

Michael McCarthy T.D., Cathaoirleach,
C/O Eugene Ó Cruadhlaoidh, Cléireach don Choiste,
Oireachtas Joint Committee on the Environment, Culture and the Gaeltacht,
Leinster House,
Kildare Street,
Dublin 2.

30th April 2013

By email

Re: Outline Heads of the Climate Action and Low Carbon Development Bill

Dear Deputy McCarthy,

SSE Ireland welcomes the opportunity to submit view in respect of the recently published Outline Heads of the Climate Action and Low Carbon Development Bill.

SSE is one of the largest energy utilities in Ireland and is the largest single direct investor in Ireland, having invested €1.7 billion since 2008. Our energy business, Airtricity, has been steadily growing in respect of domestic and commercial electricity and gas customers, and currently serves over 820,000 customers. In response to the energy efficiency targets set for energy suppliers as part of the Better Energy scheme managed by SEAI, Airtricity Energy Services provides energy efficiency measures and has carried out over 50,000 boiler services to date. SSE Renewables Ltd is the largest wind farm developer in Ireland, with 500MW of installed wind generation and a further 757MW consented/in construction. In addition SSE Generation Ireland Ltd owns and operates 1068MW of conventional thermal generation capacity, which is subject to environmental legislation and the EU Emissions Trading Scheme. We are currently developing a Combined Cycle Gas Turbine at our existing Great Island station to replace the existing heavy fuel oil units with a more efficient natural-gas fuelled unit; this new station will be more efficient and will assist towards reducing Ireland's carbon emissions. Our Community Fund, which is open to community projects in the vicinity of our generating stations, has awarded €2.7million to date. The fund focuses particularly on projects that prioritise energy efficiency. SSE is also involved in number of pilot and R&D projects, including "Greenway" (<http://www.thegreenway.ie>) a partnership which includes Universities, Local Authorities and Private Enterprise. SSE's involvement in Greenway includes a demand side management project which could contribute significantly to the decarbonisation of our economy.

SSE is already a significant contributor to the reduction of GHGs in the Irish economy and will continue to do so in the years ahead. We believe that increased electrification, for example of heat and transport, made possible by the exciting technologies now available, has the potential to substantially reduce GHG emissions further and we look forward to being involved in this transition. Indeed SSE and Glen Dimplex, recently commissioned research from KEMA on the potential for smart electric thermal storage; the report shows how this

'drop in' replacement technology can be used to provide decentralised space heating and hot water, and can act as an energy storage system to provide distributed flexibility to the electricity grid, whilst reducing GHG emissions.¹

As an investor, it is important to us that national policy allows the most equitable and efficient GHG reduction solutions to emerge. We welcome references in the Draft Heads to economic impacts and believe this is an important consideration in the decarbonisation process, as is also put forward in the NESC final report. Incoherent or overlapping policies can end up being more costly to satisfy and therefore increase costs for consumers. Allied to this, it is also important that the policy landscape is clear and stable into the future; given the long investment cycle in the energy industry investments made now will continue to operate for a number of decades. Similarly, projects being planned now, and investment decisions being made, may not come into operation for a decade or more and could be jeopardised by policy and regulatory uncertainty or a sudden change of direction.

As regards the NESC report which was published alongside this Heads of Bill we welcome the proposed approach of connecting 'how much' with 'how to'. We agree that there must be a feedback loop between the 'on the ground' capability to deliver GHG emissions reductions and high level targets and other actions, in other words, policy should not be formulated in a vacuum or contain unrealistic aims.

SSE welcomes the publication of the Outline Heads of the Climate Action and Low Carbon Development Bill. We would make the following comments which we submit should be borne in mind during the development of this legislation.

International and European Action

- We agree that existing international obligations must always be a touchstone in discussions around GHG emission reductions. We believe that Ireland should keep in step with our European and other international counterparts in respect of climate action and low carbon development. SSE supports the European Council's target of developed countries reducing greenhouse gas emissions to 80-95% below 1990 levels by 2050.² We believe that focusing efforts on this 'bigger picture' rather than national standards will yield the best decarbonisation results for Ireland, Europe and globally.
- SSE supports EU renewable and carbon reduction targets and the EU ETS on the basis that these will promote carbon reduction across the Union, which amounts to a significant reduction in global terms. Pan-EU action maintains a level playing field as regards competitiveness, minimises the risk of carbon leakage and does not work to fragment the developing internal energy market. We feel that unity at European

¹ KEMA *Potential for Smart Electric Thermal Storage; Contributor to a Low Carbon Energy System* - http://www.sse.com/uploadedFiles/SSE_Microsites/Ireland/Controls/Lists/Media_articles/SETSReport.pdf

² European Council Conclusions, October 2009, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/110889.pdf

level has been effective in reducing emissions to date and also strengthens the bloc's influence at international level to seek global action on climate change. These benefits would be compromised if Ireland and other Member States were to set their own objectives outside of the EU and international framework.

- We are in favour of reform of the EU ETS instrument and the temporary measure of 'backloading' credits as recently proposed by the European Commission. The current low price for carbon undermines this investment signal, increasing uncertainty and investment risk for companies seeking to invest in low carbon technologies. We therefore encourage the Irish government to work within the EU institutions to secure these reforms and bring them into effect.
- With the long investment cycle involved in many of the industries taking climate action, we believe that it is important to address our minds to 2050, whilst bearing in mind that solutions are constantly evolving. The EU institutions are currently considering the period out to 2030 and SSE believes that national carbon and renewable targets should be set for member states at least out to that horizon. In particular, we believe that renewable energy and carbon targets will help to bridge the policy gap between 2020 and 2050 as they will provide a clear trajectory and direction of travel resulting in increased investor confidence. This will aid renewables in becoming cost competitive and will similarly ensure investment in the supply chain necessary to deliver this objective.

Coherence in implementation

- As a general rule, we propose that policy measures under roadmaps should only be implemented where value can be added, bearing in mind existing measures and obligations. We believe that policies should be outcome-focused and empower participants to develop innovative and cost-efficient solutions. We would stress that decarbonisation technologies are constantly developing and that policies must be flexible enough to seize the opportunities of this dynamism.
- We consider that roadmaps devised under the proposed Bill must be coherent and ensure that there are not overlapping or inconsistent policy measures. It has been our experience that these can serve to increase the costs of compliance for the industries involved and ultimately customers. Rather, we consider that the roadmaps to be prepared under the proposed Bill could, for example, focus on streamlining administrative processes such as permitting for renewable generating stations and the networks infrastructure needed to reduce GHG emissions. To this end we note that any policy measures that may be contained in roadmaps will have knock-on impacts on other areas or sectors and believe that holistic evaluation is necessary.

- In line with our support for the NESC principle of connecting 'how much' with 'how to' we support the proposal to create an Expert Advisory Body. Policy measures adopted must be evidence-based and we would also contend that industry and potential developers should be consulted where possible.
- We understand that some sectors are achieving greater CO₂ reductions than others, and at different costs. However, we believe that it is important that the burden of carbon reduction should fall equitably across sectors as the benefits of GHG emission reduction are universal and the *polluter pays* principle should be respected in this regard.

SSE hopes that these aims can be achieved within the Climate Action and Low Carbon Development legislation. We are keen to be involved in the progress of this legislation and would be very happy to meet with the Oireachtas Committee or any number of its members, together or separately, to discuss the actions being taken by SSE, the policy measures currently in place, and how this legislation might develop.

I look forward to contributing to this legislative process and am confident that we can find an efficient and effective way forward for Ireland.

Yours faithfully,

(by email)

Marian Troy,
Policy Manager