

Energy Institute Ireland Annual Dinner 2018

Introductions

I welcome Malcolm Brinded, President, Energy Institute and Will Sadler, EI Head of International Operations, Michael Manley, Director General Energy, DCCAE, Jim Gannon, Chief Executive SEAI, Branch Officers, and members of the Energy Institute and your guests.

To introduce your Institute's other guests:

Representing the Northern Ireland Branch of the Energy Institute we have Chair Clare McAllister and Vice Chair Nicola Murphy; and Prof Pat Shannon, former Chair of the Energy Institute Ireland and today representing the Irish Offshore Operators Association.

A special thank you to the ESB and especially Michelle Casey and Fiona Crowley in the Deputy Chief Executive's Office for undertaking much of the hard work required to bring us together tonight.

Malcolm Brinded CBE FREng FEI, President Energy Institute

He was main Board Executive Director of Royal Dutch Shell for a decade until his retirement in 2014, and latterly responsible for Upstream International. Malcolm was Executive Director for Global Exploration and Production 2004-'9, MD of Royal Dutch Shell from 2002, and Shell UK Chair from 1999. He is also Chair of Engineering UK

Jim Gannon BE Civil (NUIG) MSc Enviro Assessment (Wales) MBA (UCD Smurfit) Chief Executive of the Sustainable Energy Authority of Ireland since June 2016. Former Director at RPS Group, leadership of the Energy, Environment, and Health and Safety sectors.

David Taylor is former Chair of the Energy Institute Republic of Ireland branch and former Chief Executive of the Sustainable Energy Authority of Ireland, and is the Principal in David Taylor and Associates. He has advised the Oireachtas Joint Committee on Climate Change and Energy Security and was responsible for supporting the committee's Public Consultation on Ireland's Electricity Needs post-2020.

Chairman's Remarks

Much of the Irish Branch's energies in 2018 have continued to be devoted to the **Ireland 2050** project. Led by David Taylor and strongly supported by our energy industry as well as DCCAIE and EPA, this initiative is designed to reach out to citizens and enable everyone to have a role in the debate about Ireland's energy future. The Ireland2050.ie website gives a factual account of Ireland's energy system past and present, and My2050 allows the visitor to explore a wide range of future policy options to reduce energy-related CO₂ emissions. A programme of marketing activity to increase awareness of the Ireland 2050 resource, led by Owen McQuade, got underway in the past year. We believe this complements the thrust of the White Paper and DCCAIE's consistent emphasis on citizen engagement.

2018 also saw the initiation of a **young professionals' network YPN** here by John O'Brien (also taking over from Brendan Sheehan as Branch Hon Treasurer).

Turning to **climate change**, too often there is serious conflict between the timescales of the energy industry, and political timetables; so, it was good to see the launch in Spring of the National Development Plan 2018-2027, setting out the investment priorities that will underpin implementation of the new National Planning Framework. Nearly 20% of the total budget is for investments in climate action. The Citizens' Assembly offered 13 often radical recommendations (and four ancillary recommendations) in April and former Minister Naughton the same month launched a National Implementation Plan for advancing through whole-of-government action the 17 UN Sustainable Development Goals by 2030; and a Joint Oireachtas Committee on Climate Action was established in July, facilitating the essential cross-party support for this agenda. A €500 million Climate Action Fund was launched in July to leverage investment by public and private bodies in innovative climate action measures.

Global greenhouse gas emissions must drop by 45% by 2030 from 2010 levels for the world to meet its Paris Agreement commitments. We are told that Government is committed to setting a long term trajectory for carbon pricing, so it was dismaying to find this matter overlooked in the recent Budget, within hours of the IPCC stressing that society would have to make deep changes to how it consumes energy, travels and builds, to meet a lower global warming target: averting a climate crisis will require a wholesale reinvention of the global economy.

The new wholesale power market on the island of Ireland, the Integrated Single Electricity Market (I-SEM) went live on 1 October, in response to the EU legislation which is creating a fully liberalised internal electricity market. Huge challenges in Ireland's electricity market are imminent as the penetration of variable renewables increases to levels as yet unknown in other island grids, while we also rapidly introduce electrification of heat and transport. In the 'All-Island Generation Capacity Statement 2018-2027', EirGrid is predicting an increase in demand of 10 to 47% over the next ten years, with up to a quarter of total consumption coming from data centres alone.

The recent Budget saw DCCAE's 2019 resources increase 11%, with €164m designated for the energy area. SEAI's budgets are correspondingly increasing, and I'd like to particularly welcome the substantial increase in 2018 in energy R&D funding.

Other key Government priorities, we're told, include

- retrofitting 45,000 homes every year from 2021, and providing support for a major roll-out of heat pump technologies
- delivering energy upgrades to all public buildings and a minimum of one third of commercial buildings
- implementing the new renewable electricity support scheme to deliver an additional 3 to 4.5GW of renewable energy, with an initial focus on 'shovel ready' projects which could contribute to meeting 2020 targets
- the roll-out of the support scheme for renewable heat and national smart metering.

Increased investments in energy efficiency for residential, commercial and public sector buildings and in public transport is crucial: while much of the focus in energy discussions is usually on supply matters, it is important to regularly recall the IEA's slogan '*energy efficiency, the first fuel*'.

Turning to supply, although no exploration wells were drilled in the Irish offshore in 2018, the past year has been an active and eventful one for the **petroleum exploration and production sector**. The exploration momentum of the past few years has continued, with almost all the licensing options from the 2015 Frontier Exploration Licensing Round being converted to new Licences during 2018. Next year is expected to be an active one with drilling in both the Porcupine and the North Celtic Sea basins; I need not remind this audience that such exploration is carried out with no financial risk or exposure to the State.

This month marks the 40th anniversary of the bringing ashore of the first Irish gas, when the Kinsale Head field came on stream. As it nears the end of its life, it is worth remembering the transformative effect it had on the Cork economy and indeed on the Irish energy landscape. It was the catalyst for the national gas grid, and made major and sustained contributions to regional and local economies.

Although the Kinsale Head is now almost depleted, Corrib gas continues to heat our homes, power our industries across the country, and provide the necessary backup for renewable energy sources. This essential role was demonstrated on a number of occasions in the past year, most recently during our glorious summer when wind energy production dropped very significantly.

The Corrib gas field off the Mayo coast provides almost half of Ireland's gas needs. However, production levels have already peaked and our dependence on imported gas will increase again unless we find replacement fields. Our geographical location at the very edge of Europe makes Ireland extremely vulnerable to potential interruptions in energy supplies. In an age of geopolitical volatility, we need to protect our energy sources, rather than make them more

vulnerable through increasing imports. It is worth remembering that Europe imports 75% of its oil and 50% of its gas requirements, with a third of Europe's gas coming from Russia. The proposed LNG scheme for the Shannon Estuary would enhance the security of our gas supply, and promote competition in the natural gas market.

As we transition to a low carbon future, it is vital that we keep open all available energy supply options, especially indigenous oil and gas, a position which is also recommended by the IEA. Having our own oil and gas would help secure Ireland's energy independence as well as providing a revenue stream to support the energy transition. The direct tax take to the State from a single commercial oil discovery under the current 2014 fiscal system is estimated to be in the range of €4 to €8 billion.

This year a Private Members' Bill progressed to Committee stage in the Oireachtas seeking to effectively ban oil and gas exploration or production offshore Ireland. If enacted, this would copper-fasten our dependence on imported oil and gas and would threaten the security of Ireland's energy supply. It would not lower greenhouse gas emissions in Ireland or globally – in all probability they would rise, as I'm told indigenous and European oil and gas emit 30% less CO₂ than oil and gas imported from outside Europe due to a combination of greater production efficiency and lower transport energy.

If this Bill proceeds, Ireland would lose the opportunity of a significant revenue stream that could be used to support the energy transition, and also job-creating opportunities in rural and maritime parts of the country. It would also undermine industry confidence in Ireland, within and beyond the oil and gas sector. We are reassured that the government is opposing this Bill. We completely support the move to a lower carbon future; but it is essential that national policy -that the transition must be realistic, carefully planned and thoroughly costed- is fully (and urgently) implemented.

The oil and gas industry in Ireland can play a key role the energy transition, as is the case in Norway which embraces a low carbon society while continuing to explore for, and develop, its own offshore oil and gas resources. Partnering the oil and gas industry with the developing renewables industry through natural synergies can help realise the transition to a more sustainable energy future for ourselves and for future generations.

The recent IPCC report indicates that the climate goal has to be limiting global warming to 1.5C. The world has already warmed by 1C since pre-industrial times, due to human activity. On current trends, it is likely to pass the 1.5C mark between 2030 and 2052. The land is warming faster than the oceans and the Arctic is warming at 2-3 times the global average rate. Existing national climate pledges under the Paris Agreement are inadequate to the challenge, and are in line with a 3C temperature rise. Delay in cutting greenhouse gases risks increasing the cost of reductions, locking countries into carbon-emitting infrastructure or stranding high-emission assets. According to the IPCC, mitigating energy emissions for the 1.5C goal will require around \$900 billion of investment per year between 2015 and 2050, pushing the total

investment needed for energy supply to \$1.6 to \$3.8 trillion, and for energy demand at \$700bn to \$1trn over the 35 years.

Ireland has an extraordinary resource, and has already demonstrated global leadership in renewable electricity. We have crafted a credible narrative concerning our agricultural emissions –if only we didn't continue to have some of Europe's least efficient buildings and towns and cities. We look forward to working with the new Minister and his Department in realising the historic opportunities arising from the energy transition in Ireland.

I hope you and your guests have an enjoyable and convivial evening.

31 October 2018