An Roinn Caiteachais Phoiblí agus Athchóirithe
Department of Public Expenditure and Reform

CA-EED Study Visit to Ireland

National financing plan for public sector energy efficiency

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Context

DPER's role is to ensure public spending is well targeted, well managed and sustainable

Within DPER, the role of the Climate Change Unit is to:

1. Provide advice to Minister and Government re cost implications of individual climate/energy proposals;
2. Ensure that public financial procedures take proper account of climate considerations.

DPER has identified a failure to make adequate progress towards climate and energy targets as some of the most critical risks facing the Irish State and the Exchequer. <u>But</u> poorly targeted or ineffective measures also a significant threat.

Financing for Climate Change

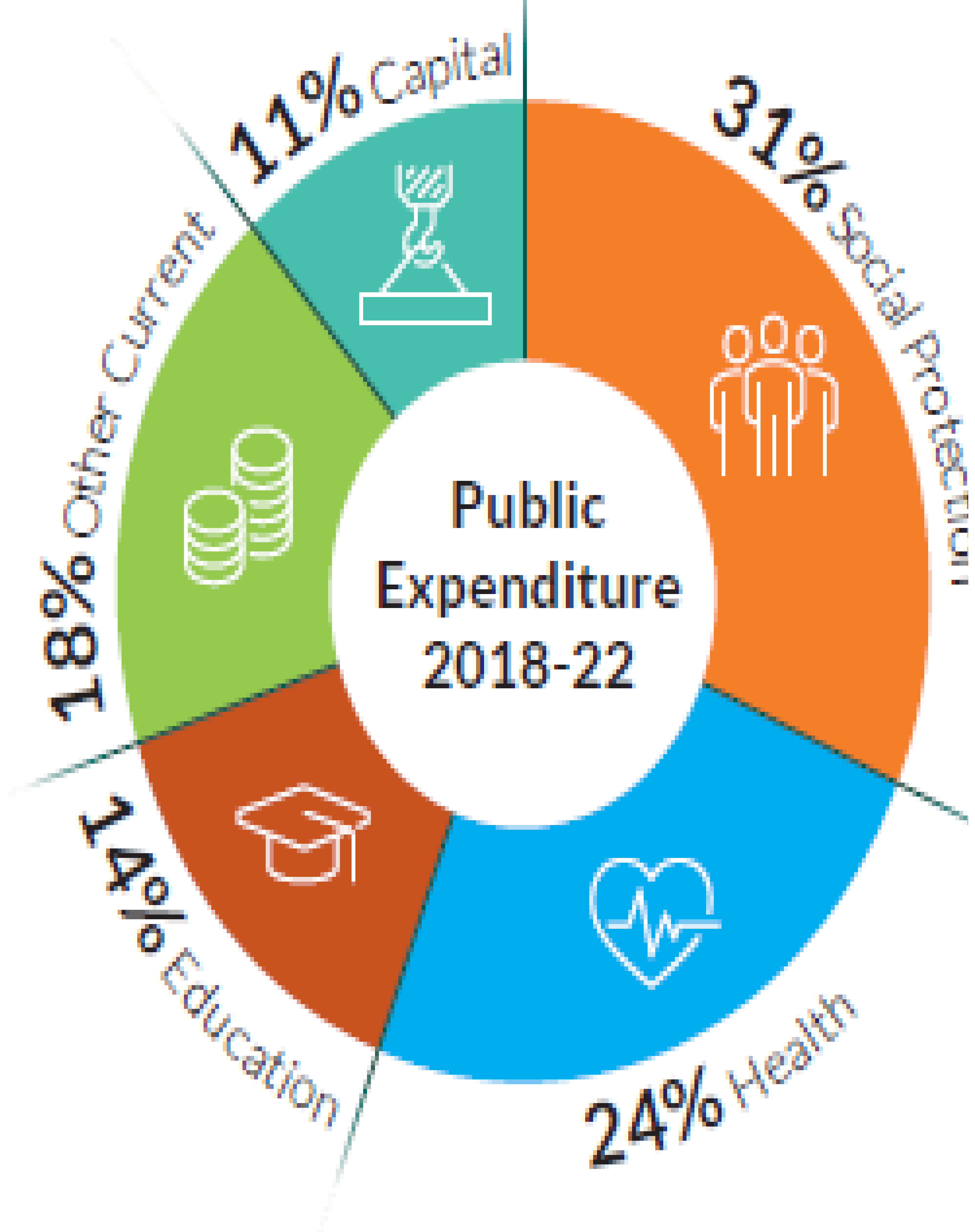
Overall State Investment

The National Development Plan sets out the public capital investment that we will be available over the period 2018 – 2027

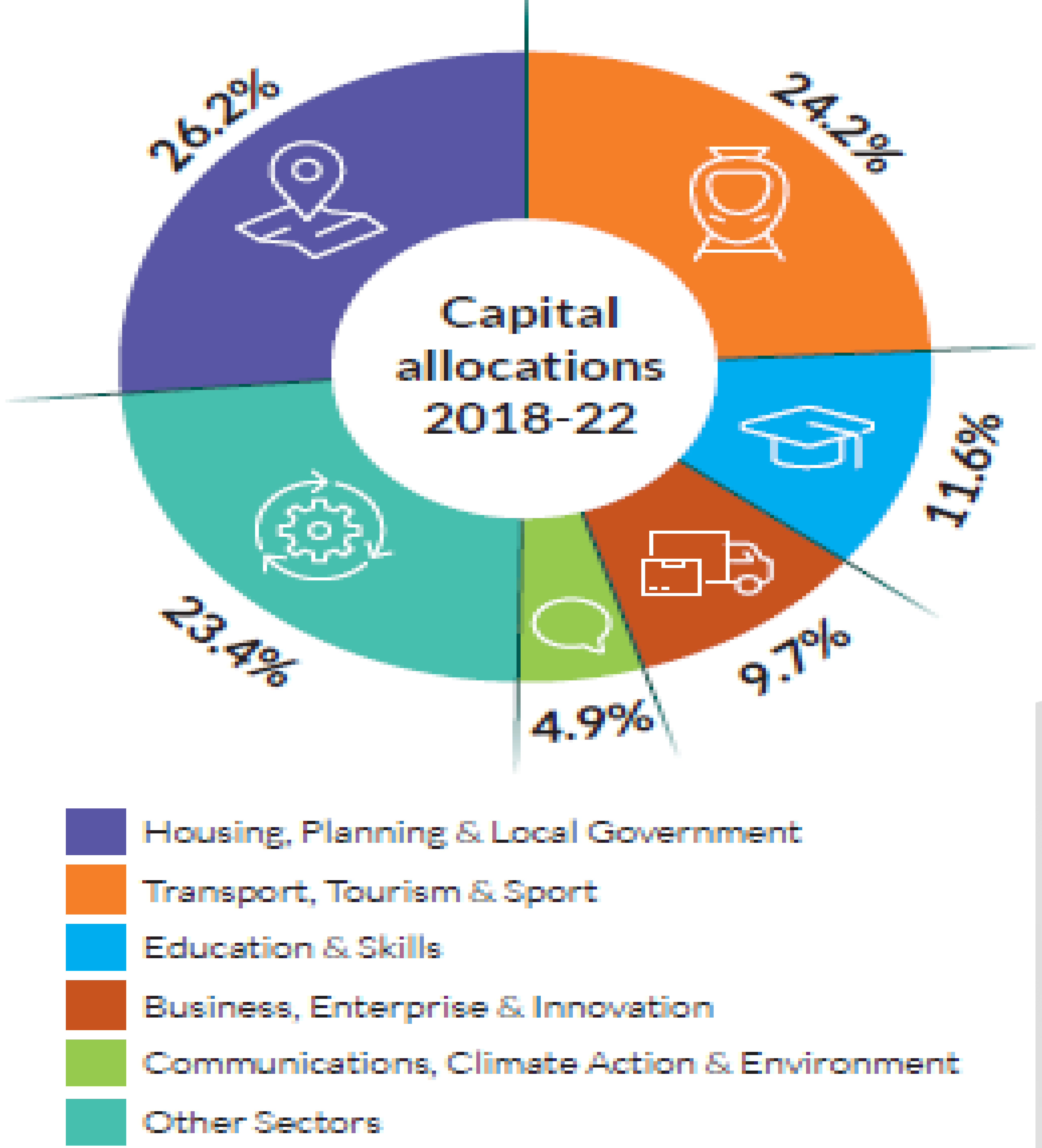
4% of GNI* to be invested annually to reach €91 billion in Exchequer capital investment by 2027

For public sector energy efficiency specifically - €750m in Exchequer Funds

Other sources of Government funding – Climate Action Fund & Investment by State companies



Public Expenditure 2018-22
31% Social Protection
24% Health
14% Education
18% Other Current
11% Capital



Capital allocations 2018-22
26.2%
24.2%
11.6%
9.7%
4.9%
23.4%
Housing, Planning & Local Government
Transport, Tourism & Sport
Education & Skills
Business, Enterprise & Innovation
Communications, Climate Action & Environment
Other Sectors

Public Sector Energy Efficiency

Political Commitment and Specific Exchequer Allocation but Total Investment Requirement Unknown in 2018, Clearly a *“Mega-Project”*

- DPER worked with DECC and SEAI to seek EU support on the achievement of this target via the Structural Reform Support Service

- Objective:

1. How much is the achievement of the NDP target likely to cost?
2. What options are available that might maximise the use of Exchequer funds, such as EPCs?
3. How should the upgrade programme be appropriately structured and managed?

The Scale of the Problem

Barriers to target identified by Public Sector Bodies

The Scale of the Problem

Approx. 15,000 buildings in total. Poor data availability for some but analysis suggests that **total investment cost likely to be approx. €9.4 billion in today's cost**

Does not include:

- Heritage Buildings
- Leased Buildings
- Non-Energy Costs
- Project Management
- VAT
- Compliance with 2050 *Net Zero* Commitment

Half of all Public Sector Bodies unprepared to develop an appropriate business case for deep renovation and lack technical expertise to determine what is necessary

Review of NDP

Launched Tuesday – Open for feedback to January 2021

Purpose:

- Examine the overall level of investment planned – Exchequer and State company;
- Test whether that the proposed allocations to Departments and sectors is appropriate; and
- What needs to change to deliver more quickly on investment priorities.

Also within this review will be an assessment of the role of Public Private Partnerships & the use of EU funds such as the Recovery and Resilience Fund and ERDF

Public Private Partnerships in Ireland

Emerged as constraints on Exchequer resources were impeding capital investment in areas of critical infrastructure e.g. roads

Current Government policy is that *Value For Money* is the main driver for PPPs, with *risk transfer* forming an important element of that VFM

Arises from IMF PIMA recommendation that to score the total capital cost of a PPP against departments' capital envelopes to assess full fiscal impact gives a strong basis for comparing VFM against traditional procurement;

As a result, virtually no Public Sector use of PPPs and an ESCO market that is considered to be underdeveloped relative to EU norms

Review of PPPs

Is there a case for alternative treatment of Energy Performance Contracts?

Potential Advantages:

- Clear mismatch between cost of commitments and currently planned capital investments
- Appetite from the providers of capital for investments with long paybacks
- Track record of successful PPP delivery – including examples of successful risk transfer to the private partner, where challenges have occurred.

Possible Downsides:

- Loss of value for money for taxpayer
- Given current market capacity, risks of inflation
- Eurostat rules likely mean limited capacity for off-balance sheet financing
- Complexity – legal, technical, accounting

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