



# **Ibec response to the Low Carbon Roadmap for Transport Issues Paper**

**7 February 2014**

*Ibec is the largest business representative organisation in Ireland: we speak for over 7000 member companies across a range of industrial, commercial and non-profit sectors. Ibec represents Irish business; home grown, multinational, big and small, spanning every sector of the economy. The organisation and its sector associations strive for business conditions that enable economic growth.*

*Members of the Ibec Energy Policy Committee developed this response - this includes a variety of energy generators, suppliers, network operators and consumers. Ibec welcomes the opportunity to participate in the consultation process on a Low Carbon Roadmap for Transport. Our members support the approach of devising a national roadmap including sectoral chapters on agriculture, built environment, electricity generation and transport.*

*This will underpin the holistic cross-departmental approach necessary to address our decarbonisation challenge in a cost-efficient manner that maximises Ireland's growth potential. To fully develop Ireland's potential in this area, active government support and an appropriate regulatory framework is vital.*

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## **Background**

In November 2013, Ibec hosted a series of energy policy roundtables and addressed a range of specific policy issues including climate policy, security of supply, competitiveness and infrastructure. At the final session on transport and innovation, members proposed a range of policy considerations including policy measures to assist Ireland achieve a 20% reduction in non-ETS emissions by 2020.

The group made recommendations on ways to incentivise decarbonisation, while maintaining security of supply, competitiveness and the ability to deliver economic benefits. The discussion uncovered how the interdependence of policy priorities necessitates an overall revision and the group's policy findings focused on identifying appropriate transport fuels for the appropriate mode of transport.

These proposals centred on:

- ways to address infrastructure development policies;
- the necessary financing instruments to achieve fuel and infrastructure improvements;
- regulatory mechanisms such as standards development and taxation measures;
- other instruments to incentivise behaviour.

## **How to achieve decarbonisation?**

The petroleum industry has made considerable progress in recent years with the development of cleaner fuels with lower emission in line with common EU specifications. Electricity and gas-powered transport also have an important role to play in the decarbonisation of the sector. Furthermore, there is a growing overlap between renewable energy potential and alternative fuels development with security of supply imperatives.

It is important to note that some technologies are in different stages of development and will require unique policy responses.

- **Electric vehicles (EVs)** require a supportive policy framework to tackle financing and recharging infrastructure.
- The advancement of a commercial transport sector for **natural gas** is dependent upon supportive excise duty treatment for a fixed period to facilitate investment and provide market certainty.
- **Biogas** produced from agri-waste/residues would benefit from the extension of the existing Biofuels Obligation Scheme to include Biogas.<sup>1</sup>
- The production of **hydrogen gas** could increase electricity demand during low usage hours (such as at night during the summer) and therefore complement the increased penetration of renewable energy on the grid.

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<sup>1</sup> Second generation biogas is incentivised at a proportionally higher rate than first generation biogas.

- **Dynamic wireless** and **inductive charging** vehicles provide an opportunity to electrify methods of public transport without requiring the construction of overhead lines.

## Policy recommendations

### Infrastructure

The energy policy roundtables identified a number of infrastructural deficits in the face of the decarbonisation challenge. An alternative refuelling infrastructure is needed as well as further EV recharging infrastructure. Natural gas and biogas refuelling infrastructure is necessary for market development. It must be noted that natural gas is transported through a modern and efficient pipeline network currently supplying the majority of cities and towns in Ireland. Marine fuel requirements could be met by the development of liquefied natural gas fuelling facilities at ports.

### Regulatory Issues

Developing the electricity market rules, systems, processes and remuneration for active participation by EVs should be an initiative orchestrated between the CER and the relevant Government Departments, DCENR and DTTAS.

The development of charging and refuelling infrastructure for electric and gas powered vehicles should be designed in a manner that provides a platform upon which customers can choose suppliers. The design of this system and the allocation of associated costs is a question which should be publicly consulted on and will require input from DCENR, DTTAS, the CER and other stakeholders.

### Finance and taxation

There are a number of incentives to encourage the economic development of a range of fuels to address the decarbonisation agenda, such as incentives designed to favour lower emitting vehicles.

The shift to natural gas and biogas for commercial fleets would be greatly aided by supportive excise treatment in the guise of the non-application of the European Energy Taxation minimum rates for a period of 10 years.

### Other measures

A low-carbon roadmap for the transport should focus on the development and execution of appropriate standards and controls to ensure a biogas quality standard that is interchangeable with natural gas as well as a supportive structure for emerging indigenous SMEs in the sector. Low emission vehicle targets for public sector fleets would complement the role of the public sector as an exemplar in achieving energy efficiencies.

Government support of “soft innovation” such as car clubs, car-pooling, electric bikes would facilitate change in social norms around transport systems, facilitating the uptake of alternative modes of transport.

Competitive forces will ultimately determine the most viable technologies but we consider it prudent that in the short run, support initiatives should be appropriate to the stage of development of technologies.

### Benefits

The implementation of the suggested measures has the power to bring about numerous benefits, including:

- Increased gas usage has the potential to reduce unit costs for gas customers.
- Increased electrification of transport sector could provide grid balancing of system services (DSM) within the electricity sectors. This could provide revenues for the owners of electric vehicles and reduce unit costs for use of the grid for all electricity users.
- Biogas produced from agri-waste/residues would reduce agricultural waste.
- The use of hydrogen as a fuel improves the diversity of the transport sectors energy portfolio, while complementing renewable generation on the electricity grid.
- Employment and growth opportunities, especially among the emerging SMEs currently operating within this sector.

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