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# Consultation on the Redesign of the Energy Efficiency Obligation Scheme

*Public Information Session*

*31 March 2021*

# Agenda



|              |                                       |                         |
|--------------|---------------------------------------|-------------------------|
| <b>14:00</b> | <b>Welcome</b>                        | Rob Deegan (DECC)       |
| <b>14:05</b> | <b>Opening address</b>                | Minister Eamon Ryan     |
| <b>14:10</b> | <b>Proposals overview</b>             | Aileen Duffy (DECC)     |
| <b>14:40</b> | <b>Supporting analysis</b>            | David Williams (ECA)    |
| <b>14:55</b> | <b>Questions &amp; Answer session</b> | Panel (DECC, SEAI, ECA) |
| <b>15:25</b> | <b>Close</b>                          | Rob Deegan (DECC)       |



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# EEOS Design

## Consultation proposals overview

*Aileen Duffy, DECC*

# Outline

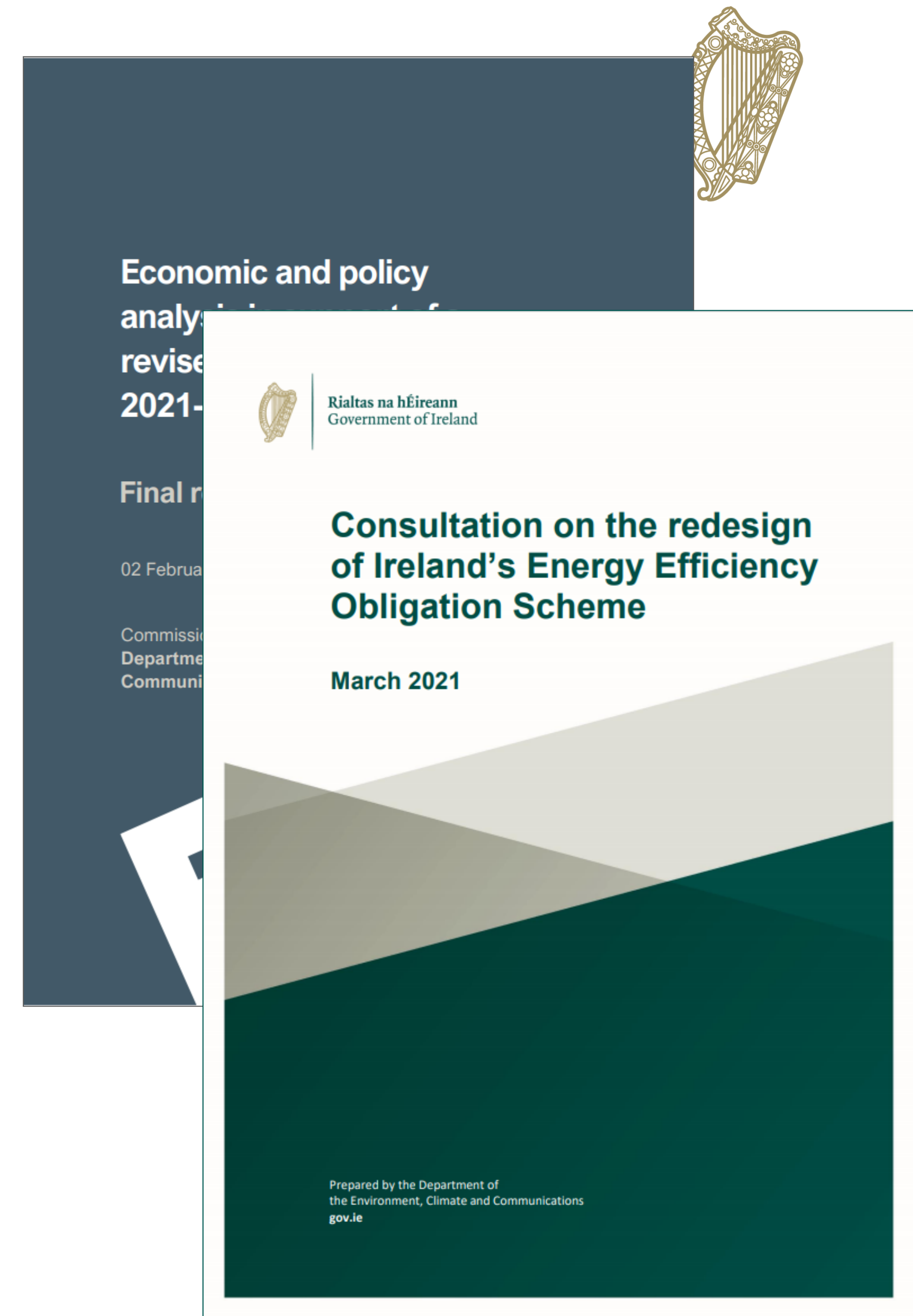


- Quick overview of the consultation
- Focus of the consultation
- Policy development process and basis of proposals
- **Run-through of each set of proposals**

# Overview

Consultation running from 4 March to 30 April

- ❖ Main consultation document
  - *40 consultation questions over seven areas*
- ❖ Detailed analysis report
  - *independent economic and policy analysis*



# Design aspects for consultation



The proposals for consultation focus on the discretionary elements of the EED, and relate to specific areas on the design of the scheme, namely:

1. Obligated parties – *WHO?*
2. The EEOS target – *HOW MUCH?*
3. Delivery sub-targets – *WHERE?*
4. Delivery requirements – *HOW?*
5. Nature of targets and compliance – *BY WHEN?*



# Design aspects for consultation



The proposals for consultation focus on the discretionary elements of the EED, and relate to specific areas on the design of the scheme, namely:

1. Obligated parties – *WHO?*
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3. Delivery sub-targets – *WHERE?*
4. Delivery requirements – *HOW?*
5. Nature of targets and compliance – *BY WHEN?*

**Some areas  
may be of  
wider interest  
than others**

# Proposal basis & supporting analysis



## Our proposals have been informed by:

- Analysis of the changes to relevant requirements in the revised EED
- Experience of what has worked in the 2014-20 period in Ireland, incl stakeholder feedback
- Information on what's worked in the 2014-20 period in other Member States
- Independent analysis of the potential contribution of an EEOS to Ireland's Art 7 target
- Independent impact and cost benefit analysis of scheme design options for an EEOS



# Section 3: Obligated Parties



- ❑ Proposals on the entities to be obligated under the EEOS and how they should be obligated

**Who?**

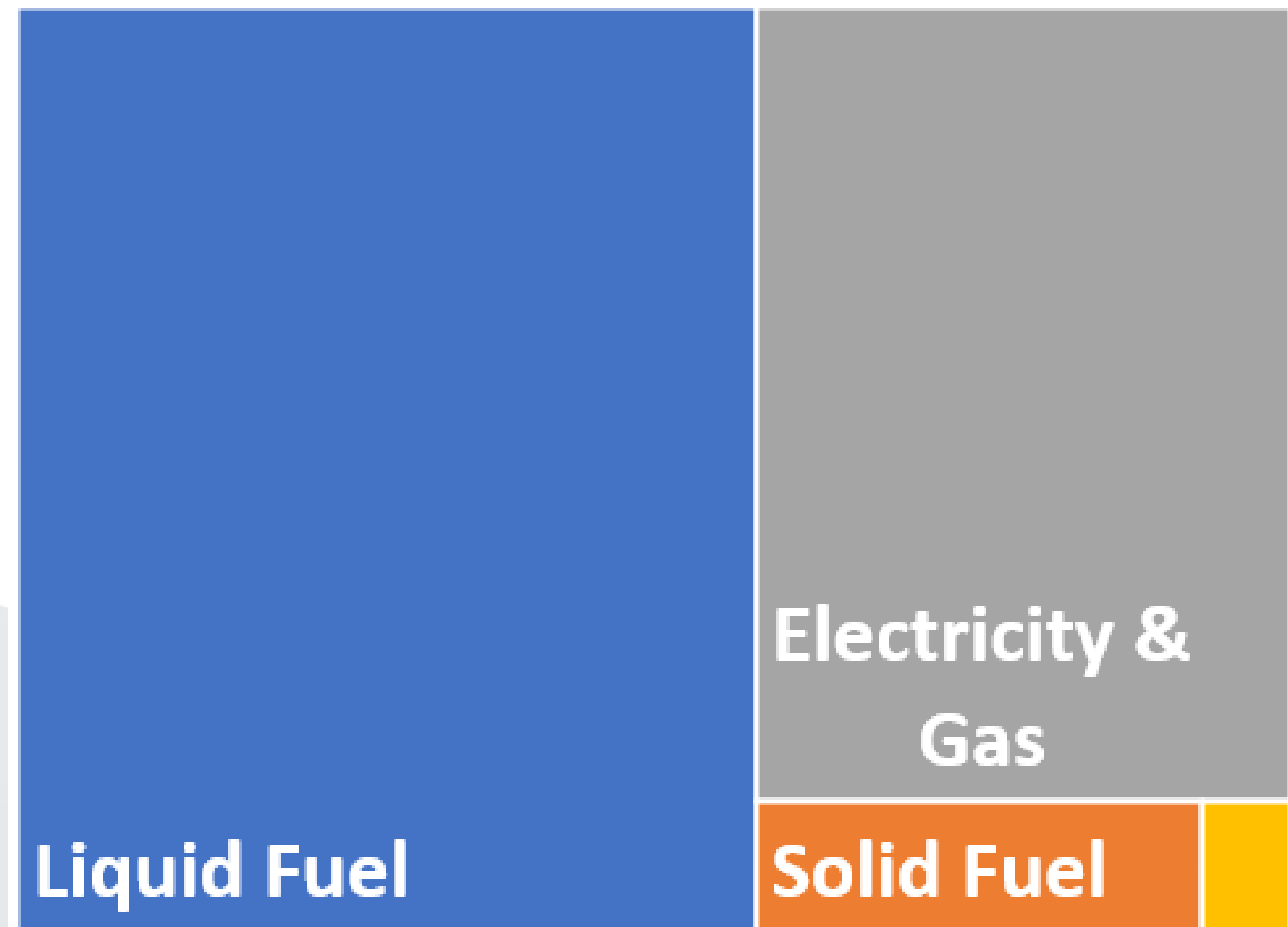
**5 x Qs**

# Market coverage



Which energy markets are covered

**Proposal:** To include entities across all the main energy markets - electricity, natural gas, liquid fuel and solid fuel – under the EEOS



The EED does not distinguish between renewable energy and other forms of energy,

- with 'energy' defined as *all* forms of energy products, combustible fuels, heat, renewable energy, electricity, other forms

# Irish energy markets



Which types of entities within each market are obligated

**Proposal:** To obligate the following types of entities per market operating in Ireland, if above a certain size:

- **liquid fuel market:** only the liquid fuel importers (not distributors downstream)
- **electricity and natural gas markets:** only the retail supply companies (not DSOs)
- **solid fuel market:** all entities, incl those importing, distributing and/or supplying

The entities obligated under the EEOS are known as **‘obligated parties’**

- An obligated party must be either an energy distributor (which includes importers and DSOs) or an energy retailer.
- All are involved in some way, either directly or indirectly, in the sale of energy for end-use consumption by final customers

# Obligation threshold



What size entities are obligated and the impact for target setting

**Proposal:** To set the obligation threshold at annual final energy sales of 400 GWh\*, with the introduction of a free allowance structure

An ‘**obligation threshold**’ is the point at which parties become obligated.

\*some entities may have sales in more than one market

A ‘free allowance’ means only marginal sales above the obligation threshold would be considered when allocating targets i.e. targets will be based on the annual sales volume of each obligated party, net of the free allowance.

# Section 4: The 2021-30 EEOS Target



- ❑ Proposals on the size of the total EEOS target and how transport energy should be treated as part of this target

**How much?**

**2 x Qs**



# The EEOS Target



What proportion of the Article 7 target is met through the EEOS

**Proposal:** To set the overall EEOS Target at 60% of Ireland’s Article 7 Target, equivalent to 36,424 GWh cumulative final energy savings

The **Art 7 Target** is **60,707** GWh cumulative final end-use energy savings.

| Year implemented |       |       |       |       |       |       |       |       |       |       | Sum    |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2021(x10)        | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 11,030 |
| 2022 (x9)        |       | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 9,927  |
| 2023 (x8)        |       |       | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 8,824  |
| 2024 (x7)        |       |       |       | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 7,721  |
| 2025 (x6)        |       |       |       |       | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 6,618  |
| 2026 (x5)        |       |       |       |       |       | 1,104 | 1,104 | 1,104 | 1,104 | 1,104 | 5,515  |
| 2027 (x4)        |       |       |       |       |       |       | 1,104 | 1,104 | 1,104 | 1,104 | 4,412  |
| 2028 (x3)        |       |       |       |       |       |       |       | 1,104 | 1,104 | 1,104 | 3,309  |
| 2029 (x2)        |       |       |       |       |       |       |       |       | 1,104 | 1,104 | 2,206  |
| 2030 (x1)        |       |       |       |       |       |       |       |       |       | 1,104 | 1,104  |
| Cumulative       |       |       |       |       |       |       |       |       |       |       | 60,707 |



# The EEOS Target



What proportion of the Article 7 target is met through the EEOS

**Proposal:** To set the overall EEOS Target at 60% of Ireland's Article 7 Target, equivalent to 36,424 GWh cumulative final energy savings

| Target/mechanism     | Delivery                      | % of Art 7 Target | Cumulative final energy savings |
|----------------------|-------------------------------|-------------------|---------------------------------|
| Article 7 obligation | Alternative measures and EEOS | 100%              | 60,707 GWh                      |
| Alternative measures | Independently delivered       | 40%               | 24,283 GWh                      |
| EEOS Target          | Including co-funded measures  | 60%               | 36,424 GWh                      |

# Recognising transport in the EEOS Target



How the increased relevance of transport energy is taken into account

**Proposal:** To set two main targets\*:

1. For transport energy providers (40% of EEOS), split across OPs based on their final transport energy sales (the 'Transport Sales Target')\*\*
2. For non-transport energy providers (60% of EEOS), split based on their final non-transport energy sales (the 'Non-transport Sales Target')

\*can have  
a portion  
of both  
targets

\*\*delivery of  
savings not  
limited to  
transport  
measures

| Target                     | Basis for calculation                        | EEOS Target % | Cumulative final energy savings |
|----------------------------|----------------------------------------------|---------------|---------------------------------|
| EEOS Target                | All final energy sales                       | 100%          | 36,424 GWh                      |
| Transport Sales Target     | All final energy sales for transport         | 40%           | 14,570 GWh                      |
| Non-transport Sales Target | All other (non-transport) final energy sales | 60%           | 21,854 GWh                      |



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# EEOS Design

Economic and policy analysis

*David Williams, Economic Consulting Associates (ECA)*

# Objectives of analysis and content of presentation

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## ► Objective of full analysis

*To support the identification, development and design of Ireland's policy mix for responding to the Article 7 obligation of the EED with a focus on the role and design of the EEOS through 2021-2030*

## ► Content of presentation – focusing on EEOS design

- Residential sector scenario modelling
  - Issues of additionality
  - Costs and benefits
- Non-residential sector scenario modelling
  - Costs and benefits
- Overall summary
- Uncertainties and sensitivities



# EEOS sub-sectoral targets overview

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## ▶ Currently there are three targets:

- At least 5% of savings must be with “energy poor” consumers
- At least 20% additional savings must be in the residential sector (making 25% inclusive of energy poor action) – termed “able-to-pay” consumers in study
- Remaining 75% to be met through non-residential actions (although transfer of residential credits is allowed)

## ▶ In general, cost of energy poor activity to OPs > residential activity > non-residential activity

## ▶ Reasons for ring-fencing include:

- EEOS paid by all consumers but with no ring-fencing may result in households cross-subsidising industry
- Access to capital and information asymmetry, market failures most acute with households (particularly energy poor) → socio-economic net benefit from intervention may be higher
- EEOS potentially regressive due to energy bills being greater share of expenditure of energy poor households

## ▶ The analysis for 2021-2030 explored the impact of different sub-sectoral targets and rules for measure eligibility

## ▶ EEOS target set at approximately 60% of Article 7 target – equivalent to aggregate final energy target of 650 GWh\* new energy savings per annum

# Residential sector (able-to-pay) – EEOS scenarios

- Pathway scenarios seek to align EEOS design with the objectives of Ireland's Climate Action Plan

Shallower measures

## 1. Base Case

- 20% able-to-pay target
- All measures (bar fossil fuel boilers)

Smaller target

Larger target

## 4. Pathway 15

- 10% able-to-pay target
- Packages only (see report)

## 2. Pathway 25

- 20% able-to-pay target
- Packages only (see report)

## 3. Pathway 35

- 30% able-to-pay target
- Packages only (see report)

Deeper measures



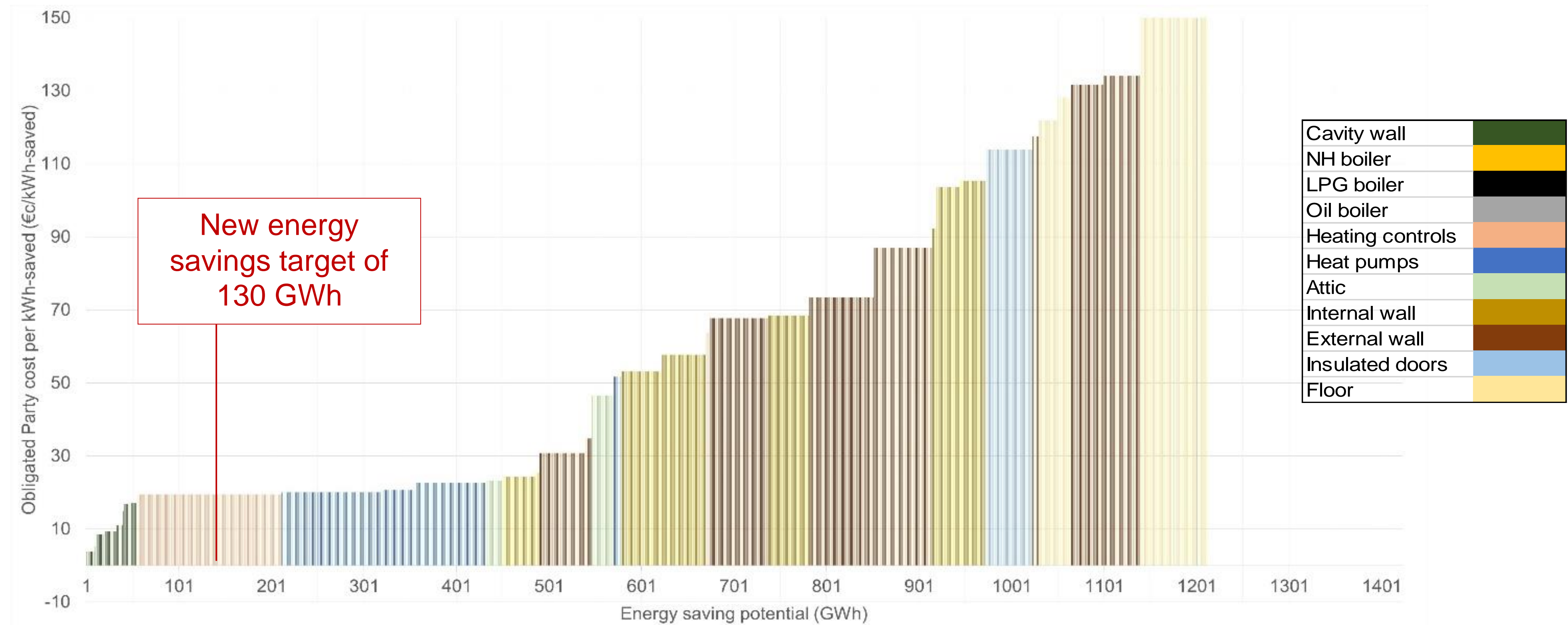
# Additionality for residential sector measures

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- ▶ The European Commission has published a set of Recommendations for the implementation of Article 7 of the revised EED
- ▶ These contain extensive descriptions on the interpretation of additionality and materiality criteria given in Annex V of the EED
- ▶ Of key relevance is the comparison to business-as-usual which requires accounting for:
  - “Free riders” – consumers who receive support but would have undertaken the measure regardless
  - “Free drivers” – relating to market acceleration benefit through consumers who are not direct recipients of subsidy but respond to wider awareness and market availability of energy efficient products and services
- ▶ These can theoretically be incorporated into deemed energy saving values through use of Net to Gross Ratio (NGR)
- ▶ No original research has been undertaken on additionality for this study, however previous papers have been used to identify measures of key concern:
  - Heating Controls: An NGR of 0.67 has been applied in the able-to-pay sector reflecting substantial levels of free riders as found by ESRI in Irish grant schemes
  - Fossil fuel boilers: These are not permitted under the reported scenarios but are flagged as being at risk of high levels of free riders (drawing on work by Lees (2008), Alberini et al (2014) and Winskel and Kerr (2018))

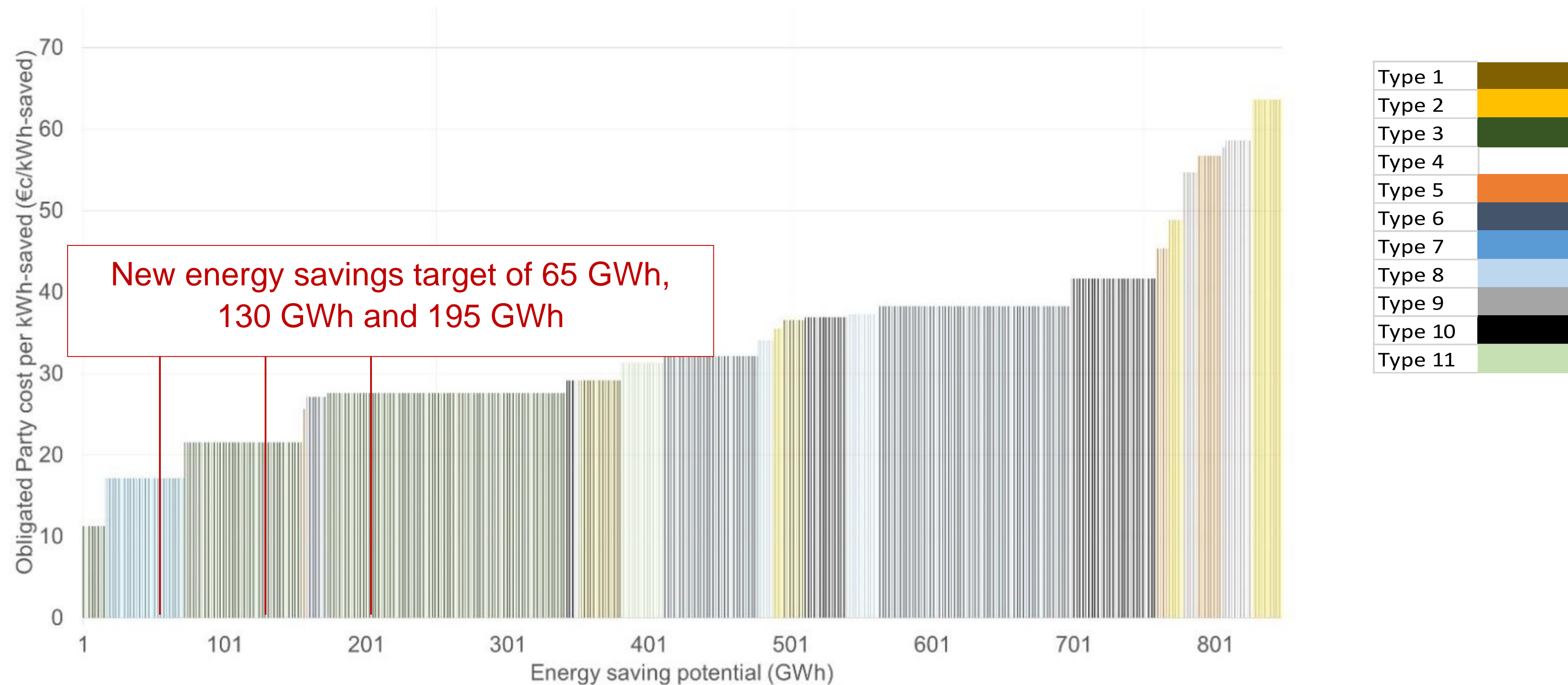
# Base Case Obligated Party Cost Curve (2021)

- ▶ Assumes Obligated Parties (OPs) deploy cheapest measures first
- ▶ Subject to penetration, suitability, and annual deployment constraints
- ▶ OP contributes 30% of investment costs



# Pathway Scenario OP Cost Curve (2021)

- ▶ Similar constraints to Base Case on annual deployment applied
- ▶ Model run inclusive and exclusive of lowest cost dwelling type (Type 3) due to it being a relative outlier
- ▶ New energy saving targets equivalent to 10%, 20% and 30% of overall EEOS annual target





# Cost-Benefit Analysis - approach

- ▶ Measures are selected based on cost to OP per unit final energy saving
- ▶ Broader impact requires a Cost-Benefit Analysis (CBA) from societal perspective

| Benefit / Cost               | Description                                                                                                                                                                 |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Benefits</b>              |                                                                                                                                                                             |
| Direct participant benefits  | Direct benefit from recipient of energy efficiency measures in terms of energy bill savings and/or increased comfort                                                        |
| Market acceleration benefits | Energy bill saving benefits by consumers who are not direct recipients of subsidy but respond to wider awareness and availability of energy efficient products and services |
| Energy system benefits       | Potential benefits accruing from reduced energy infrastructure costs not captured in retail price savings (not estimated in this CBA)                                       |
| Other societal benefits      | Benefits accruing to society such as reduced emissions not captured in the other listed benefits (only carbon emissions considered in this CBA)                             |
| <b>Costs</b>                 |                                                                                                                                                                             |
| Direct programme costs       | Costs to OPs for incentivising energy efficiency measures by end consumers                                                                                                  |
| Co-funding costs             | Relates to other grant and tax relief subsidies from AMs (not separately itemised from direct participant costs in this CBA)                                                |
| Indirect programme costs     | Covers taxation losses through fuel switching (CBA considers shadow price of public funds through a sensitivity case)                                                       |
| Direct participant costs     | Costs incurred by participating consumers for undertaking energy efficiency measures                                                                                        |
| OP administrative costs      | Costs to OPs on lead generation, internal admin, reporting, monitoring and verification (only considered for all sectors together in “combination scenarios”)               |
| Scheme administration costs  | Costs to scheme administrator (only considered in “combination scenarios”)                                                                                                  |

# Cost-Benefit Analysis – results of residential sector (able-to-pay)

- ▶ Estimating CBA for Base Case and Pathway 15 (10% able-to-pay) scenarios yields below
- ▶ For Pathway scenario, left hand number is model result inclusive of Dwelling Type 3, right hand is model exclusive of it
- ▶ Does not include administrative costs (see later slides on combination scenarios)

| Scenario                               | Benefit or cost                                             | Present Value of net benefits (2020<br>€ millions) |
|----------------------------------------|-------------------------------------------------------------|----------------------------------------------------|
| Base Case                              | Direct participant benefits and market acceleration effects | 683.7                                              |
|                                        | Societal (carbon) benefits                                  | 171.1                                              |
|                                        | Gross Benefit                                               | 854.8                                              |
|                                        | Direct programme costs                                      | (192.4)                                            |
|                                        | Indirect programme costs                                    | (0.0)                                              |
|                                        | Direct participant and co-funding costs                     | (432.4)                                            |
|                                        | Gross Cost                                                  | (624.8)                                            |
|                                        | Net Benefit                                                 | 230.0                                              |
| Pathway 15 (10% able-to-pay<br>target) | Direct participant benefits and market acceleration effects | 243.8 – 221.2                                      |
|                                        | Societal (carbon) benefits                                  | 185.5 – 186.1                                      |
|                                        | Gross Benefit                                               | 429.3 – 407.3                                      |
|                                        | Direct programme costs                                      | (82.5) – (98.3)                                    |
|                                        | Indirect programme costs                                    | (0.0) – (0.0)                                      |
|                                        | Direct participant and co-funding costs                     | (137.7) – (167.4)                                  |
|                                        | Gross Cost                                                  | (220.2) – (265.7)                                  |
|                                        | Net Benefit                                                 | 209.1 – 141.6                                      |

# Cost-Benefit Analysis – results of energy poor

- ▶ CBA undertaken for Base Case and Pathway Enhanced Energy Poor (Initial BER of E or lower) scenarios (both at 5% share of EEOS)
- ▶ For Pathway scenario, left hand number is model result inclusive of Dwelling Type 1, right hand is model result exclusive of it (lowest cost dwelling type in this scenario)
- ▶ Does not include administrative costs (see later slides on combination scenarios)

| Scenario                                                 | Benefit or cost                                             | Present Value of net benefits (2020<br>€ millions) |
|----------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------|
| Base Case                                                | Direct participant benefits and market acceleration effects | 252.7                                              |
|                                                          | Societal (carbon) benefits                                  | 50.1                                               |
|                                                          | Gross Benefit                                               | 302.8                                              |
|                                                          | Direct programme costs                                      | (103.0)                                            |
|                                                          | Indirect programme costs                                    | (0.0)                                              |
|                                                          | Direct participant and co-funding costs                     | (51.5)                                             |
|                                                          | Gross Cost                                                  | (154.6)                                            |
|                                                          | Net Benefit                                                 | 148.3                                              |
| Pathway with Enhanced Energy<br>Poor criteria (5% share) | Direct participant benefits and market acceleration effects | 207.7 – 199.4                                      |
|                                                          | Societal (carbon) benefits                                  | 90.3 – 90.5                                        |
|                                                          | Gross Benefit                                               | 298.0 – 289.9                                      |
|                                                          | Direct programme costs                                      | (170.6) – (219.0)                                  |
|                                                          | Indirect programme costs                                    | (0.0) – (0.0)                                      |
|                                                          | Direct participant and co-funding costs                     | (62.7) – (87.8)                                    |
|                                                          | Gross Cost                                                  | (233.3) – (306.8)                                  |
|                                                          | Net Benefit                                                 | 64.7 – (16.9)                                      |



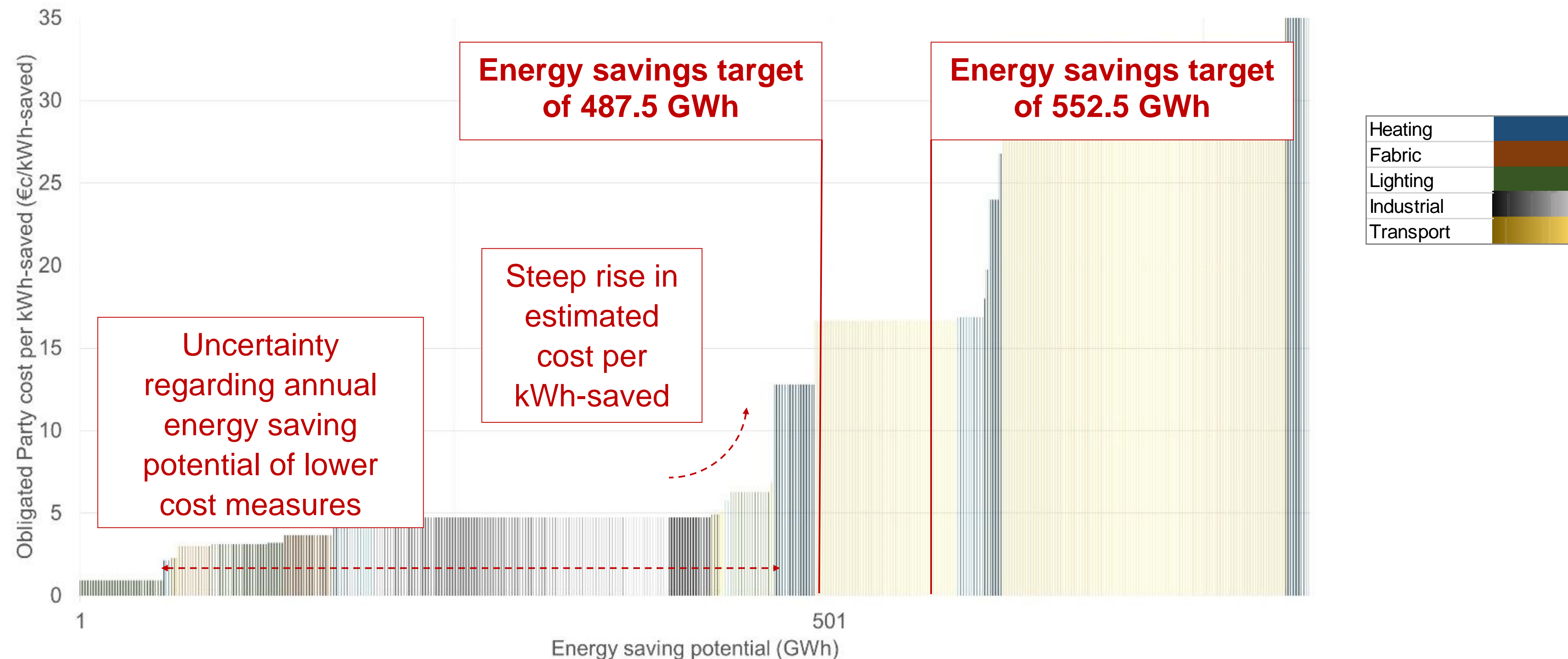
# Non-residential - approach

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- ▶ Selection of potential transport measures identified from CAP review and other European EEOS:
    - Incentives for EV deployment
    - More efficient behaviours in road transportation of goods
    - Deployment of fuel additives
    - Fuel saving tyres
  - ▶ Industrial and commercial sector measures broadly as at present but shift to final rather than primary energy changes relative attractiveness (notably between heating and lighting measures)
- ▶ Two scenarios modelled:
    - Base Case maintaining non-residential sector design broadly as at present with move to final energy savings
      - Run at 65%, 75% and 85% shares of EEOS target to correspond to Pathway scenarios for residential sector
    - Ring-fencing transport at 40% (approximately equivalent to share of FEC) of overall EEOS target
  - ▶ Large uncertainty regarding cost to OPs for supporting Electric Vehicle roll-out

# Non-Residential Base Case Obligated Party Cost Curve (2021)

- ▶ Assumes Obligated Parties (OPs) deploy cheapest measures first
- ▶ Subject to penetration, suitability, and annual deployment constraints
- ▶ For most measures OP assumed to contribute 5% of investment costs (some specific rates applied in transport sector)



# Cost-Benefit Analysis – results of non-residential sector

| Scenario                                                          | Benefit or cost                                             | Present Value of net benefits (2020<br>€ millions) |
|-------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------|
| Base Case (75%)                                                   | Direct participant benefits and market acceleration effects | 3,092.0                                            |
|                                                                   | Societal (carbon) benefits                                  | 351.0                                              |
|                                                                   | Gross Benefit                                               | 3,443.0                                            |
|                                                                   | Direct programme costs                                      | (180.7)                                            |
|                                                                   | Indirect programme costs                                    | (30.8)                                             |
|                                                                   | Direct participant and co-funding costs                     | (2,484.4)                                          |
|                                                                   | Gross Cost                                                  | (2,695.9)                                          |
|                                                                   | Net Benefit                                                 | 747.1                                              |
| Base Case (85% - aligned to<br>Pathway 15 for residential sector) | Direct participant benefits and market acceleration effects | 3,626.5                                            |
|                                                                   | Societal (carbon) benefits                                  | 440.5                                              |
|                                                                   | Gross Benefit                                               | 4,067.0                                            |
|                                                                   | Direct programme costs                                      | (268.0)                                            |
|                                                                   | Indirect programme costs                                    | (543.2)                                            |
|                                                                   | Direct participant and co-funding costs                     | (3,252.3)                                          |
|                                                                   | Gross Cost                                                  | (4,063.5)                                          |
|                                                                   | Net Benefit                                                 | 3.5                                                |
| Ring fencing transport                                            | Direct participant benefits and market acceleration effects | 3,987.3                                            |
|                                                                   | Societal (carbon) benefits                                  | 557.0                                              |
|                                                                   | Gross Benefit                                               | 5,544.3                                            |
|                                                                   | Direct programme costs                                      | (620.9)                                            |
|                                                                   | Indirect programme costs                                    | (1,974.9)                                          |
|                                                                   | Direct participant and co-funding costs                     | (3,923.9)                                          |
|                                                                   | Gross Cost                                                  | (6,519.7)                                          |
|                                                                   | Net Benefit                                                 | (1975.4)                                           |

# Cost-Benefit Analysis – comparison of combination scenarios

| Scenario                                                   | Present Value (2020 € millions) |                       |                          |
|------------------------------------------------------------|---------------------------------|-----------------------|--------------------------|
|                                                            | Gross Benefit                   | Gross Cost            | Net Benefit              |
| Base Case                                                  | 4,600.7                         | (3,500.5)             | <b>1,100</b>             |
| Pathway 15 and Enhanced Energy Poor                        | 4,794.2 – 4,764.2               | (4,542.2) – (4,661.2) | <b>300 – 100</b>         |
| Pathway 15, Enhanced Energy Poor and Ring-fenced transport | 5,271.5 – 5,241.5               | (6,998.3) – (7,117.4) | <b>(1,700) – (1,900)</b> |

- ▶ Ranges provided under the combined scenarios which include the Pathway approach in the residential sector are calculated on model runs including and excluding cheapest dwelling type to illustrate sensitivity of results – they do not indicate an uncertainty envelope to a particular confidence threshold
- ▶ Pathway 15 and Enhanced Energy Poor (no transport ring fence) scenario results highly sensitive to assumptions on measures invested in for additional 10% non-residential target size relative to Base Case → should this be met by residential retrofits rather than EV support the model would return similar overall net benefit of combined scenario to Base Case
- ▶ Ring-fencing transport has notably weaker results but large cost uncertainties (see final slide)



# Sensitivities and uncertainties

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## ▶ Sensitivities to OP cost curves:

- ▶ Annual energy savings potential as basis of cost curves have significant uncertainties
- ▶ Higher or lower potential than estimated could have significant impact on the marginal cost of energy savings to OPs as targets sit close to estimated inflection points
- ▶ Small changes in cost assumptions for measures can have large impact on overall net benefit
  - should OPs deliver additional residential retrofits rather than electric vehicles support in “Pathway 15 and Enhanced Energy Poor” combined scenario then net benefit rises to approximately equal Base Case combined scenario

## ▶ Other key uncertainties come from:

- Upside potential market acceleration benefits for measures with current low levels of market penetration and structural barriers – e.g. Electric Vehicles and heat pumps
- Assumed subsidy rates by OPs are based on limited data using known cost of energy savings credits to date, government run subsidy schemes, and international comparisons
- Uncertainty over trends in total investment costs - this is particularly pronounced for Electric Vehicles where the market is especially dynamic and quicker than anticipated price falls could significantly improve the “ring-fenced transport” results
- No account has been made for potential “lock-in” effects whereby consumers who avail a light retrofit are reluctant to consider subsequent refurbishments for a substantial period subsequently

# Cost-Benefit Analysis – OP cost recovery

| Scenario                                                   | Estimated total cost to Obligated Parties<br>(€ Millions)        | Estimated energy saving credit cost<br>(€/kWh-saved) | Estimated cost on typical tariff<br>(€/kWh-sold)                      |
|------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------|
| Current Scheme (2014 - 2020)                               | 39.2 (based on annual target of 700 GWh primary energy per year) | 0.06 (primary energy → 0.08 in final energy terms)   | 0.074 for non-transport (95% share)<br>0.003 for transport (5% share) |
| Base Case                                                  | 59.2                                                             | 0.09 (final energy)                                  | 0.045                                                                 |
| Pathway 15 and Enhanced Energy Poor                        | 64.3 – 72.2                                                      | 0.10 – 0.11 (final energy)                           | 0.049 – 0.055                                                         |
| Pathway 15, Enhanced Energy Poor and Ring-fenced transport | 107.7 – 115.6                                                    | 0.17 – 0.18 (final energy)                           | 0.081 – 0.087                                                         |

- ▶ Figures for current scheme included for comparison purposes
- ▶ Target for 2021-2030 scenarios in all cases is 650 GWh new savings per annum, final energy





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# Section 5: EEOS Delivery Sub-targets



- ❑ Proposals on the sub-targets to be put in place, the level of savings to require under each and how these sub-targets should be allocated

**Where?**

**6 x Qs**

# Which delivery sub-targets



Where a specific proportion of savings is to come from

**Proposal:** To ‘ring-fence’ a proportion of the EEOS Target to be met from savings delivered in particular sectors and in line with certain delivery requirements

- To introduce a specific **Residential Delivery Sub-target** that can only be met through savings delivered in the residential sector
- To require that a distinct portion of these residential savings must be delivered through measures in energy poor homes (**‘Energy Poverty Delivery Sub-target’**)
- To not specifically require that a portion of the EEOS Target must be met by obligated parties through savings from measures in the transport sector

These ring-fenced sectoral targets are referred to as “delivery sub-targets”

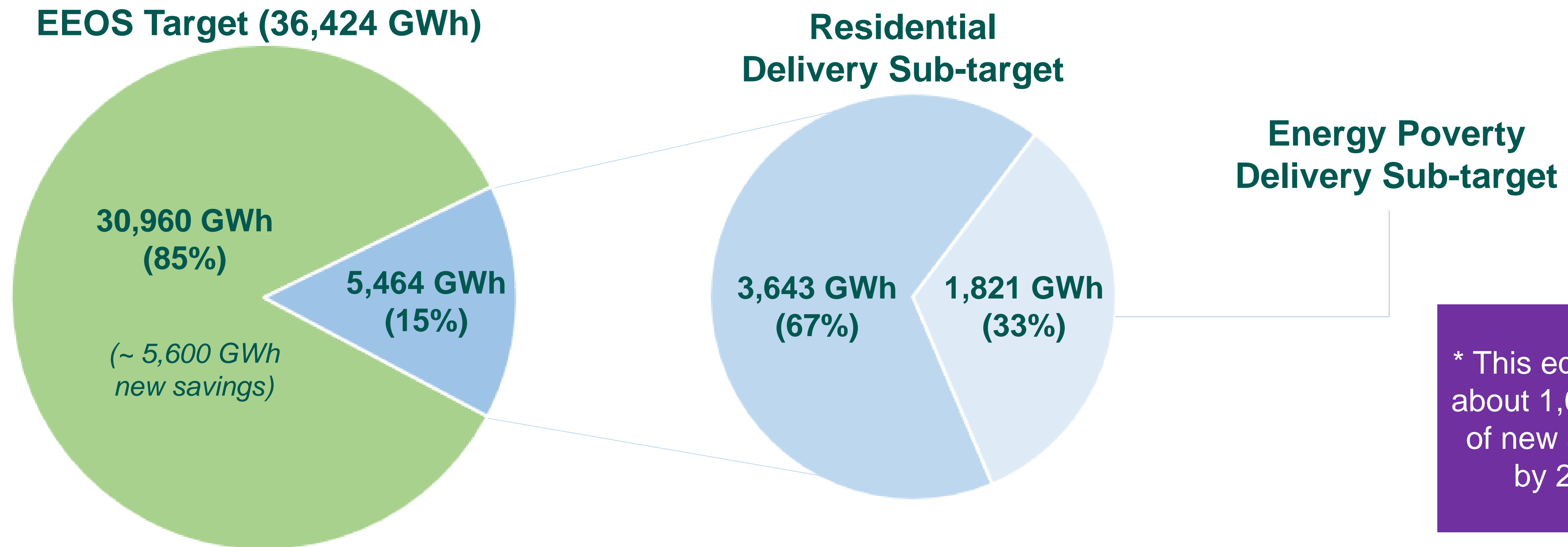
# The size of the delivery sub-targets



What proportion of the savings are to come from these sectors/areas

## Proposal:

- Setting the Residential Delivery Sub-target at 15% of the overall EEOS Target (5,464 GWh\*)
- Of this, requiring at least a third (1,821 GWh) is to energy poor homes (5% of EEOS Target)
- The remaining 85% of the EEOS target to be delivered in any sector



\* This equates to about 1,000GWh of new savings by 2030



# Allocation of the delivery sub-targets



How these savings requirements are allocated to obligated parties

## Proposal:

- To allocate the Residential Delivery Sub-Target as 25% of the Non-Transport Sales Target, equating to the total 15% of EEOS savings (5,464 GWh cumulative savings)
- To set sub-targets as a fixed share of each obligated party's Non-transport Sales Target

- EEOS Target
- Sales Targets
- Delivery Sub-targets

| Target                                         | % of EEOS Target | % of Sales Targets | % of Delivery Sub-targets | Cumulative final energy savings |
|------------------------------------------------|------------------|--------------------|---------------------------|---------------------------------|
| <b>EEOS Target</b>                             | <b>100%</b>      |                    |                           | <b>36,424 GWh</b>               |
| <b>Transport Sales Target</b>                  | <b>40%</b>       | <b>100%</b>        |                           | <b>14,570 GWh</b>               |
| Delivery in any sector                         | 40%              | 100%               |                           | 14,570 GWh                      |
| <b>Non-transport Sales Target</b>              | <b>60%</b>       | <b>100%</b>        |                           | <b>21,854 GWh</b>               |
| Delivery in any sector                         | 45%              | 75%                |                           | 16,390 GWh                      |
| Delivery in residential sector only            | 15%              | 25%                | 100%                      | 5,464 GWh                       |
| <i>Residential delivery - energy poor only</i> | <i>5%</i>        | <i>8.25%</i>       | <i>33%</i>                | <i>1,821 GWh</i>                |
| <i>Residential delivery - any</i>              | <i>10%</i>       | <i>16.75%</i>      | <i>67%</i>                | <i>3,643 GWh</i>                |



# Section 6: Delivery Requirements



- ❑ Proposals on certain eligibility requirements to be met in relation to different types of delivery

**How?**

**2 x Qs**

# Residential delivery



What requirements are to be met for residential delivery (general)\*

**Proposal:** To require that measures must result in the achievement of a B2 BER level or better, OR put the home on a 'B2 pathway'

**Savings from measures will be eligible under the Residential Delivery Sub-target (excluding the Energy Poverty Delivery Sub-target) where:**

**1. the post-works BER reaches a B2 energy rating or better (i.e.  $< 125 \text{ kWh /m}^2\text{/yr}$ ),**

**OR**

**2. the property is put on a 'B2 pathway', meaning that the energy efficiency measures delivered have moved the property closer to achieving a B2 energy rating AND a technical B2 achievement plan/ advisory report has been developed and provided for the property following works.**

**\* Requirements will apply for all residential (non-EP) savings claimed**

# Energy poverty delivery



What requirements are to be met for delivery to energy poor homes

**Proposal:** To require that measures must be delivered in an 'eligible energy poor home' and result in the achievement of a BER of B2 or better

**Savings from measures will be eligible under the Energy Poverty Delivery Sub-target where:**

- 1. the measures have been delivered in an 'eligible energy poor home',  
which is a property:**
  - a. with a pre-works BER of an E1 rating or worse (i.e.  $> 300 \text{ kWh /m}^2\text{/yr}$ ); and**
  - b. which is occupied by a person in receipt of a Warmer Homes-eligible welfare payment**

**AND**

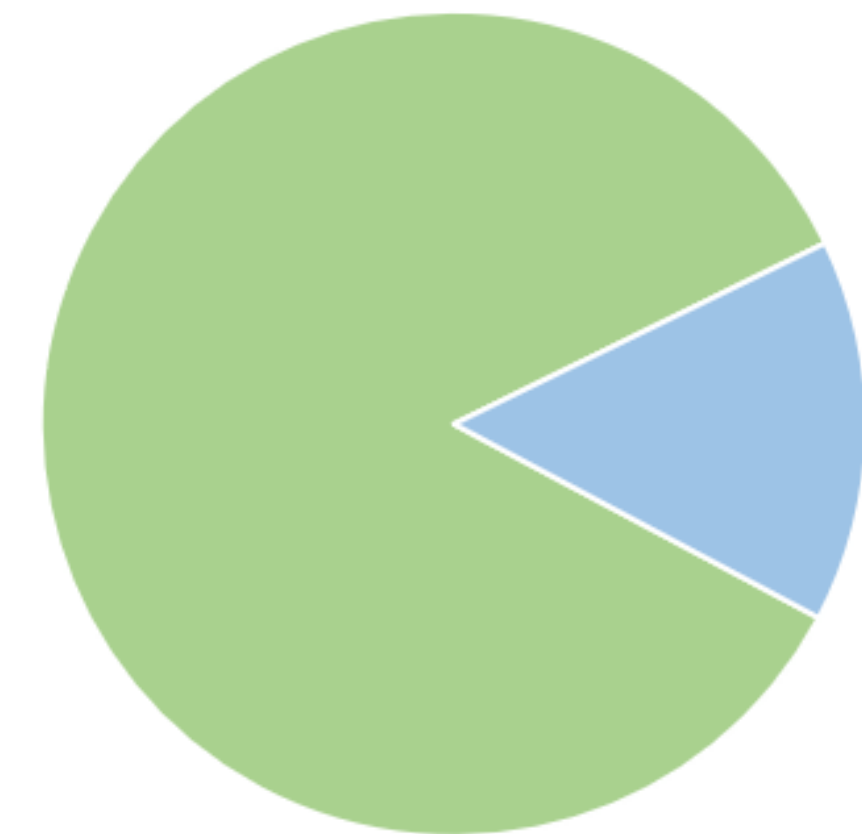
- 2. the post-works BER reaches a B2 rating or better (i.e.  $< 125 \text{ kWh /m}^2\text{/yr}$ ).**

# Delivery for remainder of EEOS Target



What requirements are to be met for other, non-residential delivery

- Remaining 85% of target - 'Cross Sector Target'
- Delivery in any sector allowed, including the industrial sector, transport sector, public sector and residential sector
- No additional delivery requirements, other than those which apply to all savings in meeting the requirements of EED, incl Annex V (re savings eligibility)



# Section 7: Nature of Targets & Compliance



- ❑ Proposals on the nature of the targets for the obligation period and how compliance and non-compliance should be supported and managed

**By when?**

**17 x Qs**



# Nature of targets



What type of targets are to be implemented up to 2030

**Proposal:** To put in place annual new saving targets for the duration of the obligation period (as opposed to one cumulative target)

| Target by Year | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030  |
|----------------|------|------|------|------|------|------|------|------|------|-------|
| 2021           | 100  |      |      |      |      |      |      |      |      |       |
| 2022           |      | 200  |      |      |      |      |      |      |      |       |
| 2023           |      |      | 300  |      |      |      |      |      |      |       |
| 2024           |      |      |      | 400  |      |      |      |      |      |       |
| 2025           |      |      |      |      | 500  |      |      |      |      |       |
| 2026           |      |      |      |      |      | 600  |      |      |      |       |
| 2027           |      |      |      |      |      |      | 700  |      |      |       |
| 2028           |      |      |      |      |      |      |      | 800  |      |       |
| 2029           |      |      |      |      |      |      |      |      | 900  |       |
| 2030           |      |      |      |      |      |      |      |      |      | 1,000 |

**‘annual additive targets’**  
mean new final energy savings targets which must be met every year, but which grow as the obligation period progresses

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# Compliance flexibility mechanisms



What flexibilities are offered to obligated parties to support compliance

**Proposal:** To offer certain compliance flexibility mechanisms, to help assist obligated parties (OPs) in meeting their targets

- To set a **minimum achievement requirement** at 95%, meaning OPs can underdeliver against their annual additive targets by up to 5%
- To allow OPs to bilaterally **exchange** validated savings
- To allow targets to be **traded** between OPs
- To allow OPs to meet all or part of their targets by contributing to an energy efficiency fund, with a '**buy-out**' cap set  $< 30\%$  of targets

Most of these flexibilities were also available for the 2014-20 EEOS

# Non-compliance and penalties



How non-compliance is managed and potential penalties are determined

To use the opportunity to reconsider the approach to non-compliance and the penalty regime for the 2021-30 obligation period

## Proposal:

- penalties to relate to **annual additive targets**
- a defined **penalty framework** to be put in place
- non-compliant OPs to also be responsible for **delivering target shortfalls**
- financial penalties imposed to contribute to an **energy efficiency fund**
- penalties determined always to be **higher than the cost of compliance**

Penalty mechanism  
must be  
**‘effective,  
proportionate  
and dissuasive’**

# Section 8: Improvements & Cost Information

- Proposals on any scheme improvements that could be made and when, and on the reporting/publishing of cost information by obligated parties
- What other improvements could be made to the scheme
- How often the scheme should be reviewed
- How cost information is reported by obligated parties
- If and how obligated party cost information is published

**How well?/ How much €?**

**6 x Qs**



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# Thank you



# Next steps

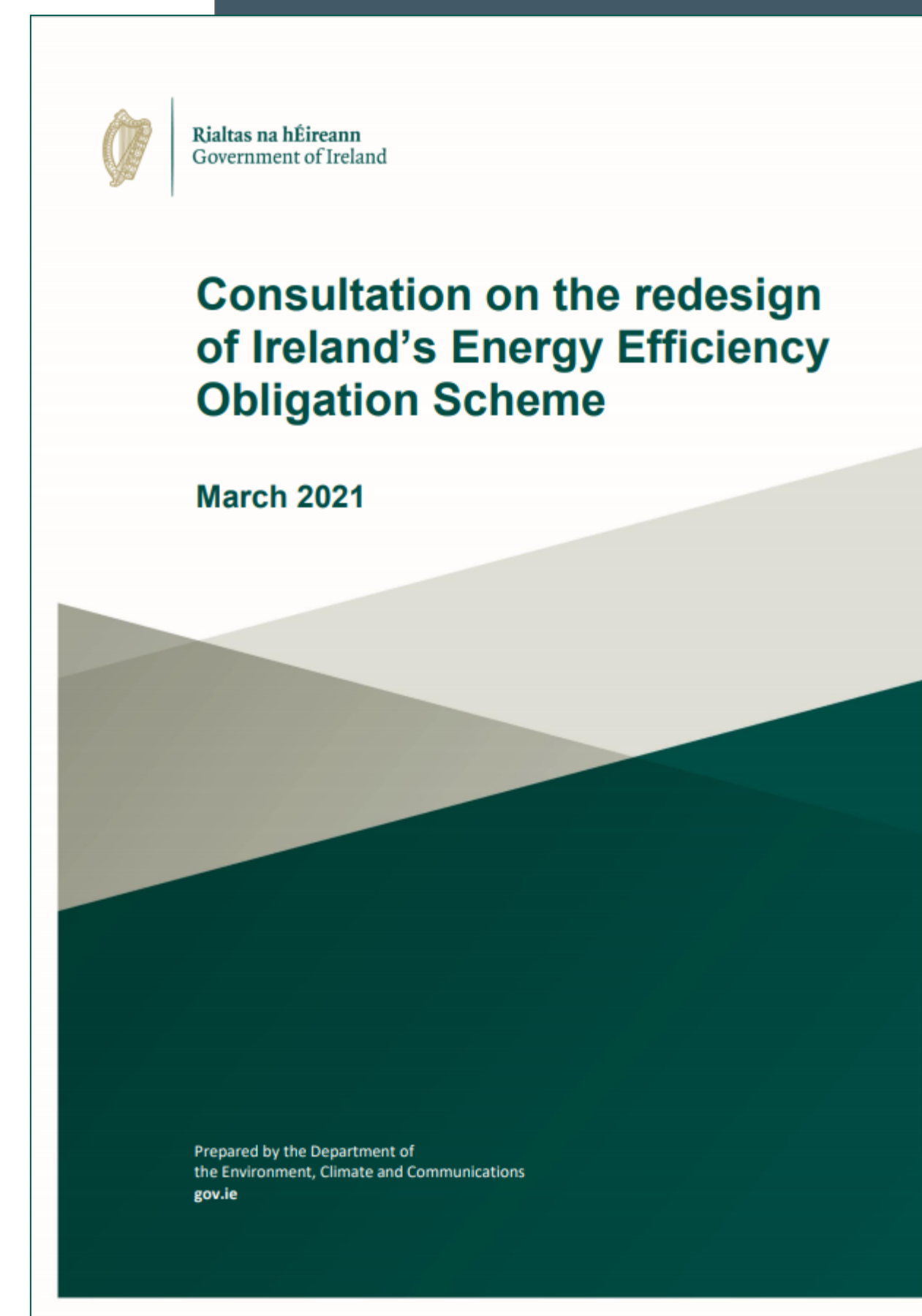


| DATES          | ITEMS                                                                  |
|----------------|------------------------------------------------------------------------|
| 4 Mar – 30 Apr | <b>PUBLIC CONSULTATION</b>                                             |
| End June       | Publish Decision Paper                                                 |
| Mar - July     | Further stakeholder/obligated party engagement and consultation        |
| May - Oct      | Draft new Statutory Instrument to replace current SI                   |
| May - Dec      | Prep for new scheme, incl guidance, calculation methodologies, systems |
| Jan 1 2022     | <b>LAUNCH OF NEW SCHEME</b>                                            |

# How to respond to the consultation



- The consultation document is available on [www.gov.ie](http://www.gov.ie)
- Policy analysis report published alongside main document
- The closing date for submissions is **Friday 30 April**
- To respond, just complete the [online response survey](#)
  - *not necessary to provide responses to all questions*
  - *supplement your response with information, evidence and/or analysis*
- Any queries to [energy.efficiency@decc.gov.ie](mailto:energy.efficiency@decc.gov.ie)





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# Q&A Session

## Panel:

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Aileen Duffy, DECC

Joe Durkan, SEAI

David Williams, ECA