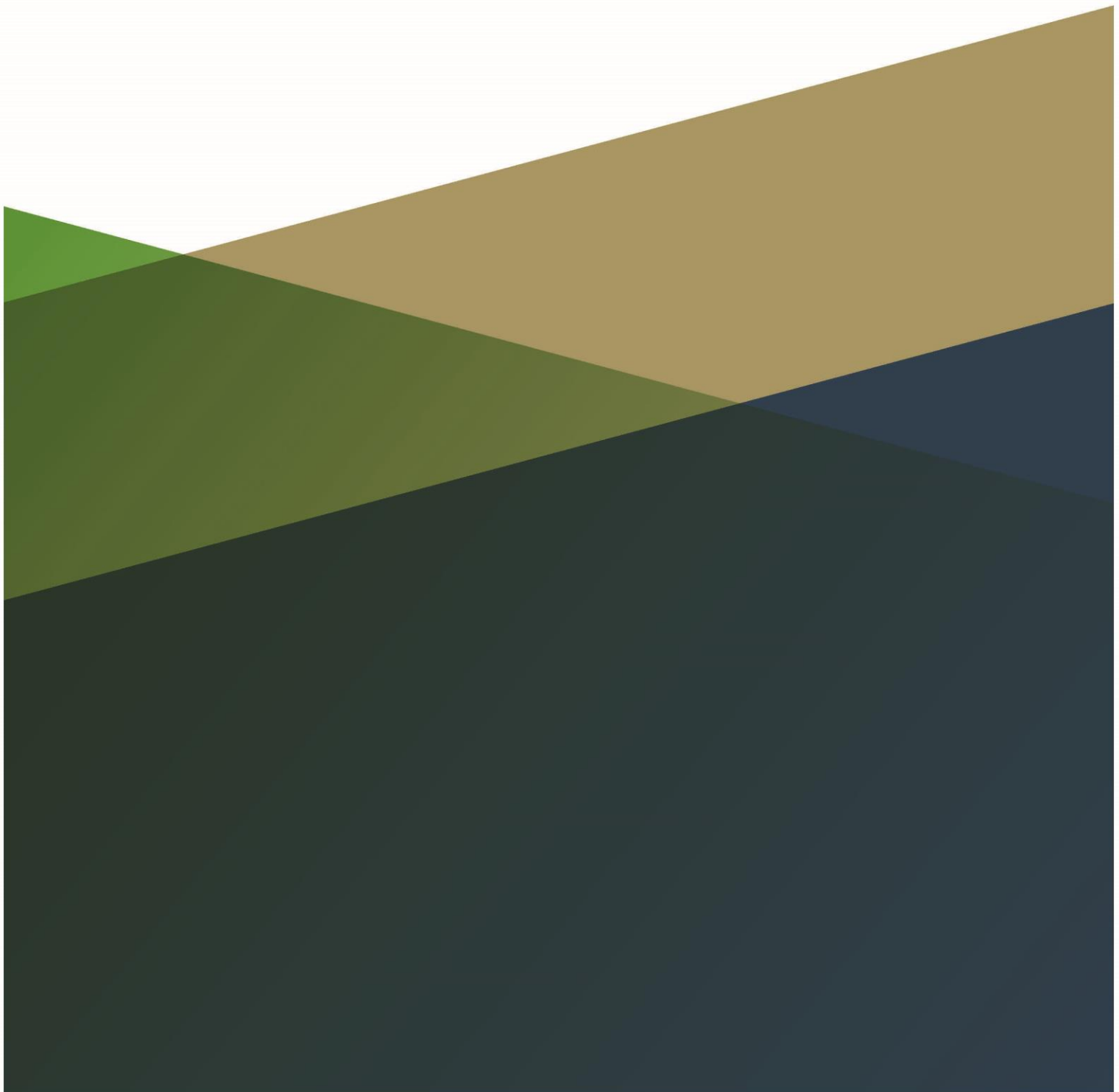




Rialtas na hÉireann
Government of Ireland

Consultation report:

Consultation on the implementation of the Clean Energy Package



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1 Background to the Consultation

A public consultation on implementing Article 7 of the Energy Efficiency Directive and on increasing the level of renewable energy used in the heat sector was undertaken in the context of the transposition of the European Union's Clean Energy Package.

The consultation was published on 17th October 2019 and remained open until 11th November 2019.

The consultation was in two parts:

The first part sought views on the Department's proposed approach for the implementation of the Article 7 energy savings requirement for Member States.

Views were sought in relation to:

- How to set Ireland's Article 7 target;
- The mix of measures to be notified;
- The metric to set for a supplier obligation scheme if one is notified.

The second part asked for views in relation to increasing the level of renewable energy used in the heat sector.

A consultation paper was made available in English and Irish and was published on DCCAE's website. The consultation had a response template that could be used by respondents.

2 Participants

A total of 31 responses to the consultation were received. 3 submissions were received after the deadline but are also considered in this report. 28 respondents answered the 3 questions relating to the Energy Efficiency Directive. Following a workshop on Question 3 of the consultation, 11 follow up responses were received and were considered as part of the consultation process.

Respondents fell into the following categories:

- Obligated suppliers under the existing Energy Efficiency Obligation Scheme
- Membership/representative organisations
- Commercial entities
- Not for profit/social enterprise/research centres/public bodies
- Individuals
- Grid and network operators

A full list of respondents can be found in Appendix 1.

3 Findings

Part 1 – Energy Efficiency Directive - Article 7

Question 1

Member States must make new annual energy savings equivalent to 0.8% of their final energy consumption¹ each year over the period 2021-2030 to meet a cumulative target by 2030.

Article 7(2) of the Energy Efficiency Directive provides for some flexibilities in how the target is calculated. However it is important to note that such flexibilities cannot be used to reduce a Member State's energy savings requirement.

Decision required:

Whether to use any flexibilities in calculating our target or not.

Proposed approach:

DCCAE's current intention is not to use the flexibilities and instead to use the straightforward approach to calculate the target.

Rationale:

Using the approach with flexibilities would result in a cumbersome energy savings calculation method, the Commission's proposed approach is simpler;

The approach with flexibilities cannot be used to lower the energy savings target;

Using the approach with flexibilities would result in more cumbersome reporting requirements.

Respondents were asked to give their views on the Department's proposal to use the straightforward approach to identify Ireland's Article 7 energy savings target for 2021-2030.

¹ https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Final_energy_consumption

- ✓ 77% of respondents to this question agreed with the Department's proposal to use the straightforward approach to identify Ireland's energy savings requirement for 2021-2030.

Key themes²

➤ **Supportive:**

Flexibilities shouldn't be used to reduce our target, given the urgency of need for action on climate change;

Flexibilities are a distraction and don't serve any purpose;

Agree with using the straightforward approach, but also think Ireland should voluntarily increase our target above what's required;

Using flexibilities cannot reduce the target and therefore cannot reduce the cost of meeting targets;

The flexibilities are not necessary and all relevant sectors should be included in the target calculations with a view to allocating responsibility for energy savings proportionate to the energy consumption in each sector.

➤ **Not supportive:**

A target that reflects our market should be set using the flexibilities, to allow us to incentivise savings in new technologies and in distribution and generation.

Department response:

It is important to note that using the straightforward approach as proposed does not impact on the potential to incentivise certain technologies in our chosen measures or in an obligation scheme. The calculation only identifies the target for savings to be made by the Member State. It is at the Member State's discretion to achieve the energy savings in any manner they choose that also meets the Directive's requirements³.

² These include quotes, paraphrasing and summaries of responses received.

³ For example, requirements relating to additionality, materiality, monitoring and verification, and lifetime of savings.

Question 2

Member States have the option of: (i) using an obligation scheme on energy suppliers and distributors; (ii) alternative policy measures; or (iii) a combination of both, to achieve their Article 7 target savings.

This is set out in Article 7 of the Energy Efficiency Directive.

Decision required:

Whether to use an obligation scheme, alternative measures, or a combination of both.

Proposed approach:

DCCAIE's current intention is to use both an obligation scheme and alternative measures to meet the target.

Rationale:

Including both an obligation scheme and alternative measures in the implementation of Article 7 would likely allow Ireland the maximum flexibility over the 10 year period to 2030;

This approach would allow the cost of compliance to be divided between Exchequer funding and obligated parties' contributions;

Ireland has used this approach successfully in the 2014-2020 period.

Respondents were asked to give their views on the Department's proposal to notify both an EEOS and a set of Alternative Measures, with the exact format of both the EEOS and the Alternative Measures to be confirmed following further analysis and consultation.

- ✓ 70% of respondents to this question agreed with the Department's proposal to notify an EEOS and Alternative Measures. A number of responses did not answer either yes or no to the question.
- ◇ Agreement with the proposal was accompanied by caveats in most cases.

Key themes⁴

➤ **Supportive;**

As long as Exchequer supports are adequately resourced to ensure that all

⁴ These include quotes, paraphrasing and summaries of responses received.

measures of the measures notified deliver energy savings;

The approach proposed provides more flexibility for Ireland over the 10 year period;

The existing EEOS obligated parties have generated a world-class industry in achieving their targets and should be recognised for that;

A new EEOS should promote a more collective effort of a variety of sectors to increase energy efficiencies, i.e. the transport sector should be separated from the heat and electricity to ensure savings are delivered equally across sectors;

It would be beneficial to have industry representatives involved in the governance end of an obligation scheme;

This approach would allow the EEOS to be used in conjunction with state capital supports to increase the volume of renovation.

➤ **Not supportive;**

The EEOS is too costly for consumers;

We should instead only notify Alternative Measures and list the EEOS as one of these, as under the current Directive;

The EEOS should not be used again;

If an obligation scheme is to be part of Ireland's approach to energy efficiency, the obligation scheme design will need to be reformed;

An obligation scheme should not be expanded to subsidise or replace alternative measures that have failed to deliver as expected. Instead the alternative measures need to be better funded and made more accessible to consumers.

Department response:

Clarification has already been obtained from the European Commission that an obligation scheme shall follow the revised Directive requirements and would not be considered as an

Alternative Measure under the EED 2018. The Department is proposing to proceed in line with this clarification.

The Department views the obligation scheme as an effective measure for delivering on Ireland's Article 7 target. Acknowledging that the effective design of the scheme is a crucial element to the success of an obligation scheme, the Department is committed to further consultation on the design of the obligation scheme.

Well-designed obligation schemes are effective at delivering energy savings in a cost effective manner. Although neither the Department nor SEAI monitor the cost to each obligated party of the energy savings that they deliver, the design of the existing scheme is structured so that obligated parties are incentivised to deliver the required energy savings at the lowest cost possible.

The Department currently intends that obligated parties will still have the ability to leverage existing support schemes, where applicable, provided they can demonstrate that they satisfy the materiality and additionality criteria as set out in Annex V of the Directive.

Question 3

Under Article 7 of the 2018 Directive, the amount of savings required to be achieved must be reported in final energy⁵. The energy savings required within a national obligation scheme may be set in either primary⁶ or final energy.

Decision required:

Whether to set the target for an obligation scheme in final or primary energy.

Proposed approach:

DCCAE's current intention is to set targets for the 2021-2030 obligation scheme in final energy.

Rationale:

Member states must report their overall savings in final energy. If the obligation scheme target is in primary energy and converted into final energy, the overall savings could be lower than expected. This could mean that targets would need to be increased to make up for shortfall. Therefore setting the scheme in final energy gives Ireland more certainty in what will be achieved and suppliers more certainty on their long term targets;

The use of a final energy metric for the obligation scheme is expected to be better aligned with Ireland's wider goals under the Climate Action Plan of electrifying heat and transport, where possible. It should also continue to drive reductions in fossil fuel consumption.

Respondents were asked to give their views on whether the target for the obligation scheme should be set in primary or final energy. There were varying views on this matter. A large number of responses called for further consultation on this question.

The Department and SEAI held a follow up workshop on this question to work through the proposed approach in more detail. Following the workshop respondents were asked to submit any additional views on the question.

⁵ https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Final_energy_consumption

⁶ https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Primary_energy_consumption

Including the follow up responses:

- ◇ 51% of respondents agreed with the Department's proposal, with 33% in disagreement and the remainder indicating no preference⁷.

Key themes⁸

➤ Supportive

Expressing savings in final energy terms will be more appropriate as the energy saving obligation under Article 7(1) of the Directive has to be delivered in final energy;

This change could support electrification of heat and transport, and drive reductions in fossil fuel consumption;

A final energy target will allow for easier comparison with other measures and other Member States;

Switching the metric recognises the need to increase activity on heat energy efficiency;

➤ Not supportive

Existing scheme targets are in primary and any change to this would impact on the market that has grown around electrical savings because of the existing EEOS;

Primary energy provides a more level playing field across energy saving technologies;

Primary energy is a true reflection of the energy and carbon impact to generate a KWh of energy and is the metric adopted by the SEAI in its analysis and reporting on Ireland's energy consumption. Using a final energy metric excludes the primary energy source and associated carbon emissions generated.

⁷ In calculating these percentages, the final view from each respondent was counted. The split between energy suppliers who are currently obligated was 4 against, 3 in agreement, 1 no preference.

⁸ These include quotes, paraphrasing and summaries of responses received.

Department response:

The Department acknowledges the concerns around the potential impacts of changing the metric for the obligation scheme. This must be weighed against the importance of setting up a scheme that can be designed to support policy objectives over the next decade and will also enable the requirement to report our Article 7 targets in final energy to the Commission. Given the cumulative nature of the target it is also important for the State to have certainty on where the savings for each measure reported on Article 7 will come from, the level of savings they will deliver, and when.

Article 7 specifically looks at final energy consumption. Setting the target in terms of final energy focuses on the end user of energy and requires that demand for energy is reduced at the point of consumption. This creates flexibility in how the State's overall final energy demand is ultimately met.

Other elements of the Energy Efficiency Directive (e.g. articles 3, 14 and 15) consider system efficiencies and primary energy. Specifically Article 15 looks at efficiencies in the generation, transmission and distribution of energy, all of which contribute to an overall reduction in primary energy.

The Department is committed to working with obligated parties to develop a approach to support the transition to the new scheme. This will take into account the importance of continuity in business planning and will not deter any larger projects in planning stage from being delivered in the new scheme.

Part 2 – Increasing the level of renewable energy used in the heat sector

Part 2 of the consultation invited views on how best to meet the requirements under the Renewable Energy Directive (RED) to increase renewable energy in the heat sector and, in particular, the potential implementation of an obligation scheme in the heat sector. Views submitted will be considered in the context of proposals on the best approach to comply with this element of the RED. No proposals have been developed yet in this regard.

Appendix 1 – List of respondents to the consultation

Aughinish Alumina

BirdWatch Ireland

Bord Gais Energy

Bord Na Móna

Calor

Climote

Codema

Composting and Anaerobic Digestion Association and Irish BioEnergy Association

Eirgrid

Electric Ireland

Electricity Association of Ireland

Energia

Energy Institute

Enprova

Fingleton White

Gas Networks Ireland

Geothermal Association of Ireland

IBEC

International Energy Research Centre

Irish Bioenergy Association

Irish Green Building Council

Irish LP Gas Association

Jack Browne

KORE Insulation

Louth Meath Education and Training Board

Naturgy

Pat Finnegan

Renewable Gas Forum Ireland

SSE Airticity

Stream BioEnergy

Tipperary Energy Agency