

Public Consultation on the Implementation of the Clean Energy Package

Irish L.P. Gas Association Response

Introduction

ILPGA welcomes the opportunity to respond to the consultation on the Implementation of the Clean Energy Package relating to Article 7 of the Energy Efficiency Directive and increasing the level of renewable energy used in the heat sector.

ILPGA has an important role to play in powering rural Ireland and providing innovative alternatives to carbon-intensive fuels. Our member companies are devoting significant resources to product innovation and diversification as part of the company's decarbonisation strategy. Sustainability is at the heart of their business strategy in Ireland. By 2037, our ambition is that all of their energy products will be from renewable sources.

In April 2018, one of our member companies launched Bio-LPG, Ireland's first certified renewable LPG for homes and businesses. Bio-LPG is identical in appearance, performance and application to conventional LPG. It is made from a mix of sustainably sourced renewable vegetable oils, waste and residue feedstocks. Bio-LPG is a drop-in replacement for conventional LPG, and requires no investment, risk or change to the customer's equipment or facilities. The biggest environmental gain is when it replaces solid and liquid fuels such as coal, peat and heating oil.

Bio-LPG is certified at EU level, as offering up to 90% lower emissions compared to fossil fuels. Bio-LPG can be used for any industrial or commercial thermal process, and a range of applications, such as heating, catering, drying and even as the fuel of choice for forklift operators. Notably, Bio-LPG is now used to power many homes across the island of Ireland. Bio-LPG also emits little to no particulate matter during combustion and can make an important contribution to addressing areas with poor air quality and the associated impact on human health.

Implementation of the Clean Energy Package

While ILPGA acknowledges the government's policy goal to increase energy efficiency of the Irish economy and increase renewable fuel use in the heat sector to 2030 and beyond, it is imperative that policies that are pursued are fair, affordable and help to address the needs of rural energy consumers including rural fuel poverty.

As the government develops its energy efficiency and decarbonisation strategy for the heat sector, rural areas and rural consumers should be a priority in promoting affordable renewable heating solutions.

Our member companies are currently obligated parties under the current EEOS scheme and are proactive in achieving annual targets for making energy efficiency savings in homes and businesses. ILPGA does not support the introduction of a renewable energy obligation on the heat sector and favours a consumer led switch to decarbonisation. A blanket obligation scheme would unfairly place the cost across all energy users and would disadvantage suppliers and consumers who are already promoting and adopting lower carbon fuels such as Bio-LPG.

We are calling on the Department to ensure a robust analysis and careful consideration of impacts both on already obligated suppliers and on rural energy users.

We believe that any future heat strategy should have renewable gas at its heart, which is why we are devoting significant resources to bring new high efficiency heating applications and low carbon and renewable fuels to the market.

The Support Scheme for Renewable Heat (SSRH) was launched to incentivise the development of renewable heat in the Irish energy market. The scheme currently incentivises the adoption of biomass, heat pumps and biogas (AD) heating systems. Inclusion of Bio-LPG in the SSRH would offer the opportunity to level the playing field across renewable heat technologies and accelerate the uptake of renewable fuels to 2030.

Question 1. How to set Ireland's overall Article 7 target - calculation of the required amount of energy savings

Member States must make new annual energy savings equivalent to 0.8% of their final energy consumption 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.

ILPGA Response - No

ILPGA does not support the proposed approach. Adopting the flexibilities approach will allow the calculations to be tailored specifically to the Irish market, taking account of available energy efficiency products, services and equipment.

Question 2. The mix of measures to be notified - How to meet the target

Member States have the option of: using an obligation scheme on energy suppliers and distributors; alternative policy measures; or 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: DCCAE'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

ILPGA Response - **Yes**

ILPGA agrees with the proposed approach by DCCAE and acknowledges that including both an obligation scheme and alternative measures allows maximum flexibility and has proven to be successful in the period to 2020.

Question 3. Target metric for an obligation scheme - how to set the target (expressing savings in final or primary energy) for an obligation scheme

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

ILPGA Response - No

ILPGA does not support the proposed approach. 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. When using renewable biofuels in gas or liquid form, the full supply chain or life cycle analysis is accounted for equivalent to the principle of primary energy. A clear and consistent approach across fossil and renewable fuels is recommended.

Question 4. The implementation of a renewable energy obligation on the heat sector could contribute to meeting Ireland's renewable heat targets set out in the Renewable Energy Directive 2018. Is this an appropriate measure to implement and, if not, what alternative measures would be preferred?

We do not regard a renewable heat obligation as the optimum method to fund and deliver Ireland's 2030 renewable heat targets. We favour a consumer lead switch to renewables versus an industry obligation. More focus should be given to removing existing barriers to the adoption of renewable heat technologies, including addressing cost effectiveness for consumers.

The introduction of a mandatory obligation scheme would also put LPG suppliers who are proactively investing in and promoting a transition to lower carbon fuels, at a competitive disadvantage and would increase the cost burden for consumers.

Any strategy to lower emissions should balance decarbonisation with consumer affordability, comfort and technical feasibility.

Rural consumers require affordable, flexible and low-carbon fuel, including agricultural, commercial and industrial businesses. We are currently supporting this vital transition offering consumers a pathway away from high-carbon fossil fuels such as oil, coal and peat, to lower emission alternatives such as LPG and ultimately to renewable fuels such as Bio-LPG.

For the short to medium term, support policies such as the SSRH scheme will remain vital to the growth of the renewable heat market and the adoption of renewable heat technologies, by addressing the current gap in cost between fossil fuels and their renewable fuel alternatives. We on behalf of our member companies continue to seek for the inclusion of Bio-LPG in the SSRH scheme.

Taxation also has an important role in shaping consumer behaviour. As evidenced by the plastic bag levy, even a small charge can impact on consumer decisions. We support the role that environmental taxes have play in shifting behaviour.

We support the ongoing extension of the carbon tax on the basis on which it currently operates. We are strongly advocating for a system that differentiates between the carbon intensity of fuels. This gives certainty to consumers and guides them in making efficient decisions. This would mean the heaviest penalties for carbon heavy fuels such as coal, peat and oil and a lesser charge for LPG, LNG and natural gas. It ensures that the consumers who make the best choices get the best reward.

We also strongly recommend that the calculation of carbon, takes into account the full life-cycle greenhouse gas (GHG) emissions of each fuel.

Question 5. If a renewable energy obligation on the heat sector was implemented, what should the key attributes of such an obligation be – e.g. proportion of the 1.1 to 1.3 percentage point annual increase that would be met by the obligation, what entities should be the obligation parties (e.g. oil suppliers, gas suppliers)?

We do not support the introduction of an obligation scheme for heat. However, if an obligation scheme was put in place, a fair and levelled carbon target across all fossil fuels including, coal, peat, oil, electricity and gas would be expected.

Clarity would be required on the proposed heat applications and heat users that would be included. A key consideration would include the identification of heat users with the challenge of shared fuel storage for transport, catering and heat (e.g. gasoline, electric, natural gas and LPG).

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