

Ireland's Decarbonisation Ambition



The government has now published its long-awaited “Climate Action Plan 2019”. Its stated aim is to bring about a step change in climate ambition over the next decade, and make Ireland a leading country in responding to climate change. While stopping short of targeting full decarbonisation, the government has “sought a pathway to 2030 which would be consistent with a net zero target by 2050”.

The following is a high level summary of some of the most noteworthy policy initiatives contained within the document.

Overall, the document represents an impressively broad and comprehensive action plan, and addresses most of the key policy areas and climate change opportunities. There is open acknowledgement that Ireland is on a trajectory to miss many of its decarbonisation targets and that the government is now proposing to put climate change at the heart of policy decision making. There is also recognition that decarbonisation will require significant capital investment and that not all investment decisions can be taken on purely economic considerations.

It is evident that some policy areas detailed in the action plan, such as decarbonisation of electricity, remain much more progressed in their thinking than others, with areas such as decarbonisation of transport and heating remaining a work in progress and subject to further research and studies.

One of the big winners in the action plan is wind energy. Not only does offshore wind get more mentions than any other renewable generation technology (29), it gets its own 2030 target (3.5GW), RESS (Renewable Energy Support Scheme) auction, government taskforce and legislative support. Onshore wind is also positively endorsed, with a particularly significant onshore wind target of up to 8.2GW of generation capacity by 2030. While solar PV is set a target of 1.5GW, the solar industry is likely to be disappointed that it hasn't been shown the same level of ambition as offshore wind.

Corporate Power Purchase Agreements (“PPAs”) are referenced, with a specific target to support 15% of the renewable electricity volumes, however long-awaited legislative support for direct wire connections is absent, with only a promise to keep it under review.

Biomass and anaerobic digestion get some passing support, however with the exception of combined heat and power (“CHP”), it appears that the government remains unconvinced by their case, with a lack of specific targets and a need for more studies and reviews before there is meaningful commitment.

Despite accounting for nearly one third of all Irish greenhouse gas (“GHG”) emissions, the agricultural sector policy initiatives are more subtle than others, with a focus on a large number of incremental schemes such as improvements in land management, waste and resource efficiency. Given the scale of challenge facing this sector, more dramatic GHG saving initiatives may be required.

Electric vehicles (“EVs”) form a meaningful element of the transport strategy, with a target of 950,000 EVs by 2030 and a range of measures to ensure an appropriate roll-out of EV chargers. Given the relatively modest adoption of EVs in Ireland to date (only 4% of new cars in Q1 2019, low by international standards) this requires a step change in consumer appetite. Increased biofuel penetration, taxation changes to fossil road fuels and a roll-out of compressed natural gas (“CNG”) stations also gain policy support.

KPMG Macro Perspective

KPMG welcomes the publication of the "Climate Action Plan 2019". We believe that this plan represents a significant milestone for the climate change agenda in this country. It is clear that climate change has risen to the top of the political agenda and today's plan represents only the beginning of many legislative measures that will be required in order to help Ireland transition to a low carbon economy and ultimately, over the longer term, to a decarbonised economy.

In particular, the strong focus on the offshore wind sector is very encouraging. KPMG published a report in November 2018 highlighting the significant social and macro-economic benefits that could arise with the introduction of an offshore wind industry in Ireland. Already, we are seeing significant interest from global investors in participating in the Irish offshore wind market.

The Irish plan needs to be evaluated in an international context where governments and other multilateral organisations are increasingly ramping up their efforts to fight climate change through legislation. For example, only last week, the UK government announced that it will seek to establish, through legislation, a target of net-zero GHG emissions by 2050. At an EU level, a major body of work is underway on the issue of sustainable finance with the ultimate ambition of trying to redirect the capital markets more towards sustainable businesses which will definitely include those businesses on a low carbon trajectory. Given the scale of the ambition, many more similar initiatives will be needed over the coming years.

Facilitation measures

The action plan recognises that in order to deliver upon the ambition of the document, significant facilitation measures are required. Along with enabling legislations, key measures include:

- Implement a carbon tax rate of €80 per tonne by 2030
- Introduce revised investment and appraisal methodologies to ensure GHG emissions and carbon benefits are better captured and addressed in government investment decisions (e.g. significantly higher shadow carbon price and mandatory climate change impact assessment for all government investment decisions)

- Support for further grid interconnection including the North-South interconnector (targeted 2023), the Celtic interconnector to France, and ongoing support for EirGrid's DS3 programme to enable higher renewable penetration.

Electricity

Recently increased from an original 55% target, the strategy reaffirms Ireland's commitment to 70% renewable electricity by 2030.

- Deliver a complete phase-out of coal and peat-fired electricity generation before 2030
- First RESS auction to launch in Q4 2019
- Enable increased deployment of hybrid connections (e.g. solar alongside wind or battery)
- Minimum of 3.5GW of offshore wind by 2030, first project to reach close in 2021
- Put in place a planning and consenting regime and a grid connection framework for offshore wind to accelerate deployment
- Up to 1.5GW of solar PV by 2030
- Up to 8.2GW of onshore wind by 2030

Corporate PPAs

Despite significant rhetoric, corporate PPAs in Ireland have remained relatively elusive, with economics remaining a key barrier. With Amazon's recent PPA involving a Donegal wind farm however, and new government focus and enabling legislation on the horizon, this may be about to change.

- Target corporate PPAs for 15% of all renewable electricity
- Direct wire renewable connections to be considered, with the possibility of legislative support

Decarbonising Heating

Accounting for circa 20% of Ireland's GHG emissions, and currently significantly off-target to meet its 2030 targets, a step change in renewable heating policy is clearly required.

- Provision of funding to implement a number of district heating schemes in Dublin and support a wider roll-out
- Phase 2 of Support Scheme Renewable Heat ("SSRH") to promote biomass and anaerobic digestion ("AD")



- Strong rhetoric on supporting increased CHP penetration through a number of schemes
- Set a 2030 target for biomethane production and injection into the grid
- Significant research into the impact and feasibility of a wider roll-out of AD across Ireland
- Carbon capture remains early stage, however there is a commitment to explore its feasibility

Buildings

With studies showing that energy efficiency represents one of the most cost effective and easiest ways to reduce emissions in both residential and commercial buildings, there is a significant focus on implementing strict standards for new homes and buildings across Ireland, as well as encouraging retrofit.

- New legislation to require all new buildings to meet Nearly Zero Energy standards
- Ban on oil heating from 2022 in new builds, ban on gas boilers from 2025
- Ban on oil and gas in existing buildings to be separately reviewed by 2020
- Significant increase in support for energy efficiency retrofitting and micro-renewable installation, with a target of over 600,000 heat pumps and 500,000 retrofits
- Complete smart meter roll-out programme by 2024

Transport

With only 1,233 of the total 125,000 cars sold in Ireland in 2018 being electric, there is clearly a need for significant policy intervention and support to drive uptake in low carbon vehicles.

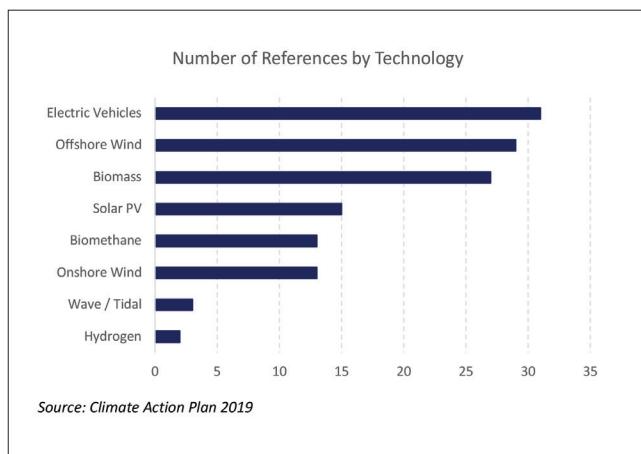
- Target 950,000 electric vehicles by 2030
- Consideration of a scrappage scheme to encourage vehicle replacement
- Legislation to allow the introduction of zero emission city zones
- Provide various supports to ensure appropriate roll-out of EV charging
- Continue the deployment of Gas Network Ireland's roll-out of 14 CNG stations
- Consult on the introduction of a biomethane target for road fuel

- Consider the increase of biofuel obligation from E5 to E10 and B5 to B12, more than doubling the renewable component of both petrol and diesel fuel

Agriculture

A major emitter of GHG emissions, but also a vitally important sector for Ireland, policy is very clearly seeking to find a balance between making carbon improvements without damaging the competitiveness of the sector.

- Implement the recommendations in the June 2018 Teagasc Report, 'An Analysis of Abatement Potential of Greenhouse Gas Emissions in Irish Agriculture 2021-2030'
- Focuses on improved land, slurry and fertiliser management
- No references to limiting or reducing herd numbers
- Continued support and grants to promote afforestation & agricultural diversification



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