



**Shannon
Chamber**
Advancing business together

Submission on behalf of Shannon Chamber

to

**An Tánaiste, Leo Varadkar, Minister for Enterprise,
Trade and Employment**

regarding the national energy crisis

**URGENT GOVERNMENT ACTION REQUIRED TO
SAFEGUARD COMPANIES AND JOBS**

SEPTEMBER 2022

Contents:

- Page 2: Introduction/Context*
- Page 3-5: Short to medium-term Measures Proposed*
- Page 6-7: Longer-term Measures Proposed*
- Page 8: Appendix – Shannon Chamber (Brief Profile)*

1. INTRODUCTION/CONTEXT

- As the representative body for over 300 multinational and SME companies with a reach extending to 15,000 employees, Shannon Chamber has received many communications from members expressing serious concerns about the current energy crisis.
- Firms of all sizes and categories of activity are very worried about dramatic increases in energy costs and have concerns regarding security of supply over the coming months.
- Enterprises right across the board regard the energy crisis as a fundamental stumbling block to their operations at present. It also represents a real threat to jobs and, in some cases, to the very survival of companies. This comes at a time when they are already trying to cope with the aftermath of Covid, Brexit, supply chain constraints, labour shortages and the rising cost of living generally.
- Multinationals in the Shannon area are being pressurised because of the massive energy price increases, adding to other pressures on costs. Being part of global corporations with multiple plants, they are at risk from a cost efficiency viewpoint internationally. For instance, American and Asian energy costs are not increasing as much as in Ireland and Europe.
- Spiralling energy costs and question marks over security of supply also make it potentially much harder to attract new foreign investment into Shannon and Ireland.
- Energy price hikes and uncertainty of supply also add greatly to the existing challenges facing the SME sector – energy costs are a very significant portion of their outlay in many cases and can seriously impact on their viability.
- Responding to these concerns and following a special members’ brainstorming forum on the issue, the Chamber has formulated the following set of proposals for the urgent attention and action of Government.

Note: These proposals are industry-led and evidenced-based. They are put together in a considered and constructive manner by businesspeople, who are in the frontline in grappling with the current crisis.

- We are conscious that the Government has many demands to meet in the current uncertain economic climate. However, we urge it to give priority attention to these proposals and to take appropriate action.
- Many enterprises are taking steps to reduce their energy costs and implement energy conservation measures but they now call on Government to take decisive action at national level to alleviate the challenges they face. The extent and effectiveness of such Government intervention may well dictate whether jobs are retained and companies survive, in fact, in some cases.

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2. SUBMISSION TO GOVERNMENT: SHORT TO MEDIUM-TERM MEASURES PROPOSED

2.1 Achieve energy price stability in market

- A price cap to be implemented whereby Government agrees to subsidise energy costs above a certain cap limit, in order to give some stability and certainty to businesses and consumers.

2.2 Remove PSO levy

- This should be removed immediately to help reduce costs on businesses.

2.3 Introduce emergency subsidies

- Special wage supports and other emergency subsidies should be targeted to help both multinational and SME businesses cope with, and survive, this huge energy crisis. This intervention would be in line with the very effective emergency measures introduced by Government to help businesses deal with the Covid pandemic.
- As part of this initiative, special grant or tax supports, should also be considered for firms to acquire more energy efficient equipment as a special short-term measure.
- In the extreme circumstance of energy 'blackouts' being required as a last resort, Government subsidies should be targeted to help to compensate firms for loss of operations.

2.4 Commence decoupling of wholesale energy prices

- In the short-term, a start should be made by Government to decouple the price paid to renewable energy and other suppliers from that of the (increasing) wholesale price of gas.
- Under a system called marginal pricing, at present the gas price sets the wholesale price of electricity from all sources, even those with a lower production cost such as wind and solar energy plus other fossil fuel sources.
- It is certainly important to grow investment in the renewables sector and develop its future potential to ensure Ireland has a secure energy supply in the longer term. However, the fact that escalating gas prices are automatically increasing the price paid to alternative energy suppliers is not logical in this current emergency situation.
- It may be that this decoupling must take place on a gradual basis to ensure continued growth of the renewable energy sector but Government should definitely start this process immediately.
- One option that might be considered is to make an offer of long-term price stability to renewable suppliers provided current prices paid to them are reduced.

2.5 Introduce a windfall tax on energy suppliers

- To cushion somewhat the severe impact on businesses and homes of the rising energy prices, a windfall tax on energy suppliers should be introduced in the short term. This tax should be linked to the profits derived from energy sources other than the costs associated with wholesale gas purchases.
- While it is important not to stymie further investment by companies in alternative energy sources, the current crisis, coupled with the very high profits being reported by energy suppliers, demands action on this issue.

2.6 Provide clarity on energy policy and plans

- Clarity is urgently needed on the Government's approach to national energy policy, security of supply over the winter period and steps it proposes to take to alleviate the impact of huge energy price increases on businesses.
- Businesses need to have a clear idea of what is planned so that they can make informed decisions to safeguard and grow their operations.
- Ireland prides itself on having a stable economy and economic environment; given the current energy challenges, a clear-cut and well thought out set of policies and actions for both the short and longer term is an essential national requirement.
- Businesses need more information and clearer guidelines from Government on issues, such as mooted proposals to impose tariffs on high energy users at peak times, suggestions that energy supplies may be restricted during peak usage hours, and on what steps are being taken to avoid energy blackouts. If the latter were to happen, it would pose very serious problems for businesses.
- Given the loss of Russian gas supplies to Europe, which is likely to continue for the foreseeable future, the Irish Government, in tandem with European partners, needs to develop and clearly articulate a specific plan to address this shortfall.

2.7 Make it easier to sell surplus energy to national grid

- Government needs to improve the procedures, systems and supports that are in place to enable businesses to sell surplus energy supplies back to the national grid.
- Chamber members have expressed serious concern about the practical issues and obstacles that remain as a significant bar to this happening.
- While Government announcements have been made about the introduction of such a facility on a phased basis, little progress is reported at business level. Reasons include the need for companies to become a licensed supplier and to invest in additional equipment/technology to make this viable.
- The Government should ramp up this system and reimburse businesses so that any excess energy is not wasted at this critical time and providers get adequately paid for making this happen.

2.8 Greater support for residential sector to benefit businesses

- The business sector urges Government to increase its support for the residential sector to conserve energy and install more efficient systems. In this way, the burden on the country's overall energy supplies can be reduced, paving the way for greater security of supply for essential services and for businesses.
- In tandem with such support, a comprehensive national education and awareness campaign related to energy conservation and efficiency should be instigated, aimed at both the residential and business sectors. It is a time for calling on all concerned to rally to the national cause.

2.9 Increase focus on renewables

- Cognisant of the short-term need to rely on fossil fuels for longer than was envisaged due to the current global energy crisis, greater investment in renewables should be made a priority by Government to offset this factor and the consequent short-term impact on greenhouse gases.

2.10 Lobby EU for maximum supports to member states

- Government to use all diplomatic means to ensure that the EU introduces Community-wide supports, policies and initiatives that lessen the impact of the energy crisis on Ireland and that supplement Ireland's national efforts to address this pressing issue.

3. SUBMISSION TO GOVERNMENT: LONGER-TERM MEASURES PROPOSED

3.1 Fast-track national offshore energy policy and plans

- National policy and regulations on offshore energy creation need to be fast-tracked and clearly enunciated by Government and Government agencies. Ireland has special advantages when it comes to this sector, being an island economy.
- The country has an opportunity to become an international leader in this regard, provided a comprehensive and clearcut regime is quickly put in place. Otherwise, this national USP will be lost.
- There are tangible examples of where the absence of such a policy, including proper planning provisions and infrastructural arrangements, has led to the loss of potential investors, e.g., the withdrawal of Norwegian company, Equinor from plans with the ESB for the Irish market, including off the Clare and Kerry coasts.

3.2 Develop West Coast offshore potential

- Connected to this latter point, far greater emphasis should be placed on developing off-shore energy exploration off the west coast of Ireland. Priority seems to be given to the east coast at present but the vast potential of the western seaboard, with its higher proportion and scale of wind generation, should receive more focused attention nationally.

3.3 Set out plans to develop Moneypoint's future potential

- Allied to this, the Government should accelerate the process of granting a foreshore licence to the ESB for the development of the Moneypoint Off-shore Wind Farm off the Clare-Kerry coastline.
- In tandem with this, it should set out a definite plan for the future role and potential of the Moneypoint generating station (due for closure as a coal generating station in 2025), in the context of the development of off-shore energy resources, with a specific timeline and objectives.

3.4 Decoupling

- As outlined in Point 2.4, the policy of separating the price paid to renewables providers, and others where production costs have not unduly increased, from the wholesale gas price should be accelerated in the longer term, so that energy costs are stabilised as the proportion of our national needs coming from renewables increases.

3.5 Explore alternative energy sources

- Given the exceptional circumstances that exist in Ireland and Europe arising from the Ukrainian crisis and resultant energy price hikes and pressure on supplies, which are likely to persist for some time, there is a need for the Government to, at least, seriously consider and explore alternative options for energy storage and provision.
- Now is the time to future proof the economy for next 25-35 years, otherwise we will face further energy-related crises in the years ahead.
- Matters that should be considered include the question of establishing a gas storage terminal for times of future critical supply issues, be they related to gas or renewables. Another issue that should be considered is the option of a nuclear energy plant in Ireland.

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3.6 Encourage efforts to pool energy-related resources and services

- Consideration should be given by Government and Government agencies to encouraging promoters and companies to come together to provide shared alternative energy supplies.
- For instance, the possibility should be explored of supporting the installation of solar farms or wind turbine systems that would contract with, say, a group of firms, to supply them with energy supplies.
- Another avenue that should be pursued is the promotion of greater car pooling or use of buses to large concentrations of business, such as Shannon, to coincide with start and finish times. If a strong national initiative were introduced and campaigned for, there is a reasonable prospect of a good response, given the increasing cost of fuel.

3.7 Introduce incentives that aid long-term energy conservation

- A targeted long-term programme of incentives should be developed to support and encourage businesses to install or initiate energy conservation or savings measures within their operations.
- As part of this approach, perhaps special supports could be given to groups of industries or industry clusters that come forward with innovative energy-related actions on a cooperative basis.

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Appendix Attached .../

APPENDIX

SHANNON CHAMBER – BRIEF PROFILE

- Shannon Chamber is the representative body for over 300 businesses in the greater Shannon area in County Clare, and its reach extends to approximately 15,000 employees.
- Formed in 1995, the Chamber is now recognised as one of the most progressive and fastest growing chambers in the country. Its membership is drawn from a diverse set of categories, encompassing manufacturing, retail and service industries.
- Clients of the Chamber include world-class companies operating in sectors such as aircraft leasing, aircraft maintenance repair and overhaul (MRO), pharmaceuticals, medical devices, ICT, international services, engineering and logistics.
- Many different client categories are represented, including multinational companies, indigenous SMEs, sole traders and investors seeking to locate a business in the area.