

CONGRESS BRIEFING PAPER No. 9 / Spring 2007

Towards a Sustainable Energy Future for Ireland



STRONGER TOGETHER



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Irish Congress of Trade Unions



Towards a Sustainable Energy Future for Ireland
Response to the Government Green Paper



Executive Summary

Congress believes the time is long overdue for an open and searching public debate on our future energy

In this, at least, we are not alone and any such debate in Ireland is certain to take place in the context of an overall global conversation, on energy use and the environment

The recently-published Stern Review, with which Congress broadly concurs, concluded that “climate change presents a very serious global risk and it demands an urgent response.”

More pointedly, it characterised global warming as the “greatest and widest- ranging market failure ever seen.”

The urgent case for action at both national, European and global level has been underlined by publication of the report from United Nations’ Intergovernmental Panel on Climate Change (IPCC), the most comprehensive and thoroughgoing report on the issue to date.

As the Stern Report points out, the adverse impact of global warming will not just be felt in the environmental sphere, but will also have significant economic and social costs.

Thus, there is a necessity to reshape the economic model that demands growth for growth’s sake into one which delivers sustainable growth, with balanced economic and social development. This is a model which Congress has advocated for Ireland, for some time.

Security of Supply

A key question in the framing of any energy policy relates to security of supply. Power outages in the Republic of Ireland are on the increase, while the ESRI has warned of imminent power shortages in the near future.

It is the view of Congress that this results directly from six years of foolhardy Government and regulatory policy which prevented the ESB from investing in generation plant renewal. This is a direct threat to the security of our supply and must be reversed.

Issues around the ESB's perceived dominance of the market will be fully addressed by the creation of the All-Island Market, in 2007, and interconnection in 2012.

There are already measures in place to ensure security of supply, such as mandatory oil storage, but it is our lack of significant natural resources that poses a major challenge for the future.

The discovery of the Corrib Gas Field clearly demonstrates the gains to be had from exploration but, conversely, also demonstrates the current failure to maximise such gains for Irish society as a whole.

In our pre-Budget submission (November 2006), Congress called for the introduction of a 12.5% royalty tax on all oil, gas or mineral finds on land or at sea. This did not happen and we believe the White Paper should facilitate an urgent review of the exploration tax regime.

Congress also believes the revenue generated could be ring-fenced and invested in research into renewable energy forms.

It is inevitable that fossil fuel prices will continue to rise over time, as demand grows in countries like India, China and Brazil, while the resources themselves are diminished.

In this context, Congress believes that any debate on energy policy must also consider nuclear energy. The International Energy Agency believes nuclear power can help reduce both dependence on energy imports and carbon dioxide emissions. Naturally, safety and environmental implications must also be rigorously assessed but, at the very least, the option should be debated.

Sustainable Supply

While security of supply is key, delivering a sustainable energy supply is also an imperative. Eirgrid estimates annual demand for electricity will rise by up to 4% per annum, up to 2010 which, in turn, will increase our dependence on fossil fuels.

However, with supply of fossil fuels decreasing and prices increasing diversifying our energy sources is no longer an option, but a necessity. In this regard, the Green Paper proposes a target of 30% of energy from renewable sources, by 2020.

Given current rates of growth and population increase forecasts - 5.5 million by 2026 - Congress believes this target may be overambitious.

Thus, significant levels of investment into renewable forms of energy must be prioritised. Congress believes a combination of state agencies and Third Level institutions would be ideally placed to carry out this research, especially as the private sector would be unlikely to invest the money necessary.

Over dependence on the private car will only end when there is a reliable, high quality alternative.

The aforementioned royalty tax could be used to fund the research, with the fund augmented by 50% of the annual dividend the state takes from the public energy companies.

The transport sector is, unsurprisingly, a major energy consumer and producer of carbon dioxide emissions. But it is the private car which is the largest single energy user, accounting for some 38% of all fuel usage in 2005.

This is unsustainable and Congress welcomes the fact that the new National Development Plan placed a strong emphasis on public transport provision. Over dependence on the private car will only end when there is a reliable, high quality alternative.

However, it will also be necessary to ensure that all transport systems begin moving to a greater usage of renewables, which can be accomplished through the introduction of incentives and, if necessary, new legislation.

The aviation sector will also require special attention. While its annual emissions may amount to just 2.6% of the total, the fact that they are produced at higher altitudes means their impact is proportionately more harmful. Consequently, Congress believes it is the long-term interest of the sector and society that aviation fuel be subject to some form of tax.

Homes and workplaces are also major consumers of energy, a point which is often overlooked and we believe there is greater scope for households, in particular, to utilise greater levels of renewable energy. New construction should also optimise the usage of renewable energy forms.

A Competitive Sector

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Congress does not oppose competition. But we do believe that where this issue is raised in relation to a public service then, invariably, serious public interest questions arise.

In the past, the ESB was the monopoly provider of electricity for all users. However, in line European Commission policy - which is to facilitate competition and greater private sector involvement - significant changes have taken place in the sector, not least the creation of Eirgrid and the establishment of the Commission for Energy Regulation (CER).

A Single Electricity Market (SEM) for the island, is also planned. Ultimately, this will entail seven private operators and the ESB competing to supply to the island-wide network.

Most recently, the CER announced further measures to address the perceived dominance of the ESB, specifically an agreement which will see the ESB divest itself of 1300 megawatts of generating capacity and permission to proceed with the Aghada power station.

This could involve the ESB literally handing over significant assets, such as land, to the private sector for free. This is a wholly untenable proposal: public assets given to private interests free of charge, just to encourage their entry to the generation market. We believe Eirgrid could be asked to review the grid to see where additional megawatts can be accommodated.

It is vital, in our view, that the ESB remains a strong, vertically-integrated and publicly-owned utility. It is also vital that security of supply is guaranteed for consumers. Prioritising private sector requirements over the public good is

6 precisely what brought widespread blackouts to California, in 2003.

In their recent report, Deloitte argued the ESB suffered from serious inefficiencies. However, they failed to produce facts that would back their rather facile analysis. For example, they failed to point out that costs in the ESB are falling, or that labour costs are somewhat average, in a European context.

Recent energy price increases have made Irish energy among the most expensive in the EU. It is of great concern that price inflation has at least partially been driven by ideology – by the need to make the market more attractive to private sector interests.

It must also be remembered that gas has an important role to play in meeting our energy needs, particularly with recent finds off the west coast. In this context, Congress believes the public interest is best served by retaining Bord Gais in public ownership.

Fuel Poverty

Fuel poverty is a serious and often invisible problem in Irish society. With energy prices set to remain high, that problem will also grow. Were a carbon tax to be introduced, without any provision for its impact on poorer households, the effect would be to compound fuel poverty and inequality.

We believe this can be addressed through improvements in social welfare and grants directed at insulation and greater heating efficiency. In this context, the decision to spend taxpayers' money purchasing emissions credits is regressive.

Recent energy price increases have made Irish energy among the most expensive in the EU.

1. Introduction

- 1.1 The Irish Congress of Trade Unions believes that the greatest challenge facing us in the future is the supply of energy. Energy production is also inextricably linked to climate change. Congress welcomes the publication of the Green Paper - Towards a Sustainable Future - as a tentative first step by the Irish Government towards recognising the huge challenges we face around energy and climate change. These challenges will not be overcome by the Irish government alone, but by all citizens of Ireland, Europe and the wider world acting together to bring about the necessary changes.
- 1.2 “The energy future we are facing today is dirty, insecure and expensive,” according to the International Energy Agency (IEA). In the World Energy Outlook, 2006, it says that the realities of the energy market “have become harsher and the relative competitive position of fuels has changed. Oil and gas prices in 2006 rose to between three and four times higher levels than in 2002.” The IEA further states that “without new government measures to alter underlying energy trends, global primary energy demand will increase by 53% between now and 2030. Over 70% of this increase will come from developing countries, led by China and India.”
- 1.3 The IEA says that “strong policy action is needed to move the world onto a more sustainable energy path.” It has an Alternative Policy Scenario which shows that the energy future can be substantially improved “if governments around the world implement the policies and measures.” In this scenario, global energy demand is reduced by 10% in 2030 – equivalent to China’s entire energy consumption today, while global carbon-dioxide emissions would be reduced by 16% – equivalent to current emissions in the United States and Canada combined.
- 1.4 Congress believes that Ireland must introduce more environmentally friendly energy policies. Ireland must work with the EU and other international agencies and countries to reach serious agreements to reduce global warming. We must have energy policies which are based on realism and the interests of our people and not on the current dominant neoliberal ideology of fully functional ‘free markets’ which are far from free and not very functional. The Stern Review on the economics of climate change, or more plainly, global warming, concluded that “the scientific evidence is now overwhelming, climate change presents very serious global risk and it demands an urgent response.” It characterises global warming as the “greatest and widest ranging market failure ever seen.” Importantly, it also argued that “the benefits of strong, early action considerably outweigh the costs” and that strong action “must be viewed as an investment.”
- 1.5 In this submission, we set out the views of Congress across a range of issues. The three pillars identified in the Green Paper - security of supply, environmental sustainability and economic competitiveness - will be discussed. We will also take this opportunity to respond to some of the material contained in the report of Deloitte to the Minister

reducing Ireland's reliance on fossil fuels.

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of the Marine, Communications & Natural Resources on the Review of the Electricity Sector. In addition, we will use the opportunity to seek significant measures to address the problem of fuel poverty in the economy.

- 1.6 In this submission we have suggested specific measures and urged policy makers to take specific actions aimed at addressing some of the challenges we face. It is our hope that our suggestions will be taken up by Government in the soon to be published White Paper.

2. The Demand for Energy and the Environment

- 2.1 The publication of the Green Paper is timely. It is undeniable that we face significant challenges if we are to meet the growing demand for energy. However, this challenge is made even more significant by the self-evident fact that the planet is warming as a direct result of the increased use of fossil fuels and the growth in carbon dioxide omissions. It is estimated that the planet will warm up by two to three degrees centigrade within the next 50 years, with a clear danger of flooding in many cities, falling crops yields, the eradication of some animal and plant species and a shortage of water supplies, with the poorest countries suffering the most. Stern estimates that GDP will fall as a result. But global warming brings more adverse impacts than the purely economic, there are health and environmental costs also. Congress concurs with much of the Stern analysis. In recent times Congress has been arguing that Irish Government policy should shift from its emphasis

on sustained economic growth to one of balanced economic and social development.

- 2.2 The cost of stabilising global warming will be around one percent of GDP by 2050. Stern estimates that with known reserves and current policies on fossil fuels, it will be relatively easy to take the planet beyond levels of greenhouse gas with "very dangerous consequences." Power generation will have to be de-carbonised by between 60 and 75 per cent by 2050. As investment in this area has a long lead-in time, the target date is actually not that far away at all. It is clear that energy efficiency will have to greatly improve and deforestation will have to be halted.
- 2.3 In the following sections of this paper we have included some proposals that, if implemented, would assist in making a substantial contribution to reducing Ireland's reliance on fossil fuels and, in turn, reduce our contribution to global carbon dioxide emissions.

3. Security of Supply

- 3.1 The security of our energy supply is discussed extensively in the Green Paper. Power outages in the Republic of Ireland are increasing and the ESRI has, since the publication of the Green Paper, warned of the "probability" of a shortage of electricity during the winter months in this and coming years. This is as a direct result of six years of Government and Regulatory policy which effectively prevents the ESB, as the state-owned electricity utility, from investing in generation plant renewal. The ESRI attributes this policy, correctly

It should recommend the introduction of a royalty tax, which would be used to fund research into renewables.

in our view, to an attempt to reduce ESB market dominance. However this is happening at a time of growing demand, which in turn creates an increasingly tight market - and consequently an increasing probability of shortages. Of great concern must be the fact that the ESRI warn that the probability of a shortage depends on the power units in Poolbeg, Great Island and Tarbert specifically, all of which are in need of investment and/or renewal. However in order to attack the ESB's perceived 'dominance' in the market, Congress believes that the Commission for Energy Regulation (CER) has targeted these plants for closure by 2011. This policy is playing fast and loose with power supplies and is inconsistent with the objective in the Green Paper of securing supply in the short and mid term. Congress believes that urgent investment in these plants and new plants is now a necessity. The creation of the All-Island Market in 2007 allied to the All-Island market through interconnection in 2012 will address all perceived 'dominance' issues. This must also address and resolve the security of supply issue, while complying with all current legislation and EU directives.

3.2 Ireland has in place a number of measures to protect security of supply, from mandatory oil storage to new gas storage facilities in Kinsale and linked gas pipelines. However, as a small island economy we face additional problems. The lack of a connection to the European electricity grid, combined with our lack of significant natural resources, poses major challenges. However there are steps that can be taken to improve the situation.

3.3 The Green Paper hints at extensive gas reserves off the Irish coast . The recent discovery of the Corrib Field has highlighted the benefits to be derived from offshore exploration. However, Congress is concerned that we do not maximise the benefits that may accrue from such finds. As matters currently stand, the State does not benefit in monetary terms from discoveries such as the one at Corrib. Congress is disappointed that the government failed to introduce a 12.5% Royalty Tax on gas, oil or mineral finds in the 2007 Budget. Such a tax would provide the State, in the event of a discovery, with resources which could be used to assist in developing alternative energy sources. Therefore, Congress proposes that the White Paper should recommend an urgent review of the conditions attaching to offshore exploration. In particular it should recommend the introduction of a royalty tax. We further suggest that revenue generated from such a tax would be ring-fenced and used to fund research into renewable forms of energy. The imposition of a tax of around 12.5% value is not onerous by international standards.

3.4 Our membership of the European Union also presents opportunities to enhance the security of our energy supplies. We need to further maximise this potential by developing additional interconnection that will link the Irish grid to that of the European continent.

3.5 The price of other power sources, oil, gas and even coal, have risen dramatically in recent years and it is now recognised that oil and gas price levels will not decline but will inevitably rise.

annual demand for electricity will increase by 3.5% to 4% per annum up to 2010.

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This is because we have passed peak production of oil and gas and demand is still soaring.

3.6 In this context, Congress believes that the debate on Irish energy policy should give serious consideration to nuclear energy. The use of nuclear power, it is argued, can bring real benefit, including a substantial reduction in emissions. The IEA estimates that nuclear power could make a major contribution to reducing dependence on imported gas and curbing carbon dioxide emissions in a cost-effective way. On the other hand, the economics of nuclear power, along with safety and environmental issues, must be fully analysed. Congress believes that the current attitude towards nuclear – wherein a debate at official level is not even countenanced - is short-sighted.

3.9 In summary, Congress believes that there are a number of initiatives that could be taken that would enhance the security of the country's energy supply. We also believe that we should review the royalties' regime that applies to oil and gas exploration of the Irish Coast. An increase in royalties could provide significant resources, which should be ring-fenced and used to assist to develop our understanding of the potential of renewable forms of energy. A strong State sector coupled with increased infrastructural development to bring further interconnection to the European Grid is vital. We also believe that we should begin a debate on the potential that nuclear power may provide in meeting our future energy needs. Such a debate should take account of the overall economics attached to

its development and operation, as well as the environmental and social implications. The Government White Paper should provide the space for such a debate.

4. Developing a Sustainable Energy Supply

4.1 It is estimated that the demand for energy in Ireland will continue to grow significantly over the coming period. Eirgrid has estimated that annual demand for electricity will increase by 3.5% to 4% per annum up to 2010. This will, of necessity, increase our reliance on fossil fuels, in the short term. However this position is not sustainable, primarily because the supply of this resource, with the exception of coal, is decreasing dramatically and its cost is increasing. The State's obligation to reduce the level of carbon dioxide emissions is also a driver of finding alternative, emission neutral and sustainable forms of energy.

4.2 Much has been made of the role that renewable forms of energy can play in reducing our reliance on fossil fuels. Significantly the Green Paper proposes to diversify our sources of energy for electricity generation such that by 2020, 30% of our energy will be supplied by renewables. This is a very significant challenge. It has been estimated that economic growth will continue with consequent demand for energy and electricity. It has also been forecast by the CSO that by the year 2026 the population will have grown from its current level of just over 4 million to 5.5 million. This increased population brings with it increased demand for energy. The target of 30% renewables

We must develop a significant energy research capacity.

- must be viewed in this context. It would be a formidable challenge in a steady situation but in a market for energy expanding in line with the requirements of an increasing population and increased economic activity, we would question if the proposed target is achievable.
- 4.3 It is debatable whether the 30% target is achievable in the timeframe set by the Green Paper. However future Government policy should be aimed at ensuring that the potential for renewable forms of energy is maximised. To this end there should be a significant investment in research and development. Congress would suggest that we begin to develop a very significant energy research capacity. A combination of State Agencies such as, Sustainable Energy Ireland, Enterprise Ireland, the university sector and the Institutes of Technology could be harnessed to pilot innovative measures aimed at enhancing the potential from renewable forms of energy. We have already suggested that a royalty tax on offshore exploration could be used to fund such capacity. We would further suggest that 50% of the annual dividend taken by Government from the profits of the State's energy utilities be ring fenced and used by the State energy companies to develop renewable forms of energy. It is vital that the State utilities be given the resources to undertake such work. It is highly unlikely that the private sector would be willing to invest the type of money necessary. If the State is serious about achieving the 30% target in the timeframe set by the Green Paper it should strengthen the capacity of the State sector to respond to this challenge.
- 4.4 There is also significant potential for the utilisation of renewable forms of fuel in transport. The transport sector is a significant fuel consumer. According to Sustainable Energy Ireland (SEI) in 2005 the transport sector accounted for 33% of Ireland's primary demand with the sector responsible for 33% of Ireland's energy carbon dioxide emissions. The largest category was the private car, which accounted for 38% of all fuel usage in 2005. It is obvious that continued efforts need to be made to produce a shift away from the use of the private car and towards the use of public transport. This will only happen in a significant way when the public transport alternative is reliable and of high quality. It is for this reason that Congress strongly supported significant enhanced investment in public transport as part of the new NDP. Congress also urges Government to provide incentives that would encourage and enable a shift from the use of fossil fuels to renewable forms of fuel. Incentives alone however will not result in the type of shift required. In countries such as France legislation requires that diesel be mixed with a percentage of bio-diesel before it is sold. This will have the effect of increasing the demand for bio-diesel, making it more commercially viable to produce while reducing the use of standard diesel fuel.
- 4.5 The aviation sector continues to be a major contributor to global warming. In addition to producing carbon dioxide, aircraft produce water vapour, nitrogen oxide and other by-products, at high altitude. While aviation is responsible for 2.6% of all emissions in the EU, its total impact is far greater because gases

- produced at high altitudes have a far greater impact on global warming.
- 4.6 Indeed, aviation's impact on global warming is forecast to grow substantially with the massive increase in flying. It had been thought that the EU would impose a tax on international flights and, in cooperation with other countries, seek a tax on emissions from all flights. However, it is now proposing to give away the emissions to incumbent airlines for free. This will have an insignificant impact on the rapidly growing emissions in the sector. The airline industry had recognised the inevitability of taxes, with most airlines supporting it - like BA, Virgin and Easyjet but the proposed admission of the airlines to the EU emissions trading scheme by the Commission will do little to change behaviour and protect the environment.
- 4.7 While most aviation workers are trade union members, Congress believes it is in the long term interest of those members and of society that aviation fuel be taxed in some way. We hold that the Irish government should be more active in supporting the tax on emissions which is being developed by the Commission, (proposed introduction by 2012). There can be a direct tax on fuel, or airlines can join the EU's emissions trading scheme. More analysis and thought on the best scheme is required. Civil and military flights will need to be greatly curtailed in the near to medium future, unless there is a major technological innovation in aviation fuel. This seems unlikely. Thus action is necessary to curb global warming, before it is too late, as the Stern Review has demonstrated.
- 4.8 Like transport, homes and workplaces are considerable users of energy. There is considerable scope for encouraging the use of renewable forms of energy in homes and SEI's Greener Homes Scheme is an excellent initiative that should be expanded to encourage more households to switch from traditional forms of energy. It is also possible, through the use of building regulations, to ensure that new construction makes the best possible use of the opportunities that are presented by the use of renewable forms of energy.
- 4.9 In summary, Congress believes that sustainability of our energy supply is rooted in an approach that manages demand while at the same time seeks to develop new and renewable forms of energy. Managing demand for energy requires a deliberate policy of managing growth. The diversification away from the use of fossil fuels requires ensuring that, where possible, renewable forms are used. We need to continue to develop our understanding of the potential that renewable forms of energy present and investment in research, development and innovation is the key to achieving this objective. Significant investment in public transport will have the effect, as the LUAS development has demonstrated, of taking people out of their private cars and onto public transport. Any strategy aimed at sustaining our energy supply must have the development of high quality accessible and integrated public transport as a key objective. The use of incentives and regulatory instruments is also key. Assisting consumers to make their homes and businesses more energy efficient and reduce their demand for energy through once off

grants for improvement should continue. Regulating to ensure high standards in construction and a greater use of bio-fuel in the transport sector will have a positive impact.

5. The Competitiveness of the Irish Energy Sector

- 5.1 One of the issues that the Green Paper seeks to address is to what extent energy supply is competitive. This issue, the Green Paper argues, is related to the increasing price of energy and its impact on the competitiveness of the economy as a whole.
- 5.2 We wish to point out for the record that Congress is not opposed to competition. Where there are contestable markets competition works. However where the competitiveness of a public service is under discussion public interest questions need to be considered. In this response we consider the issue of competitiveness in the electricity and gas sectors separately. We also examine the question of energy prices and their regulation.
- 5.3 The ESB has, up until very recently been the monopoly provider of electricity to domestic and business users. However the policy of the European Commission to facilitate competition and private sector participation is bringing about significant change in the sector. The ESB will be affected by this change.
- 5.4 Significant reform has already taken place in order to comply with various EU directives. The creation of Eirgrid provides greater transparency in the operation of the ESB and the Energy Regulator has initiated a number of

reforms aimed at facilitating private sector participation in electricity generation. This has resulted in four private sector electricity generating facilities providing power to the grid. Airtricity has also been given access to the grid and the sale of the electricity it generates through the operation of its wind farms is guaranteed.

- 5.5 Other significant reforms are planned that will facilitate further private sector participation and market opening. A single electricity market (SEM) north and south is proposed. This will be brought about by the creation of a pool based system where generators can bid in to the market at regular intervals during any given day. When the SEM is created, there will be seven private sector generators (three from Northern Ireland and four from the Republic) in addition to the ESB, all capable of bidding into the pool.
- 5.6 Along with additional private sector generating capacity and the development of the SEM, it is proposed to create additional capacity through the development of further interconnectors.
- 5.7 The Green Paper acknowledges all of these developments but argues that introduction of a SEM will not, of itself, address the issue of the ESB dominance in electricity generation. Following the publication of the green paper it was announced by the Commission for Energy Regulation that agreement has been reached with the ESB on measures to reduce its position in electricity generation, by gradually divesting itself of 1300 megawatts of generating capacity. The CER has given permission for the ESB to proceed with the construction of

a new power station at Aghada.

5.8 It is clear that introduction of the SEM and the agreement between the CER and the ESB concerning its perceived dominance poses significant challenges for the Board. It would not be appropriate for Congress, in a response to a Government Green Paper, to comment on the merits or otherwise of what has been announced by the CER. These matters are more appropriate to discussions between the ESB and the Unions representing staff. We would however make this point: It is wholly unpalatable for Congress and, we believe, the public at large to contemplate a situation where significant assets, such as land, currently owned by the State, would be handed over to private sector interests in order to facilitate their participation in electricity generation. Eirgrid could be asked to review the grid to see where additional megawatts can be accommodated. The completion of this exercise would allow for an informed debate on the efficiency or otherwise of electricity generation. While large energy companies such as EON complain that there are significant barriers to private sector participation in electricity generation, their interests do conflict with the interests of the State and policies aimed at increasing the role of the private sector could significantly damage the public interest. There is also no evidence to suggest that their participation would result in lower energy prices.

5.9 The starting point for Congress in any discussion about the reform of the electricity sector and the ESB is in ensuring that, whatever is agreed,

we are left with a strong vertically integrated utility that is publicly owned and that the arrangements to be put in place are capable of guaranteeing the supply of electricity to consumers. We would point out that it is not too long ago that significant market failure and private sector greed resulted in significant disruption to electricity supply in California. Some commentators, including the Chairman of the Competition Authority, Mr Bill Prasifka, conveniently chose to ignore the experience in California because it does not support their desired outcome of a split ESB and further privatisation. Such people are ideologically driven by the orthodoxy that competition will achieve the best outcome in all circumstances. International evidence is to the contrary.

5.10 The market failure in California resulted from reforms similar in part to what is being proposed for the sector in Ireland. The report into the electricity sector to the Minister for Marine, Communications & Natural Resources, prepared by consultants Deloitte, argued that significant reform was necessary because of the inefficiency of the state utility. They argued that inflexible work practices and high wage costs meant that the only way to proceed was to break up the ESB. They proposed other measures that would have further weakened the ESB and, in turn, damaged the public interest. Deloitte produced no facts to back up this analysis. In fact Net Payroll Costs as a percentage of total ESB costs currently run at 16%, down from 22.3% in 2001. Eurostat provided comparative labour cost figures for the utility sector which showed that Irish labour costs

are ranked 9th in the EU 15, or in the bottom half of the league table. Moreover Eurostat research demonstrates that public sector Irish workers cost less than private sector British workers in the utilities sector. It is simply ludicrous to attribute, as Deloitte do, increasing electricity prices to such a small proportion of overall ESB costs. This is particularly so when fuel costs (which by comparison make up 50% of power generating costs) have risen so much and have generated much of the price increase to consumers. It should further be noted that the Board of ESB have a position of not investing in a new or upgraded power generation plant unless that plant is operated to International Best Practice. This is the case now in almost all of ESB's generating plant where the standards of productivity and operation are on a par with anything in the developed world, or that can be offered by ESB competitors.

- 5.11 Gas continues to provide a very significant proportion of our energy needs. It is estimated that the recent discovery of a substantial natural gas field off the west coast of Ireland has the potential to meet our domestic gas requirements for a number of years.
- 5.12 Bord Gais Eireann has done an excellent job in managing and developing the natural gas network. It has also provided an excellent service as a supplier of gas to domestic and business users.
- 5.13 Congress regards Bord Gais Eireann as a provider of a significant public service and as such we are certain that the public interest is best served by it remaining in public ownership, as a vertically-integrated utility.
- 5.14 In the recent past, we have seen much debate about the price of energy. The recent decision of the CER to grant double digit price increases to providers has seen Ireland become one of the most expensive countries in the European Union for energy. The rise in prices has been in part fuelled by the increase in the cost of fossil fuels and our significant reliance on this raw material, but price inflation has also been driven by the desire to make the Irish market more attractive to private sector participants.
- 5.15 The development of a more diversified fuel mix in the longer term can limit the exposure to significant energy price inflation. However there are regulatory measures that can bring a more balanced approach to determining prices. For instance, the fuel variation charge that was operated by the ESB for many years, whereby the price of electricity moved up and down in line with the real cost of fuel.
- 5.16 In summary while Congress does acknowledge the role that competition can play in promoting efficiency where the provision of vital public services is concerned, that role is limited. While we acknowledge that the content of European Union legislation will be a driver of change in the State utilities, their retention in public ownership as strong, viable and vertically-integrated enterprises is vital to protecting the public interest. Congress believes that we need to develop further strategic storage capacity. The development of such capacity will add to the competitiveness of the economy as a whole. Congress believes that the White

Paper should provide the space for a debate on the regulation of energy prices in the economy and the means by which the price is determined. The current system has little credibility with energy consumers.

6. Fighting Fuel Poverty

- 6.1 The inexorable rise in oil prices, which reflects the dwindling supply of fossil fuels will, as demand grows, have a disproportionate impact on those on low incomes. Fuel poverty is a serious issue in Ireland and must be more effectively addressed now that there is general acceptance that energy prices will never be low again – unless there is revolutionary innovation.
- 6.2 A study by Sue Scott and John Eakins of the ESRI has considered the implications of a carbon tax levied at the rate of €0 a tonne on a range of households, based on information contained in the Household Budget Survey for 1999-2000. The study reveals a disproportionate impact on lower income households, as one would expect.
- 6.3 The ESRI found that expenditure on fuels forms a higher and sizeable share of the incomes of households in the lower deciles. When a carbon tax is imposed, the result is even more regressive. The carbon tax paid over year by the average household is €47 and the tax paid by households in deciles 2 and 9, for example, is €86 and €04 respectively. But when expressed as a proportion of their disposable incomes, the regressive nature of this tax becomes apparent.
- 6.4 The effect of a carbon tax would be to increase inequality in society. The position as it stands is already poor. The UNDP Human Development Report has shown Ireland to be the most unequal amongst OECD countries, apart from the United States. Moreover, fuel poverty is recognised as a sub-poverty indicator. It is defined as: “The inability to heat the home to an adequate (safe and comfortable) temperature owing to low income and poor (energy efficient) housing.”
- 6.5 Sustainable Energy Ireland estimates that 62,000 households were in fuel poverty in 2002. Fuel poverty results from a combination of factors. These include low incomes, energy inefficient housing, a reliance upon expensive heating appliances and/or expensive fuels, a greater need for warmth due to ill health, disability, old age, or simply spending longer periods at home, due to unemployment or caring responsibilities.
- 7.6 The ESRI found that on average over 7% of average household income is spent on fuels. For those in the four lowest income deciles this increases to around 10% of their income, and to over 15% for those in the lowest decile.
- 6.7 Contributing factors to the lack of energy efficient homes include a housing stock with the following characteristics: a high proportion of single story detached residences, a significant number of houses built before the Draft Irish Building Regulations in 1976 and insulation levels amongst the lowest in Northern Europe. The income required to heat these homes is, on average, three times higher than that which is spent on fuel by average Irish households. Also relevant is that all households do not

- have access to more energy efficient heating systems such as gas central heating. This is because gas reticulated systems are only found in the main urban areas and mainly in the newer housing stock.
- 6.8 Households containing lone parents (with all children under 16 years) are more likely to suffer fuel poverty than any other group, with almost 20% in chronic fuel poverty. Other households with lone parents (with at least one child aged 16 or more) suffered the second highest incidence of chronic fuel poverty. The third highest risk group were households containing men over 65 years. These had a risk of fuel poverty of almost 12%.
- 6.9 Introducing a carbon tax which mitigates the impact on fuel poverty is complex and the White Paper must set out the way forward on this. Congress suggests continuing improvements in social welfare and related measures, grants for home insulation and more efficient heating systems for those with low incomes, district heating schemes around power plants and waste recovery incinerators etc.
- 6.10 The emissions trading arrangements should be revised and it should be part of an overall review of business taxation. Tax competition between Member States of the EU is unsustainable. We should try to negotiate with the EU the parameters on corporation taxes which might have regard to a country's peripherality, or state of development. Ireland's low company tax regime will eventually be undercut by countries in Eastern Europe. Apart from pragmatic considerations, equity requires that the most vulnerable in society should not carry the burden of taxation while companies pay little. The decision by the government, announced in the Budget, to buy emissions with taxpayers money is regressive. It will help some of the largest firms in Ireland, whereas a similar sum, €70m (to 2013 plus €0m in 2006) would go a long way to reducing fuel poverty in this country.
- 6.10 It would be remiss for the Government not to address the issue of fuel poverty in any forthcoming White Paper. We should continue to improve the minimum social welfare payment in recognition of the rise in fuel costs and the impact of carbon taxes additional impact on poor households. We should increase the national fuel allowance and extend it to recipients of short-term social welfare schemes and family income supplement. We should embark on a nationwide programme to upgrade insulation and fuel efficiency of low income households. Most important of all, we must try to put sustainable development on the political agenda in a serious way.

7. Conclusion

7.1 In conclusion, Congress welcomes the publication of the Green Paper. We believe that it is timely and opportune to review our energy needs and, thereby, develop a consensus about how we can meet those needs and make our contribution to reducing carbon dioxide omissions. We look forward to the publication of the promised Government White Paper on Energy.

7.2 Securing our energy supply is vital to society and the economy. We need to continue to strengthen the State's capacity to meet the growing demand for energy and grow our links to the European Grid. The potential for nuclear power in meeting our future energy needs to be discussed and debated. The Government White Paper should provide the space for such a debate.

7.3 Linked to the security of supply is the issue of the sustainability. We need to continue to manage demand for energy. We need to reduce our reliance on fossil fuels and increase the use of renewable forms of energy. Increased investment in public transport is vital as are other initiatives which will reduce the carbon dioxide omissions from that sector. Energy efficient homes need to be the norm, rather than the exception, and the building regulations should be adapted to ensure best practice.

7.4 The role that competition can play in making the energy sector more efficient is discussed in the

Green Paper. It is critical that any discussion aimed at introducing further competition and private sector participation into the energy sector be balanced by seeking to protect the public interest. Congress strongly supports enhancing the capacity of the state sector to meet Ireland's growing energy needs. It is contrary to the public interest to seek to undermine the position of the State-owned energy utilities.

7.4 It would be remiss of the Government not to seek to eliminate the growing phenomena of fuel poverty. We should continue to improve the minimum social welfare payment in recognition of the rise in fuel costs and the greater impact of carbon taxes on poor households.



www.ictu.ie

32 Parnell Square
Dublin 1
T +353 1 8897777
F +353 1 8872012
congress@ictu.ie

Carlin House
4-6 Donegall Street Place
Belfast
BT1 2FN