

## **IEA Submission: Review of the Security of Energy Supply of Ireland's Electricity and Natural Gas Systems**

*Irish Exporters Association submission to the Department of the Environment, Climate and Communications*

28 October 2022

---

### **Overview: The Irish Exporters Association**

The Irish Exporters Association (IEA) is the leading independent representative body and voice for exporters based in Ireland. The IEA represents exporters and supply chain operators across the country and works at regional, national, and European level, representing its members in front of legislators to create a regulatory and legislative framework that supports, drives, and fosters Irish exports.

We assist our members to grow their exports to world markets and drive the growth and development of all exporting businesses based in Ireland. We provide a set of highly relevant business services and products to assist our members with international trade.

The IEA represents the whole spectrum of companies within the export industry including SME's who are beginning to think about exporting for the first time right through to global multinational companies who are already extensively exporting from Ireland as well as the providers of key services to the sector. The IEA is the connecting force for Irish exporters, providing practical knowledge and support across the Island of Ireland and in foreign markets.

### **Introduction:**

The Irish Exporters Association recognises the significant risk to Ireland's electricity supply over the coming years, driven by increased demand, the closure of large electricity generation units and the impact of Russia's invasion of Ukraine which has had an impact on the supply and price of gas and the resultant increase in electricity prices. The IEA recognises the imperative to move towards a more sustainable economic model and supports the need to conserve energy where possible, but affordability is rapidly emerging as the major challenge for exporters and all businesses in Ireland. Affordability and the potential knock-on effects on both company insolvencies and the labour market are topmost in our members minds.

Energy costs are now posing a significant threat to the viability of many businesses. The current trajectory of energy regulation policy may only increase costs onto already struggling companies. The IEA welcome plans by the European Commission to intervene in the EU energy market by decoupling gas and electricity costs but exporting companies will not be able to bear the brunt of any increase in the price of electricity. IEA members had already been struggling with the inflationary pressures associated with a two year long supply chain squeeze, some have already had to implement temporary production closures because of the spiralling costs of electricity and any further surge in energy costs may make some businesses untenable, putting many jobs at risk.

---

## Landscape:

The critical findings in the report by Cambridge Economic Policy Associates (CEPA) on Ireland's energy security are confirmation of the need to develop substantial gas storage facilities to reduce the risks posed by any future energy supply disruptions. Given the current energy crisis, exacerbated by the war in Ukraine, the focus is understandably on gas and electricity. There has been an unacceptable level of risk tolerated for far too long in the Irish energy system, arising from poor power grid infrastructure, rising energy demand, and large fossil fuel imports. This layered upon our poor record of investment and the myriad issues our planning process entails.

Ireland stands out in the EU in having no gas storage capacity and just one Pumped Storage facility for electricity – Turlough Hill, the capacity of which is now tiny with regards to Ireland's overall demand. Ireland's import dependency is at too high a level and there is an over-reliance on oil and gas, much of which is sourced from outside the EU and OECD. Vulnerability has been heightened because the Corrib gas field will soon be exhausted and there has been a failure to put in place sufficient gas-fired power generation. The IEA believe a range of measures should be taken including the development of green hydrogen, managing demand, increasing electricity interconnection, and scaling up biomethane production and storage

Ireland should play to its strengths as a country with large renewable potential and seek to harness the potential of both onshore and offshore wind as a viable resource, but we must be realistic and acknowledge it will take time. We also have vast potential to develop wave and tidal power as these technologies progress. Ireland's ingrained dependence on Britain for Gas supply or as a transit route, particularly considering the recent political instability in the UK, can no longer be ignored. Ireland is part of an integrated British Isles gas (supply) network and remains vulnerable as the most westerly point on the gas pipeline originating in Norway. We cannot ignore that since Brexit and the introduction of the Trade and Cooperation Agreement, the UK remains outside the EU regulatory framework for Gas, and we are at risk of amendments to current arrangements between the EU and the UK. Ireland's lone proposed electricity link to France remains just that, a proposal. Unlike the rest of the EU, Ireland has not taken radical action to reshape its energy security in the wake of the war in Ukraine. Germany, Italy, Belgium, Finland, and others are boosting LNG storage, expanding the life of existing nuclear power plants, and strengthening their energy security.

Indeed, as gas deposits begin to diminish from the Corrib gas field in the coming years, Ireland may become almost entirely dependent on the United Kingdom in one way or another for its gas. According to the most recent Gas Networks Ireland figures, 73% of Irish gas demand, both for home heating and for electricity purposes, is currently met with supply from or via the United Kingdom via the Moffat Entry Point in Scotland.<sup>1</sup> The remaining 27% comes from the Corrib gas field in Co Mayo, but this supply is expected to diminish in the coming years. To limit the State's dependency on the United Kingdom for gas, we must invest in resolving the issues in developing offshore wind farms, namely around planning, grid connection and interconnectivity with other markets and providing the appropriate supports and funding to Irish ports to be able to support in the construction of offshore facilities.

---

<sup>1</sup> <https://www.gasnetworks.ie/corporate/gas-regulation/transparency-and-publicat/dashboard-reporting/>

As a minimum we should look to on-develop the Corrib and Kinsale fields as Gas storage sites coupled with the development of our own LNG terminal, potentially linked into one of these sites.

We need greater interconnectivity directly to the EU market both in Electricity and Gas. Ireland has the potential to be a renewable electricity exporter to the EU and the UK by the development of our significant wind and wave and tidal energy resources. Along with Scotland, Ireland possesses the best offshore resources in Europe. This will take significant investment in generation plant, storage (both pumped storage and battery) and better connectivity to the Irish Grid and interconnectivity into Europe.

### **A Balanced and Pragmatic Approach**

To ensure our energy security in the context of our climate change obligations we need to be pragmatic in how we transition towards this, particularly considering the effects the war in Ukraine and the wider move towards a more nationalistic geo-politic globally is having and will continue to play. We suggest:

1. Increased incentivisation for the consumer to adopt more sustainable energy practices. Many schemes require considerable investment with the pay off coming many years down the line. Given the current cost of living problems, it will be increasingly difficult to encourage consumers and businesses to make these investments.
2. Greater transparency around consumers and businesses reselling surplus power to the grid.
3. Electric vehicles. Taxi drivers can currently avail of a grant of €25,000 towards the purchase of a new vehicle. The increased proliferation of Teslas and other EV's in the fleet is becoming very noticeable and real change is occurring. Very few consumers can afford the luxury of a brand-new car, EV's are more expensive than the equivalent petrol/diesel car. €5,000 is not enough of an incentive to bring around the required change in consumer behaviour. In a second-hand market starved of stock because of Brexit, there is considerable inflation in second hand car prices, forcing an elongation of the transition. Only greater support, that significantly reduces the upfront cost will move the consumer. EV's connected to the smart-grid can also be used as storage, another way of reducing the pay-off curve for the consumer.
4. Similarly, businesses need assistance to understand greater how they can transition to more sustainable practices, and we need to ask ourselves whether the requisite supports are in place.
5. Greater awareness raising of these supports

A whole of energy system development needs to be taken including:

1. Exploiting our natural resources in wind and tidal to create an energy source for not just ourselves but Europe. There is significant opportunity for Ireland to position itself in this space and receive considerable revenue in the future.
2. The development of a range of measures should be taken including the development of green hydrogen, managing demand, increasing electricity interconnection, and scaling up biomethane production.

3. The development of greater storage for both electricity and gas.

Finally, have we considered hedging our Gas needs in the markets? It could be possible to put a cap on the price of gas that we pay through Contracts for Difference. We believe this idea requires urgent investigation by government. The NTMA has a hugely successful track record in managing the country's external debt and just the place to conduct such a study. It may negate the need to deal with the adverse effect of putting a consumer price cap in place.

**Conclusion:**

The Irish Exporters Association would like to thank the department for the opportunity to feed into its Review of the Security of Energy Supply of Ireland's Electricity and Natural Gas Systems. The IEA has actively and constructively worked with the Department of Environment, Climate and Communications and stands ready to continue this engagement. We look forward to expanding upon our recommendations in the interest of Irish exporters and importers and the wider business community.

On behalf of the IEA,

██████████  
██████████

**DATE:** 28.10.22