence on the Climate Action Plan 2023.

Iberdrola Renewables Ireland is a subsidiary of Madrid based Iberdrola, a global leader in tackling climate change with a commitment to reaching carbon neutrality by 2050. Iberdrola already has over 38GW of renewable energy capacity world-wide, with a commitment to invest up to €150 billion by 2030 in order to deliver a project pipeline of around 95GW and spearhead the green energy transition.

Our company has a proud history of operating on the island of Ireland for over 25 years. We now operate six onshore windfarms with a total capacity of around 60MW and have secured planning consent to re-power our Barnesmore Windfarm in County Donegal, increasing generating capacity from 15 MW to 60MW.

Iberdrola Renewables Ireland is also leading the way in the development of battery storage technology (BESS) having recently completed the 50MW Gorman BESS in County Meath - the company's first operational commercial-scale battery storage system anywhere in the world. Plans are already underway to double the capacity of the Gorman BESS to 100MW adding to the smaller 3MW BESS that is already operational at Barnesmore Windfarm. Our onshore windfarms and battery storage projects are operated by our subsidiary in Ireland, ScottishPower Renewables.

Ireland has some of the greatest offshore wind resources in Europe, which is why we have joined up with Irish headquartered DP Energy to develop three offshore wind projects that will help deliver 3GW of clean energy. The projects are located in three areas on the east, west and south coasts of the country. Once operational, they will generate enough green energy to power the equivalent of 2.6 million Irish homes.

Our detailed response to some of the questions set out in the call for evidence are included in the annex below. In summary, we would highlight that we very much welcome the Government's new targets for solar, hydrogen and offshore wind by 2030. However, there is a significant and growing implementation gap between Ireland's ambitious renewables targets and the level of progress needed to address regulatory barriers in order to achieve

these. Therefore, the Climate Action Plan 2023 must set out a clear roadmap demonstrating how Ireland's ambitious and time-limited emissions reduction and renewable energy deployment targets will be met.

Yours Sincerely,

[redacted]

[redacted]

on behalf of Iberdrola Renewables Ireland

[redacted]

ANNEX

CALL FOR EXPERT EVIDENCE - CLIMATE ACTION PLAN 2023

IBERDROLA RENEWABLES IRELAND RESPONSE

Call for Expert Evidence questions

Are there any unintended barriers within the planning system that should be addressed at national policy level in order to deliver our climate ambitions?

There is a significant and growing implementation gap between Ireland's ambitious targets in respect of renewable energy deployment and emissions reduction and the level of progress needed to address regulatory barriers in order to achieve these time bound targets. The Climate Action Plan 2023 (CAP23) must set out a clear roadmap demonstrating how Ireland's ambitious and time-limited emissions reduction and renewable energy deployment targets will actually be met.

Alignment of National, Regional and Local Planning Policy

To ensure a timely transition to Net Zero, there should be alignment between all levels of the planning system, with overarching national objectives flowing through to local level decision making. This will be essential not just for the alignment of generation and associated network planning decisions, but also for aligning the significant changes that will be required on the demand side, to incentivise new forms of demand (e.g. data centres), the electrification of heating and transport, and the potential role green hydrogen production can play in reaching Net Zero.

Ireland's national policy is currently set through the National Planning Framework: Project Ireland 2040 (NPF) and the associated National Development Plan 2021-2030 (NDP). The NPF was published in 2018 and the NDP states that a review of the NPF will be undertaken by 2024. This presents an opportunity to ensure that national policies for climate action are robust and to provide the direction needed for national and local planning decisions to give due regard to the climate emergency. The Climate Action Plan 2023 should therefore include a commitment to ensure that the revised NPF sets appropriate national climate policies. In summary, the revised NPF should:

- Ensure climate change mitigation and action is a consistent planning policy objective. Policies should give significant weight to tackling the climate emergency, in line with renewable energy and Net Zero targets, supported by criteria to prioritise low carbon infrastructure and to consistently afford significant weight in decision making to positive contributions towards emissions reduction. Policies must explicitly confirm how benefits should be balanced against potential impacts, using clear criteria that can be applied on a consistent and predictable basis by decision makers and that are clearly understood by applicants and stakeholders.
- Ensure planning policies and decisions support flexibility and efficiency in renewable energy deployment. Given speed of technological development, consenting often occurs before detailed design is completed and available technology may change over this period. Flexibility is therefore required to ensure consents can incorporate new and more efficient technologies at the point of deployment.
- Ensure planning policies support the co-location of different renewable and low carbon technologies. Renewable energy parks, which combined wind and solar energy with co-located technologies, such as battery energy storage systems and green hydrogen electrolysers. Co-location helps address issues of intermittency,

curtailment, viability and public perception, as well as helping to decarbonise historically challenging sectors, such as transport, meaning the approach will be essential for building a Net Zero economy.

- Ensure planning policies support the use of taller wind turbines. The market is trending towards taller wind turbines due to technological advancement. Policies should therefore support this trend at new and repowered sites as this will be essential to maintaining and increasing levels of decarbonised generation capacity.
- Ensure planning policies provide clear support for the life extension and repowering of existing sites and for the granting of consents for renewable energy developments in-perpetuity, reflecting the consenting regimes for most other types of development. Analysis by Wind Energy Ireland in 2019 showed that by 2025, 422 MW (8% of today's installed capacity) will be 20 years or older. Looking ahead to 2030, almost 1,400 MW (25% of today's installed capacity) will reach this age bracket. A positive policy framework for life extension and repowering is therefore essential for ensuring Ireland does not backslide on existing capacity and the important contribution this will make in realising the 80% renewable energy by 2030 target.
- Ensure that the NPF provides clear direction and confirms the expectations for national policies to be reflected at regional and local level through Regional Spatial and Economic Strategies, Local Authority Development Plans and Local Area Plans.

Resourcing

Ireland is likely to experience an increase in the volume and complexity of local and Strategic Infrastructure Development (SID) planning applications in response to the renewable energy targets and the ambitions to increase capacity across different renewable energy technologies. Ireland therefore needs a well-resourced and efficient planning system that facilitates timely decisions and invests in stakeholder resources to tackle the global climate emergency and facilitate deployment at the pace and scale needed to meet the renewable energy and Net Zero targets.

CAP23 should therefore confirm how the Government will address this. We recommend that the Government works with industry to develop a resourcing plan setting out the required resource and expertise within statutory advisors and regulators to support the expansion of the renewable energy industry in Ireland. This plan should consider expertise as well as headcount, given the specialist nature of renewable energy casework. The Government should also seek to facilitate renewable energy training workshops for planning units and statutory consultees, in collaboration with industry, to enhance knowledge and capacity within relevant government departments and bodies charged with consenting duties.

Consenting timeframes

The timelines associated with the consenting process in Ireland, and across the EU generally, are a key barrier to the development and delivery of renewable energy projects. This is exacerbated by the complex consenting regime for renewable energy developments in Ireland, where developers are required to obtain consents from various different authorities, often at specific points within the development process. For example, developers must first obtain a planning consent from the Local Authority or An Bord Pleanála, which can take several years, before then applying for a grid connection through the heavily regimented Enduring Connection Policy (ECP) process, which can also take several years. Reform is therefore required in order to reduce consenting timeframes, harmonise the decision-making process and ensure decisions on applications can be reached in a timely manner that reflects the urgency of the climate emergency and the need for the deployment of renewable energy at pace and scale to meet Ireland's targets.

CAP23 should therefore include a clear commitment for the Irish Government to work with the renewable energy sector to identify the reforms that are required in this regard. CAP23 should also commit the Government to enacting the required reforms within a defined timeframe. We support the reforms for consenting timeframes proposed by Wind Energy Ireland and would refer the Government to their consultation response.

What options are available to increase the penetration of renewable electricity beyond the up to 80% committed to in Climate Action Plan 2023?

Iberdrola Renewables Ireland welcomes the Government's announcement in July 2022 of sectoral emission ceilings and with that, increased technology-specific renewable energy deployment targets for 2030. We are however surprised that these targets, which include 7GW of offshore wind, 5.5GW of solar, and 2GW green hydrogen, are not included in this consultation as no details have yet been provided regarding how the Government intends to meet these new targets, for example through new policy measures, market mechanisms and consenting arrangements. While EirGrid has recently consulted on the Roadmap to achieve 80% RES-E target, their consultation also did not set out how the updated targets will be met. It is important that there is alignment between CAP23 and the EirGrid Roadmap. This must be addressed within the CAP23 as the achievement of the technology-specific renewable energy deployment targets for 2030 will be a prerequisite to achieving the Government's 80% overall renewable energy penetration target and associated emission reduction targets.

Therefore, as a first step the Government must set out a clear roadmap to achieve each of the technology-specific renewable energy deployment targets committed to in July 2022, before considering other targets or measures to further increase deployment.

What role does renewable gas have in the power generation sector?

In line with Iberdrola's commitment to only generate clean, green electricity, we firmly believe that the focus of gas infrastructure development should only be on green hydrogen. Green hydrogen will have a critical role to play in decarbonising those parts of the economy that will be difficult to electrify, such as heavy industry and heavy transport. Hydrogen can be more effectively used in these applications, however it is currently an inefficient and expensive technology for decarbonising heat and light vehicles. We were therefore encouraged to see the government recently consult on a green hydrogen strategy.

There is also the potential for hydrogen to perform important system services on the electricity grid, for example in alleviating grid constraints, which will allow the penetration of more renewables onto the system. We agree, though, with a statement made in the green hydrogen strategy consultation that the business case for an electrolyser co-located with renewables and designed to solely run on constrained power is likely to be questionable given low load factors, competition with battery electric storage, and difficulties in finding off-takers for unpredictable volumes of hydrogen.

We welcome the Government's announcement, as part of new Sectoral Emissions Ceilings, of a target of 2GW of green hydrogen by 2030. Renewable energy targets send a powerful signal to developers, the supply chain and investors, and this introductory target is an important step in providing confidence to the market by setting a clear direction of travel. However, it is critical that the detail underpinning this target, such as a supportive policy framework, funding mechanisms and an action plan with milestones, are carefully worked through with stakeholders to ensure the target has a realistic chance of being met.

At present, there is little demand for hydrogen in Ireland, which will need to be stimulated through the actions of government and industry alike. Moreover, as the Government's

Climate Action Plan 2021 notes, electrolysis technologies are still being developed and the costs of producing and supplying green hydrogen remain high.

That is why it is essential that decision making focuses on securing a demand for hydrogen ahead of supply and provides the certainty for businesses to help de-risk investment as current market signals are not strong enough to scale up at the pace that is required for decarbonisation. A robust strategy and an associated action plan are also essential along with necessary funding commitment for policy support to drive inward investment, innovation and demonstration projects, and the development of domestic supply chains.

What can be done to accelerate/facilitate the delivery/deployment of offshore wind and solar PV in particular, in the context of Climate Action Plan 2021 and the REPowerEU ambition?

We support the Government's decision to increase the offshore renewable energy deployment target from 5GW to 7GW, as recently announced in connection with the Sectoral Emissions Ceilings. However, it is disappointing that the 7GW target offshore wind deployment target for 2030 (nor the previous 5GW target) is not acknowledged within this consultation.

There is a significant and growing implementation gap between Ireland's ambitious targets in respect of renewable energy deployment and emissions reduction, which are certainly to be welcomed, and the level of progress needed to address regulatory barriers in order to actually achieve these targets. CAP23 must set out a clear roadmap regarding how Ireland's ambitious and time-limited emissions reduction and renewable energy deployment targets will actually be met. This roadmap must align with EirGrid's plans which are due to be published later this year.

Immediate priorities for an offshore wind deployment roadmap include:

- Fixed timelines and a robust basis for selecting Phase 2 projects;
- Undertaking a robust and timely SEA of Phase 2 projects, either through the emerging OREDPII or an alternative method aligned with project selection;
- Then opening a MAC window for designated Phase 2 projects in Spring 2023, with Phase 2 MACs awarded in Summer 2023;
- Bridging the current gap/cliff edge between planning and leasing arrangements for Phases 1 & 2 (i.e. Pre-Enduring projects) versus future leasing and development in a post 2030 Enduring Regime, which at present remains entirely unclear;
- More realistic assumptions regarding consenting timescales and better resourcing of all involved state bodies to accelerate consenting in order to ensure that Pre-Enduring Projects can be delivered by 2030;
- Enhancing the role of the emerging OREDPII to include firm support for pre-2030 consenting applications for offshore wind developments within candidate development areas (in line with REPower EU); and
- A clear plan for the development and upgrading of the transmission system that incorporates Phase 2 projects and other in-flight projects. This requires early engagement between the TSO and developers.

We also note the recent establishment of the Government's Offshore Wind Delivery Taskforce, which we believe is a positive step forward in trying to coordinate government actions and develop a consolidated, system wide plan to deliver on the government's offshore wind targets for 2030. However, we are disappointed that there is currently no external outputs or representation from the renewables industry on the taskforce, which would add significant expertise and provide valuable perspectives. We would therefore encourage DECC to consider widening the scope of the membership to include a

representative industry body, such as Wind Energy Ireland, to increase the breadth of engagement and facilitate more rounded outcomes.

What role do you see for electricity storage and demand-side response in providing flexibility to a system comprised of high renewable penetration and in supporting the decarbonisation of the electricity sector?

Electricity storage has a critical role to play in facilitating the higher levels of renewable generation required to achieve national renewable electricity targets and in supporting the decarbonisation of the electricity sector. Development lead times for large scale projects can often be lengthy and complex, however energy storage is a flexible alternative and should be considered as a solution to deliver additional network capacity. Electricity storage must be integrated fully into market systems as a priority and the cap on storage projects in the ECP process (or any similar connection processes that will be developed in the future) should be removed. All technologies have a role to play and cumulatively will help achieve Ireland's renewable energy targets, increase security of supply and potentially reduce costs for consumers.

What financial incentives are needed to increase renewable generation capacity? a. To incentivise commercial scale production.

Renewables support schemes with regular competitive auctions contribute significantly to the decarbonisation of electricity systems by providing a stable and consistent route to market for renewable projects and certainty to the investor community. We therefore welcomed the introduction of the RESS in 2020 and the upcoming ORESS auctions. It is important that regular auctions continue until the Government's renewable energy capacity targets are met. A clear auction timetable is critical for investor confidence, especially when the project development period can span numerous years. Holding regular auctions over the course of the lifetime of scheme could reduce the impact on consumer bills in the long run. Auction certainty allows the government to take advantage to falling costs, reduces the potential for irrational bidding behaviour and encourages a smooth pipeline which in turn ensures auction liquidity and competitive tension whilst ensuring smooth build out for the supply chain.

Providing price certainty and a strong and stable regulatory environment to developers as we transition to a net zero energy system should have the benefit of reducing the cost of capital for projects and providing investor confidence, and ultimately lead to lower consumer costs. However, the way the RESS scheme as it is currently administered has failed to insulate developers from long-term risk, resulting in Ireland having some of the highest prices in Europe for solar and onshore wind.

Cornwall Insight's report on "improving revenue certainty and risk allocation for renewable generators"[1] is a robust piece of research highlighting key issues with the RESS and proposes a range of practical risk mitigation measures that can save consumers money. One of these is the lack of strike price indexation which leads to generators pricing inflation into their bid, which includes a risk premium in case actual inflation rates turn out higher than assumed and would result in an erosion of payments. A full indexation mechanism to match inflation rates should be applied to the Strike Price which would result in the most economical delivery of renewable projects.

Regarding ORESS, auctions need to run as scheduled if Ireland is to stand any chance of meeting its 2030 offshore targets. As with the RESS, inflation over a prolonged period represents a significant unknown and introduces risk into the auction process. This is particularly true for offshore wind developments where the level of investment is

[1] report-on-improving-revenue-certainty-and-risk-allocation-for-new-renewable-generators.pdf (windenergyireland.com)

substantial, and the construction and development timelines are longer. Therefore, ORESS strike prices should be index linked to reduce risk allocation on developers and secure lower bid prices for consumers.

Corporate PPAs also have a role to play in achieving ambitions, alongside regular onshore and offshore auctions. CPPAs can complement the RESS scheme by providing additional routes to market for developers, whilst ensuring large energy users can play an immediate role in tackling the emissions reduction challenge. We believe the primary focus for incentivising CPPAs should be on measures to reduce the cost of all renewable developments to make them as competitive as possible.

It is likely that a package of incentives will be required to ensure a greater uptake of CPPA projects in Ireland. Measures which reduce the Levelised Cost of Energy (LCOE) of all renewable projects are likely to be beneficial for corporate and non-corporate consumers. One such incentive could be the reduction in business rates for renewable electricity projects. This would require an exemption from, or removal of, the application of rates associated with turbines and generators of renewables assets. This reduction in the cost base for developers would help reduce the overall LCOE of a project, increasing the competitiveness of both CPPA and RESS projects, incentivising economic development within a particular location and delivering the net zero ambition at a lower cost to consumers

We would also welcome confirmation in the new CAP23 as to whether the target of 15% of electricity demand to be met from CPPAs is still in place after it was subsequently removed from the last iteration of the CAP.

What are the regulatory challenges for reaching the renewable energy share targets?
There are a range of regulatory challenges that will need to be addressed to ensure Ireland reaches the targets. These include:

- The grid is at full capacity and a proposed Roadmap to reach the revised 80% target has yet to be proposed by EirGrid. Additional grid development is required to meet the target and to provide certainty to renewable energy developers.
- There are backlogs in the connection application process, in particular in the area of storage. All applications need to be progressed quickly and the focus should be on ensuring as many projects as possible can connect.
- More certainty is required with regard to energy markets. Some work has been done to date, but more needs to be done to ensure that investment is incentivised at a markets level. The situation with respect to firmness and priority dispatch for new and existing developments must be reviewed to ensure continued incentives to invest post 2026. Full implementation of Article 12 and Article 13 of the Electricity Regulation is required to ensure the market design can cater for significant RES-E and the system needs to be capable to operate at 100% System Non-Synchronous Penetration. Furthermore, to support the business case for existing and new storage assets, work to ensure full operational and market participation of storage must be progressed.

On behalf of Iberdrola Renewables Ireland, September 2022