



Rialtas na hÉireann  
Government of Ireland

# Ireland's Energy Efficiency Obligation Scheme

Summary of responses to public  
consultation and policy decisions on  
scheme design

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the Environment, Climate & Communications  
[gov.ie/decc](https://www.gov.ie/decc)

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# 1 Introduction

The Energy Efficiency Directive<sup>1</sup> ('the Directive'), as amended in 2018 by Directive 2018/2002<sup>2</sup>, extends the Article 7 energy savings obligation to the period from 1 January 2021 to 31 December 2030. In achieving this obligation, which is 60,707 GWh cumulative final energy savings, Ireland has decided, as it did for the 2014-20 obligation period, to use a combination of an obligation scheme and alternative policy measures.

The Department of the Environment, Climate and Communications ('the Department') is now in the process of designing a new energy efficiency obligation scheme (EEOS). This will require new legislation to be put in place, which is intended to take account of the stricter savings requirements of the Directive and ensure the Irish EEOS is compliant. The design of the new EEOS will also take better account of Ireland's broader climate and energy targets.

As part of the development process the Department held a public consultation, asking respondents to consider our proposals and a series of questions in relation to the design aspects of the scheme where Ireland has discretion.

The consultation consisted of questions relating to the following areas:

- Obligated parties
- The EEOS Target
- Delivery sub-targets
- Delivery requirements
- Nature of the target and compliance
- Scheme improvements and cost information
- Information on bills

The aim throughout the consultation process has been to ensure that all stakeholders are given an equal opportunity to provide any comments and that the process has been as clear, accessible and transparent as possible. This has also been the aspiration in arriving at the final policy decisions, which we believe are fair, proportionate and, again, transparent.

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<sup>1</sup> [Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC Text with EEA relevance \(europa.eu\)](#)

<sup>2</sup> [Directive \(EU\) 2018/ 2002 of The European Parliament and of the Council - Of 11 December 2018 - amending Directive 2012/ 27/ EU on energy efficiency \(europa.eu\)](#)

## The Consultation Process

- The consultation took place over a period of eight weeks, from 4 March to 30 April 2021. The period was extended by two weeks based on requests made by respondents.
- As part of this process the Department published a **Consultation Document**, alongside a **Report on the supporting economic and policy analysis** ('the ECA Report'). Both documents are available on the Department's website [here](#)<sup>3</sup>.
- There were 42 responses to the consultation. Respondents consisted of energy companies that could be obligated under the scheme (12), industry bodies (5), various entities in the supply chain (11), local government and government departments (2) and non-governmental organisations (4). Eight anonymous responses were also received. A full list of respondents can be found in Appendix 1.
- The Department requested that responses to the consultation be made via the online questionnaire on the Department's website. In total 32 submissions were made using the online questionnaire.
- In addition, an option was provided to contact the Department via the energy efficiency mailbox. Several respondents sent their responses via this channel. Other respondents also provided additional information via email to supplement their questionnaire response.
- An online public event was held on Wednesday 31 March 2021 outlining the consultation proposals. This event featured representatives from the Department, the Sustainable Energy Authority of Ireland (SEAI) and specialist consultants, Economic Consulting Associates Ltd (ECA). The purpose of the event was to provide clarifications on points raised by stakeholders in relation to the consultation proposals, provide an overview of the analysis underpinning the proposals and to hear initial views/ concerns from attendees.
- A follow up session was also held on Wednesday 21 April 2021 for those who could potentially be obligated under the scheme. This provided a further opportunity for these parties to seek clarifications and offer views on the proposals provided in the consultation document. Questions were submitted in advance of this session and

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<sup>3</sup> <https://www.gov.ie/en/consultation/11050-public-consultation-on-the-energy-efficiency-obligation-scheme-eeos/>

were considered in setting the agenda. The presentations from the events are available [here](#).

**The Department would like to thank all those who submitted views on this consultation.**

## 2 Redesigning the EEOS

The Department has now considered all submissions that were made in response to the consultation; these have helped to inform the Minister's final policy decisions.

As part of this process the Department carried out a comprehensive review of all responses. This involved categorisation of all information, compilation of statistics and an analysis of the full suite of responses. A working group with members from both the Department and SEAI discussed each proposal in depth, the challenges put forward throughout the consultation process and the policy options available. This process also helped to determine where further research, analysis and legal input would be required. Once this was completed it was used to reach the final decisions detailed in this document.

### 2.1 Purpose of this document

This document summarises the main points raised by respondents as part of the consultation process<sup>4</sup> and sets out the Minister's response and decision in relation to each consultation question. All responses can be viewed in full on the Department's website, [here](#).

Readers should note the following in relation to this document:

- Where respondents provided information that was more relevant to another consultation question, that information was addressed under the more appropriate question.
- In some sections of this document, responses in relation to several related questions have been grouped so that the response is comprehensive in relation to that topic. In some cases, questions have been moved to the most relevant section and may not follow the exact order used in the consultation document. However, all questions are still labelled with their original question number so it is clear which questions have been covered in that section.

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<sup>4</sup> The summaries throughout this document are intended to provide an overview of the main points raised in relation to each question; they do not cover all individual points made by respondents.

- Where the consultation document included supplementary questions, these responses have mostly been incorporated into the main question summary and response<sup>5</sup>.
- Question 9.1 and Question 9.2 sought views from respondents regarding additional information that could be required on energy bills. Views submitted in relation to these questions are currently being reviewed and a response will be provided at a later date.

## 2.2 Summary of Minister's Decisions

- The below table provides a summary of the Minister's decisions in relation to each consultation question. These are discussed in the subsequent sections of this document.

### Decision Summary:

- The EEOS will cover entities across all the main energy markets - liquid fuel, solid fuel, electricity, and natural gas.
- The following types of eligible parties within each market will be obligated, should they be above a certain size and operating in Ireland:
  - liquid fuel importers;
  - all solid fuel distributors and retail energy sales companies; and
  - electricity and natural gas retail energy sales companies.
- The obligation threshold will be set in terms of annual final energy sales volume (GWh).
- The obligation threshold level will be set at final energy sales of 400 GWh per annum, combined with the introduction of a 400 GWh free allowance for all obligated parties.
- 60% of Ireland's Article 7 obligation for 2021-30, equivalent to 36,424 GWh cumulative final energy savings, will be met by the EEOS.
- The EEOS Target will not be disaggregated into separate sales targets and will instead be allocated based on each obligated party's market share of final energy sales.

<sup>5</sup> For example, Q7.3 incorporates responses to Q7.4 which asked respondents if they wished to provide any suggestions or comments in relation to the proposal (relating to Q7.3).

- At least 15% of all EEOS savings, equivalent to 5,464 GWh cumulative final energy savings, are to be delivered in the residential sector.
- At least 5% of the EEOS Target (a third of the residential savings required), equivalent to 1,821 GWh cumulative final energy savings, are to be achieved through measures delivered to those in energy poverty.
- In line with the overall EEOS Target, the above delivery sub-targets will be allocated based on each obligated party's market share of final energy sales. This means at least 15% of each obligated party's overall EEOS Target is to be met through savings in the residential sector, with a third of these residential savings to be delivered to those in energy poverty.
- To achieve eligible residential energy savings under the EEOS, obligated parties will be required to deliver energy efficiency measures to homes, resulting in:
  - at least a minimum level of energy savings being achieved per home, AND
  - the achievement of a BER of B2 or better, OR
  - the property being put on a 'B2 pathway', which will mean that the energy efficiency measures delivered have moved the property closer to achieving a B2 energy rating and a BER advisory report has been developed, discussed and provided for the property following works.
- To achieve eligible energy poverty energy savings under the EEOS, obligated parties will be required to deliver energy efficiency measures to 'eligible energy poor homes', resulting in the achievement of a BER of B2 or better. For the EEOS, an 'eligible energy poor home' will be a property that has a pre-works BER of D2 or worse AND is occupied by a person in receipt of a Warmer Homes-eligible Department of Social Protection payment or is owned by a Local Authority/Housing Association.
- Annual additive targets will be implemented up to 2030, which obligated parties will be required to meet every year.
- The calculation of targets for the remaining years of the obligation period (2022-30) will take account of each obligated party's 2021 delivery of savings.
- A minimum achievement requirement will be put in place, which means that if an obligated party achieves at least 95% of its annual additive target per sector, with

the exception of the final year of the obligation period (where 100% achievement of all targets will be required), they will be deemed compliant.

- Obligated parties will be allowed to count savings achieved on their behalf by third parties towards their targets.
- Obligated parties will be allowed to exchange energy credits (i.e. validated energy savings) with other obligated parties.
- Obligated parties will be allowed to bilaterally trade all or part of their annual additive targets.
- Obligated parties will be allowed to 'buy out' up to 30% of their annual additive targets (by sector) by contributing to an Energy Efficiency National Fund.
- In managing non-compliance under the EEOS, and to incentivise compliance, penalties will be determined and issued based on a defined penalty framework.
- A formal policy review of the EEOS will be scheduled to be carried out in 2025/26, with any changes arising from this review to be introduced from 2027<sup>6</sup>.
- Obligated parties will be required to report their EEOS cost data to SEAI from 2022.
- A decision on the publication of obligated party cost data has not yet been made, pending a further review.

## 2.3 Next Steps

The redesigned EEOS will commence on 1 January 2022. New EEOS Regulations, now under preparation, will give domestic legal effect to the new scheme in line with the policy decisions made following the consultation process and set out in this document. The details of the scheme and the accompanying legislation will be notified to the European Commission, in line with the requirements of the Directive and the Regulation on Governance of the Energy Union<sup>7</sup>.

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<sup>6</sup> The most recent proposed revision of the EED (July 2021 as part of the Fit for 55 package) is currently being negotiated at EU level. Should any changes to the EEOS be necessary following this revision an earlier review of the scheme may be required.

<sup>7</sup> REGULATION (EU) 2018/1999 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the



The Department remains committed to working with stakeholders to ensure the scheme is as effective as possible. Further stakeholder engagement and consultation by the Department and SEAI on relevant items will continue as part of the development process.

### 3 Obligated Parties

This section outlines the Minister’s decisions on which entities will be obligated under the Energy Efficiency Obligation Scheme (EEOS) and how.

**Please also refer to Section 3 of the consultation document and the ECA Report for further information on this section.**

<b>Question 3.1</b> Do you agree with our proposal that the EEOS should cover entities across all the main energy markets - electricity, natural gas, liquid fuel and solid fuel?		
	Responses	Proportion
Yes	37	88%
No	2	5%
Don't Know/ No Strong Opinion	3	7%

#### Summary of Consultation Responses

Almost all respondents agreed that the EEOS should cover all main energy markets. Responses provided largely aligned with those set out in the consultation, and noted that it was appropriate that all the main energy markets play a role in achieving Ireland’s energy efficiency targets under the EEOS and that the associated costs are spread across the relevant markets.

#### The Minister’s Response

**The Minister has decided that, as proposed, the EEOS will cover entities across all the main energy markets - electricity, natural gas, liquid fuel and solid fuel.**

It is recognised that all the main energy markets have a role to play in reducing consumption. Given Ireland’s obligation under Article 7 is calculated relative to total final energy consumption, including all energy, it is the Minister’s intention that the responsibility

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European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council.

for delivering the EEOS is spread across entities in each of these energy markets. Adopting this approach will help to ensure that any potential distortionary impacts within the energy sector are kept to a minimum by restricting the potential energy substitution impacts which could be caused by placing an obligation on entities in one energy market and not another, and results in greater competition in delivering the EEOS.

**Question 3.2** Do you agree with our proposal to obligate the [below] types of eligible parties within each market, should they be above a certain size, that is:

	Yes		No		Don't know/ No Strong Opinion	
a) of the eligible parties in the liquid fuel market, only the liquid fuel importers operating in Ireland;	23	55%	4	9%	15	36%
b) of the eligible parties in the solid fuel market, all distributors and retail energy sales companies operating in Ireland;	26	62%	2	5%	14	33%
c) of the eligible parties in the electricity and natural gas markets, only the retail energy sales companies operating in Ireland?	26	62%	6	14%	10	24%

### Summary of Consultation Responses

The majority of those who expressed an opinion on this question agreed with the proposal to obligate the above entities, if above a certain size. However, a small number of respondents either did not agree with all aspects of the proposal or raised some points for consideration.

#### Liquid fuel market

Regarding the liquid fuel market, one stakeholder, responding on behalf of several obligated parties, challenged the proposal to obligate importers only, stating that liquid fuel importers should not and cannot be obligated under the EEOS. This respondent maintained that importers are not referred to specifically in the Directive; that there can be no distinction between importers and others in the supply chain that are not importers; and that they cannot be obligated given they do not sell directly to persons purchasing the energy for their own end use. On this latter point, they maintained that the Directive and the Commission's Recommendations on the Directive makes it clear that obligated parties are chosen because of their connection to the final consumer and their ability to influence the final consumer.

They also argued that administrative efficiencies alone are not more important than operational feasibility and should not be accorded priority when identifying obligated parties. They also noted, as did another respondent, that the basis on which obligated entities in each energy market are being designated is inconsistent.

#### Solid fuel market

Regarding the solid fuel market, some points were raised on the difficulties of identifying those operating in this market who should be obligated, particularly those operating out of and around Northern Ireland.

There was also a query raised by one respondent on how targets would be set if a situation arose where two parties are obligated based on the sale of the same energy (at different points in the supply chain).

#### Electricity and natural gas markets

In relation to the electricity and natural gas markets, one respondent felt that the flexibility option offered by Article 7 (4)(c) of the Directive should be used, to include the savings coming from transmission system operators (TSOs) and distribution system operators (DSOs)<sup>8</sup>.

Two other respondents mentioned that the sale of compressed natural gas (CNG) is not covered by the EEOS, given it is sold directly by Gas Networks Ireland (GNI), a DSO, and not through a retail energy sales company. It was felt that given the increased importance of transport that this should be looked at in the future in the context of potentially obligating GNI.

### The Minister's Response

**The Minister has decided, as proposed, to obligate the following types of eligible parties within each market, should they operate (i.e. have energy sales) in Ireland and be above a certain size:**

- **in the liquid fuel market, the liquid fuel importers**
- **in the solid fuel market, all distributors and retail energy sales companies**
- **in the electricity and natural gas markets, the retail energy sales companies.**

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<sup>8</sup> It was decided, following a public consultation in 2019, that Ireland would not use the target flexibility options offered by the Directive, including the flexibilities set out in Article 7 (4), in our Article 7 calculation approach. See [High Level Decision Paper](#).

Article 7a (2) of the Directive states: 'Member States shall designate, on the basis of objective and non-discriminatory criteria, obligated parties among energy distributors, retail energy sales companies and transport fuel distributors or transport fuel retailers operating in their territory'.

### The decision of designation

The Directive leaves Member States a broad margin of discretion in the choice of methods suitable for fulfilling its objectives, taking into account their own national situation and objectives. This also applies in the design of their obligation schemes, including the designation of obligated parties. In providing a broad range of entities from which obligated parties can be designated (here referred to as 'eligible parties'), the Directive recognises that the structure of energy markets across countries can vary greatly. Therefore, each Member State in deciding on the most appropriate designation, can take into account the configuration and characteristics that pertain to its own national market. Taking into account the situation of market operators specific to that Member State, they may also choose to obligate only certain sub-categories of those considered eligible, designating some operators to the exclusion of others. In this regard, some countries have restricted their designation to only one type of eligible party, while others, similar to Ireland, have included a wide range of eligible parties in their designation<sup>9</sup>.

### Eligible parties

All eligible parties, by definition, are involved in some way, either directly or indirectly, in the sale of energy for end-use consumption by final customers. The explicit inclusion of distributors as an eligible party in their own right, who supply energy 'with a view to its delivery to final customers or to distribution stations that sell energy to final customers' confirms that the designation of obligated parties is not intended to be limited to entities with a direct connection with the final customer. While Article 7a (2) does require that savings must be achieved by obligated parties 'amongst final customers', the reference to a 'final customer' in this context is to make clear that any savings must come from the 'natural or legal person who purchases energy for own end use' rather than to indicate that these should be the obligated parties' own energy customers. This is supported by the fact that the Directive does not make reference to requiring obligated parties to deliver savings among their own customer base, or even within their own energy market. Added to this, the Commission Recommendation<sup>10</sup>

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<sup>9</sup> A similar approach to designation was adopted by the Minister in respect of the 2014-2020 EEOS.

<sup>10</sup> Appendix II to the Recommendation (EU) 2019/1658 of 25 September 2019 on transposing the energy savings obligations under the Energy Efficiency Directive, OJ 2019 L275/1 ('the Commission Recommendation').

states that Member States may choose to allow obligated parties to contract third parties to implement energy efficiency projects on their behalf, as Ireland has chosen to do. This is likely to be particularly relevant where an obligated party does not have direct links with the ‘final customer’ and/or wishes to enhance the scale and scope of relationships it can leverage.

### Designation of Irish obligated parties

Cognisant of the fact that each energy market in Ireland operates in a different manner and is made up of different types of eligible parties, in designating obligated parties the intention has been, from the outset of this process, to ensure that each market is covered by the EEOS as fairly and effectively as possible. Given energy sales is the metric being used for the setting of targets for each obligated party, it is important that there is as little under- or over-representation of sales, regardless of end-use sector, within a market, which could potentially lead to competitive advantages/disadvantages for that market. Administrative burden has also been a key consideration. It is widely acknowledged that energy efficiency obligation schemes can be complicated to both administer and deliver, and that every effort should be made to reduce complexity and burden where possible in the scheme design, including the designation of obligated parties. This is particularly important where the overall objectives can be achieved, or in some cases better achieved, with an alternative, more simplified approach. Introducing unnecessary administrative complexity, where there is an option not to do so, increases the risk, cost and burden for all parties involved.

Based on the above, the designation of obligated parties has been based on the following objective and non-discriminatory criteria:

- Coverage of the relevant market
  - Avoiding underrepresentation of energy sales
  - Avoiding creating unreasonable barriers to entry/growth
  - Avoiding duplication of sales/targets
- Capacity and ability of entities to deliver their targets/achieve compliance
- Flexibilities and opportunities available to entities to support delivery
- Existing regulatory requirements for entities
- Administrative complexity, burden and cost for administrator and entities
- Availability of, and practicalities of compiling, robust data

Each market is discussed in turn below in the context of the above criteria.

## Designation by energy market

### Liquid fuel market

Depending on the individual market characteristics, the obligation may be placed on eligible parties further upstream in certain markets and lower in others. In the case of liquid fuel, this market is most concentrated upstream in the supply chain, at the point where liquid fuel is imported into the country with a view to its onward distribution. A limited number of companies import this fuel, the majority of which is then sold on the Irish market. As noted in the consultation, further downstream from this the market becomes much more fragmented and the supply chain more complex with numerous parties involved in buying, selling and distributing the fuel. This has the effect of making the reliable establishment of individual market shares a lot more difficult.

Similar to the other energy markets, a key consideration has been to ensure that in designating obligated parties, that the liquid fuel market is not unfairly or disproportionately burdened; that the majority of market sales are covered by the EEOS and that the objectives of the EEOS are most effectively achieved without unnecessary cost or burden. Having fully assessed this market, it was decided to continue the approach taken for the 2014-20 EEOS and designate the eligible parties at the top of the supply chain, the liquid fuel importers, as obligated parties<sup>11</sup>. At this point in the supply chain, there is a clear structure, the vast majority of liquid fuel sales can be covered by the EEOS and, importantly, it is practicable to clearly, and accurately, assign the relevant energy sales volumes to distinct obligated parties for the purpose of target setting. Imposing the obligation at just one point in the supply chain, if possible, also helps to avoid a situation where two members of the same supply chain are subject to the same obligations, resulting in the volume of required savings among final customers being doubled. Furthermore, designation at this point in the supply chain means that the relevant obligated parties can, if they so choose, pass on the costs associated with the obligation to the next undertakings in the chain, meaning that they can ultimately be met by the liquid fuel end user.

In coming to the above decision, the situation further downstream in the liquid fuel market was also assessed. While data is gathered by Revenue at this point in the supply chain, and could potentially be made available, as noted previously, it would still prove difficult to track and establish clear market shares for the purpose of the EEOS, in particular in relation to home heating fuels. This is due to the level of granularity and fragmentation of the data gathered, the degree of inter-trading occurring between entities and the involvement of

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<sup>11</sup> Should they have energy sales in Ireland above the obligation threshold.

multiple players. These complexities mean there is a much greater risk of error in the process of establishing which parties should be obligated and which sales should be assigned to a particular entity for the purpose of target setting. If obligating entities under the EEOS at this point, either in addition to or instead of those further up the supply chain, this would introduce increased administrative complexity, burden and expense for all parties involved and for the market as a whole. It would also result in a much less effective capturing of sales in the liquid fuel market and likely lead to an underrepresentation of this market giving the liquid fuel market a competitive advantage over other markets. However, if viewed from the opposite perspective, such an approach to designation could also present a risk of potentially disadvantaging the liquid fuel market against other markets. For example, the challenges in establishing market shares for individual entities could risk leading to sales relating to the same energy being counted more than once, thus over-representing the liquid fuel sales that should be assigned to different obligated parties. In addition, significantly increasing the number of obligated parties for this market, where there is an appropriate alternative to include a smaller number further upstream, would reduce the economies of scale available for obligated parties in delivering the obligation that is to be placed on this market, and as mentioned, introduce increased administrative cost and unnecessary burden for the liquid fuel market in delivering its obligations.

#### Solid fuel market

The solid fuel market occupies a relatively small share of the energy market, over 15 times smaller than that of liquid fuel. Nonetheless, in approaching this market, the objective was again to ensure that as much of this market could effectively be covered by the EEOS and it would not unfairly avoid some of its share of obligations.

It is specifically in relation to this issue, that the Minister is intending to lower the obligation sales threshold<sup>12</sup>. This is intended to capture a greater percentage of the solid fuel market<sup>13</sup>, where coverage by the scheme was previously weak, and is expected to bring some additional entities operating in the solid fuel market in Ireland under the EEOS. As set out in the consultation, the scheme will apply to all obligated parties operating in Ireland, which means that energy sales within Ireland will be taken into account in confirming whether an entity is or is not obligated, and in setting obligated parties' targets. SEAI, as scheme administrator, will be responsible for confirming whether an entity is or is not obligated. In order to ensure SEAI have the ability to complete this role effectively, it is intended to make

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<sup>12</sup> This proposal is discussed later in this section under Question 3.4.

<sup>13</sup> While still ensuring that obligations are not unfairly placed on very small operators.

provision in new regulations to require that all obligated parties, or eligible parties that could potentially be newly obligated, provide, on request, annual final energy sales information to SEAI, and any other information that SEAI may deem necessary to perform and monitor the above processes.

While the onus is on the eligible party to contact SEAI if they think they could be obligated, the new provisions will also allow SEAI to request relevant information from eligible parties, where deemed necessary. This approach will further help to ensure that the burden of the obligation is carried by all obligated parties as intended, including any newly obligated entities in the solid fuel market, which will help to avoid a situation where entities could evade their obligations.

Unfortunately, the nature and operation of the solid fuel market means that, unlike the other three markets covered by the EEOS, there is no clear opportunity to obligate at one particular point in the supply chain to ensure the effective capture of sales. Unlike liquid fuel, a significant proportion of the solid fuel imported into the country, in particular coal, does not end up being sold on the Irish market (instead, for example, being sold in Northern Ireland). Given the more limited sales clarity at the top of the supply chain, obligating just at the importer level could present risks that the sales for this market may not be fully and accurately identified. To ensure that there is the greatest opportunity to effectively capture the sales in this market, it was deemed necessary and appropriate to obligate all types of eligible parties that have sales above the obligation threshold. This is more difficult administratively, particularly given the lack of robust data, but was deemed necessary in this case to ensure this market is not unfairly advantaged.

Given the above, it is possible that a situation could arise in the solid fuel market where two entities are obligated in relation to the same final energy sales at different points in the supply chain (e.g. if one obligated party sells to another). Therefore, SEAI, in such situations, will need to apply a 'last identifiable relevant entity' approach. As noted above, in the case of the solid fuel market, relevant entities include all eligible parties. Broadly, this approach means the relevant entity closest to the energy user and above the sales threshold (i.e. obligated), will be assigned the relevant sales for the purpose of target setting. Further information on all aspects of the target setting process will be provided by SEAI, including this approach, if relevant.

#### Electricity and natural gas markets

In terms of electricity and natural gas, the clear structure of these networked markets has meant there is an option, similar to the liquid fuel market, of imposing the EEOS obligation at



one clear point in the supply chain, thus reducing complexity and avoiding a situation where these markets could be obligated more than once in relation to the same energy. However, unlike the liquid fuel market, this opportunity also exists further downstream in the supply chain, at the retail sales company level. In these markets there is a clear downstream structure which means that the vast majority of the sales in both of these markets can still be covered by the EEOS if choosing to obligate at this point, and importantly, it is also possible to clearly, and accurately, assign the relevant energy sales volumes to distinct obligated parties for the purpose of target setting. Added to this, the regulatory requirements at the distribution system operator level, which don't exist in the other markets, means that the designation of the retail supply companies as the obligated parties is a more appropriate option for these markets.

In relation to CNG sales, these will not be taken into account under the EEOS, given sales of CNG are currently relatively small, and are significantly below the sales threshold that will be in place for the EEOS. However, SEAI will continue to monitor sales and suppliers in this area.

**Question 3.3** Do you agree with our proposal to set the obligation threshold in terms of annual final energy sales volume (GWh)?

	Responses	Proportion
Yes	28	67%
No	5	12%
Don't Know/ No Strong Opinion	9	21%

### Summary of Consultation Responses

The majority of respondents agreed with this proposal, noting that the approach is straightforward, fair and in line with Ireland's reporting requirements. A small number of respondents raised concerns on the move away from primary energy for the EEOS and separately, on the lack of distinction of renewable and non-renewable energy in obligated parties' sales.

### The Minister's Response

**The Minister has decided, as proposed, to set the obligation threshold in terms of annual final energy sales volume (GWh).**

Following the adoption of Directive 2018/2002, under Article 7 of the Directive, the amount of savings required to be achieved must be reported in final energy. As mentioned above, following a public consultation in 2019, it was decided that the targets for the 2021-2030 obligation scheme would also be set in final energy. In line with this, the obligation threshold will be based on annual final energy sales volume.

The threshold level will not differentiate between types of energy and will be applicable to all sales of energy (renewable and non-renewable). The Clean Energy Package<sup>14</sup> emphasises that energy efficiency should be the “first principle” of any energy policies and does not distinguish between energy type. The overriding goal, and primary objective of the Directive, is to reduce energy use, regardless of its source, and therefore, in line with this, all energy sales of obligated parties’ are considered in the setting of targets.

**Question 3.4** Do you agree with our proposal to set the obligation threshold level at final energy sales of 400 GWh per annum, combined with the introduction of a free allowance?

	Responses	Proportion
Yes	17	40%
Yes/No (Partial Agreement)	7	17%
No	6	14%
Don't Know/ No Strong Opinion	12	29%

### Summary of Consultation Responses

The majority of respondents agreed or partially agreed with this two-part proposal. Of those who agreed and expressed views, they generally felt that setting the obligation threshold at 400 GWh per annum coupled with the introduction of a free allowance, allowed the coverage of the EEOS to be broadened, while still protecting smaller and/or newer obligated parties.

Of those who disagreed or partially disagreed with the proposal, points were raised on the level of the threshold and free allowance; how the free allowance would be applied; and whether it was required at all. For example,

- A number of respondents wished to see a lower or no obligation threshold, to include more entities in the EEOS.

<sup>14</sup> [https://ec.europa.eu/energy/topics/energy-strategy/clean-energy-all-europeans\\_en](https://ec.europa.eu/energy/topics/energy-strategy/clean-energy-all-europeans_en)

- Others suggested different ways on how the free allowance could be applied such as including a sliding scale which would reduce over time or introducing a temporary free allowance when parties first become obligated.
- A limited number of respondents also noted that, with the flexibilities available under the EEOS, such as bilateral credit exchanges and trading of targets, there may be no need to introduce a threshold or free allowance as the cliff edge impact could be negated.
- One obligated party felt that companies in the 400-600 GWh bracket should have a reduced target and should also not have sub-sector targets.

Separately, some points were raised regarding market changes and new market entrants over the coming decade and the need to ensure that the threshold and free allowance were kept under review to remain effective and fair for the EEOS.

### The Minister's Response

**The Minister has decided, as proposed, to set the obligation threshold level at final energy sales of 400 GWh per annum, combined with the introduction of a 400 GWh free allowance for all obligated parties.**

As set out in the consultation, the purpose of including an obligation threshold, rather than obligating parties of all sizes, is to ensure the associated costs of implementing an EEOS (particularly the fixed administrative costs) do not distort competition. The threshold is necessary to protect smaller entities, however, it must also be ensured that it is not set too high, giving smaller entities a competitive advantage over the parties that are obligated. The threshold also has the added benefit of reducing the administrative complexity of the scheme and the cost arising from managing many obligations for relatively small parties.

At the same time, introducing a free allowance reduces the impact on smaller entities as the obligated party is no longer immediately liable to the variable costs of supporting energy efficiency measures associated with their sales up to the threshold. The ECA analysis, which looked at a range of scenarios, showed that a threshold level of 400 GWh (as opposed to a threshold of 200 GWh or 600 GWh) with a free allowance (as opposed to no free allowance), was the fairest structure for all entities. Applying the free allowance as proposed - at the same level as the threshold; across all obligated parties; and for the full duration of the obligation period, means the target setting process is also not further complicated unnecessarily.

It is recognised that the additional flexibilities being introduced in the new EEOS will provide obligated parties with additional means to reach compliance with their targets. However, there is a need to protect smaller and/or newer entities in the way that targets are calculated and applied, so as to ensure new entrants are not discouraged from entering the market, thus hampering competition levels.

With the threshold level set at 400 GWh, the EEOS will cover over 95%<sup>15</sup> of energy sales in Ireland. However, given the energy sector is expected to change significantly over the next decade and will likely impact the structure of all Irish energy markets, the Department and SEAI will continue to monitor the developments in these markets to ensure the design structures in place for the EEOS remain effective in helping Ireland to achieve our Article 7 Target. Market changes are also further discussed under Question 3.5 and Question 7.1 below

**Question 3.5** Do you wish to provide any specific comments in relation to the above target setting approach?

### Summary of Consultation Responses

This question did not relate to a proposal, but rather asked for input from respondents in relation to certain aspects of the target setting process. Several respondents provided useful comments, and also raised some points of caution. These points mainly related to ensuring that all entities that should be obligated are identified, particularly in the solid fuel market; and how potential changes to the energy market over the next ten years are taken into account and handled for the EEOS.

In relation to ensuring all obligated parties are identified, those who responded on this point, mainly flagged the need to have a robust process in place to ensure all entities who meet the definition of an obligated party are held to account and can't avoid their obligation burden. One respondent felt that self-declaration by obligated parties was insufficient, particularly given the lowering of the obligation threshold which captures more smaller parties under the obligation, and within a market such as the solid fuel market, where there are a lot of small entities operating and poorer statistical data on consumption/sales.

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<sup>15</sup> Despite more of the solid fuel market being covered by the EEOS with the threshold at 400 GWh rather than 600 GWh (as under the 2014-20 EEOS), the overall sales coverage of the EEOS is only slightly higher given solid fuel sales are very small relative to total energy sales.

Most points raised in response to this question, mainly from obligated parties, related to the market changes expected to happen over the coming decade and how these will be factored into the target setting process. Some points raised on this highlighted: that flexibility was required to effectively account for market changes (in terms of number and size of entities); that the obligation threshold should be kept under review to ensure continued fairness of the target setting approach; and that the approach needed by SEAI to monitor, respond and adjust targets based on market changes, should be robust but still offer certainty and not be overly complex. A point was also raised on which data should be used for target setting/determining who is/isn't obligated, and how often market changes should be taken into account.

### **The Minister's Response**

As noted in the Minister's response on Question 3.2, and set out in the consultation, it is the Minister's intention to extend the provision in regulations regarding the collection of sales, and other relevant, information by SEAI. As set out above, the onus will initially sit with the entity that is newly obligated, to contact SEAI. However, should an entity not be forthcoming with the information, under the new regulations SEAI will also be able to directly request it.

In terms of accounting for market share changes in the target setting process, SEAI will make sure that the process in place ensures targets remain fair and proportionate for all obligated parties and take account of changing market shares. As mentioned by several respondents, any approach taken needs to effectively account for changing market shares (including new/exiting obligated parties), while also minimising unnecessary administrative burden and uncertainty.

Given this point was raised by a lot of respondents, particularly obligated parties, the broad approach that will be taken is outlined as part of the Minister's response in relation to Question 7.1.

## **4 The 2021-30 EEOS Target**

This section outlines the Minister's decisions on the EEOS Target that will be in place for the 2021-30 obligation period and how transport energy will be treated as part of this target.

**Please also refer to Section 4 of the consultation document and the ECA Report for further information on this section.**

**Question 4.1** Do you agree with our proposal that 60% of Ireland’s Article 7 obligation for 2021-30, equivalent to 36,424 GWh cumulative final energy savings, should be met by an Energy Efficiency Obligation Scheme?

	Responses	Proportion
Yes	17	40%
No	10	24%
Don't Know/ No Strong Opinion	15	36%

### Summary of Consultation Responses

While the majority of respondents agreed with the proposal, there were some, mainly obligated parties, that did not. Those who agreed noted the in-depth analysis that supported the proposals; the flexibility the approach allows for Ireland in reaching its Article 7 Target; and the success of the joint approach over the course of the 2014-2020 scheme.

Of those respondents who disagreed with the proposal, and who argued that the EEOS Target should be lower, several felt that the economic analysis underpinning the consultation proposal did not provide a strong enough argument for increasing the relative size of the EEOS Target compared to the 2014-20 scheme, nor did it sufficiently look at whether the EEOS Target, as proposed, was achievable/feasible. One obligated party also felt that other policy measures should have been considered in the alternative measure estimates, and that, in some cases, saving estimations and/or assumptions were too conservative.

Those suggesting a lower target also highlighted challenges already faced by obligated parties for the new obligation period, including the move to final energy and the introduction of new measurement and verification requirements. Concerns were also raised about the potential for the target to change over the course of the scheme, with two obligated parties stressing the need for certainty.

A small number of respondents suggested that the EEOS Target should be higher than proposed.

### The Minister’s Response

**The Minister has decided that, as proposed, 60% of Ireland’s Article 7 obligation for 2021-30, equivalent to 36,424 GWh cumulative final energy savings, will be met by the EEOS.**

In deciding what proportion of the target should be met by alternative measures and what proportion should be met by the EEOS, consideration was given to many factors, including, the level of Article 7-eligible savings that can realistically be achieved through either channel; the potential cost to the State, obligated parties and energy consumers, in meeting the overall target; and the complementarity of the measures in contributing to the achievement of all relevant policy objectives.

To establish the appropriate contribution balance, ECA were asked in the first instance to carry out a comprehensive review of ongoing or planned policy measures in Ireland, how they may meet the energy savings requirements of Article 7, and their potential contribution as eligible alternative measures towards meeting the Article 7 obligation.

Regarding this analysis, estimated energy savings for alternative measures were established through a review of the historical trends, stated targets, and known levels of commitment. The intention was to establish a best estimate of the level and trajectory of energy savings each alternative measure will deliver based on decisions or proposals already established. The work did not seek to recommend or advise upon the level of energy savings that should be targeted by each alternative measure, nor propose entirely new programmes. It also did not assess the mix of alternative measures which would provide the most cost-efficient delivery of energy savings, in part as it is recognised this may be only one objective in the design and adoption of each programme.

As noted in the consultation, it has been decided that co-funded measures<sup>16</sup> will continue to be allowed to count towards obligated parties' targets<sup>17</sup>. Therefore, the level of alternative measure contribution shown in the ECA Report is based exclusively on alternative measures acting independently of any involvement by an EEOS obligated party. For the purposes of Article 7 accounting, to ensure double counting is avoided, all energy savings attributable to a co-funded measure are allocated to the EEOS. This means that the true share of contribution to the Article 7 Target from alternative measures is higher than 40% but is supporting the obligated parties in the delivery of the EEOS Target.

In deciding the alternative measure/EEOS share, the primary objective was to identify how Ireland can meet 100% of its obligation and ensure compliance specifically in relation to Article 7. Therefore, given it was estimated that existing policy measures independently delivered, could deliver enough new savings to meet at least 40% of Ireland's Article 7 Target, it was not felt appropriate to propose an EEOS target higher than 60%, even if

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<sup>16</sup> For example, where a home received an SEAI grant but was also funded by an obligated party.

<sup>17</sup> Such eligibility does not automatically apply to grant schemes developed or significantly redesigned during the timeframe of the EEOS.

shown to be feasible for obligated parties to deliver. Having said that, obligation schemes across Europe have been shown to be relatively cost-efficient mechanisms for delivering energy savings in relation to traditional public funding approaches<sup>1819</sup>, and should the appropriate alternative measure/EEOS share of Article 7 savings have been recommended based purely on a cost-optimal calculation, it is expected that the share borne by the EEOS would likely be higher than 60%.

Having determined that 40% of the Article 7 Target could be met through independently delivered alternative measures, the feasibility of delivering the remaining 60% of the target was then fully assessed. The EEOS analysis (described in Section 3 of the ECA Report) is based on a bottom-up model that considers common energy efficiency measures in each end-use sector, cost data for each measure (including co-funding and leverage achieved), and energy savings per measure considered attributable to Article 7 targets. An estimation of the feasibility of delivering the target is embedded in the analysis through consideration of factors including:

- The number of buildings of each type (both non-residential and residential), including those categorised as energy poor homes;
- The market penetration of each measure to date;
- The suitability of each measure for a given building type;
- Limitations on the maximum annual rate of deployment due to supply chain and demand-side constraints (with consideration of historic rates of deployment); and
- Assumptions regarding a 'non-reachable' share of the market.

While costs varied across the design option scenarios looked at, the analysis indicated that in all cases, sufficient energy savings opportunities were available for obligated parties to achieve an EEOS target equivalent to 60% of the Article 7 Target.

The above clearly sets out the basis for the decision to propose, and to proceed with, an EEOS Target of this size. However, regarding points raised by obligated parties that the size of the 2021-30 EEOS Target should align, in relative terms, with the size of the 2014-20

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<sup>18</sup> In its impact assessment, the Commission showed, on the basis of the available evidence, that EEOSs are highly cost-effective.

<sup>19</sup> This also would appear to be very much the case in Ireland, where the EEOS buy-out price, which is set with reference to the estimated cost to the State of achieving equivalent savings to those not achieved by the obligated parties, is significantly higher than the estimated average cost of energy saving credits for obligated parties, as per the CRU Report, ['Energy Supply Costs Information Paper'](#)



EEOS Target, which many maintained accounted for 50% of the Article 7 Target, a few points should be noted:

- The EEOS Target for the first three years of the 2014-20 EEOS was set at approximately 50% of the Article 7 Target. The decision to require the obligation scheme to deliver just half of the required Article 7 energy savings was guided by the fact that Ireland had not previously had an obligation scheme<sup>20</sup> and most obligated parties were not very experienced in the delivery of energy savings. However, with three additional years of energy efficiency experience and strong performance demonstrated in meeting their initial targets, a decision was made, following public consultation, that the EEOS Target would increase for 2016, and then again in 2017 for the remaining four years.
- When taking account of the target increases introduced in 2016 and 2017, the actual EEOS Target set over the full 2014-20 obligation period (seven years) represented 57.9% of Ireland's Article 7 Target, not 50% as indicated by many obligated parties in their responses.
- In relation to the last four years of the scheme, the EEOS Target actually accounted for 61.8% of the Article 7 Target, rising to 63.5% of the Article 7 Target over the final three years (following the 2017 increase).
- In addition, most obligated parties over-achieved against their overall 2014-20 EEOS Targets, with a significant volume of surplus energy savings being delivered in that period. While going beyond their targets, Ireland was still able to report these savings to Europe against its Article 7 Target. It should also be noted that obligated parties' 2014-20 performance will also be taken into account in the calculation of their new targets under the 2021-30 EEOS.

**Question 4.2** Do you agree with our proposal that the EEOS Target should be disaggregated, with a 40% target allocated amongst all obligated parties with transport energy sales (the Transport Sales Target), and a 60% target allocated amongst all obligated parties with non-transport energy sales (the Non-transport Sales Target)?

	Responses	Proportion
Yes	13	31%

<sup>20</sup> Although a voluntary scheme had been in place.

Yes/No (Partial Agreement)	9	21%
No	4	10%
Don't Know/ No Strong Opinion	16	38%

### Summary of Consultation Responses

The majority of those who responded to this question agreed with the proposal to increase the size of the obligation placed on those with transport sales, given the increased relevance of transport under Article 7, and the proportion of Ireland's final energy consumption for which transport is responsible.

However, of those who agreed with a greater alignment of targets with consumption, many disagreed with the disaggregation approach proposed, with several respondents querying why:

- the Transport Sales Target was proposed to be set at 40% rather than more accurately in line with the percentage of consumption that transport is shown to be responsible for, and/or
- separate sales targets were being proposed, rather than just splitting the overall EEOS Target based on market share of energy sales, which would take account of transport sales but without adding unnecessary complexity.

Several respondents queried how transport sales would be identified, and some also flagged that the changes expected in transport over the coming decade would mean any sales target split would need to be closely monitored and adjusted as necessary to keep things fair and accurate.

One respondent disagreed with the proposal to have a Transport Sales Target as they argued it reduced the size of the residential and energy poverty sub-targets proposed.

One stakeholder, responding on behalf of several obligated parties, also noted that they felt setting targets in proportion to consumption was not necessarily the most appropriate way to allocate targets.

There appears to have been some confusion amongst respondents on what was being proposed, with a small number of respondents responding on the basis that the Transport Sales Target proposed would need to be met with savings specifically in the transport sector, which is not the case.

## The Minister's Response

**The Minister has decided that the EEOS Target will not be disaggregated into separate sales targets as proposed and will instead be apportioned relative to the eligible final energy sales volume of each obligated party<sup>21</sup>.**

The decision not to distinguish between transport and non-transport sales in the setting of targets means there will essentially be a 'straight-split' of the overall EEOS Target based on all relevant energy sales (regardless of what sector these energy sales are in), with no additional disaggregation.

With this revised approach, the policy intent of the original proposal will still be achieved. That is, those with sales of energy used in transport will be responsible for achieving a share of the 2021-30 obligation that truly reflects the proportion of final consumption that transport accounts for<sup>22</sup>, given the full inclusion of transport final energy consumption in the calculation of Ireland's Article 7 Target. However, taking on board the views put forward by many respondents, it is felt that the 'straight split' approach will remove an additional layer of complexity in the target setting process, including identifying and monitoring transport sales, and will more consistently reflect the energy market share of all obligated parties.

This decision also takes account of the Commission Recommendation<sup>23</sup> which advises that individual energy savings targets are allocated to each obligated party on the basis of its market share of energy sales. The proposal was intended to explicitly take account of the new relevance of transport for Article 7. However, given overall GWh sales of each obligated party provides a reasonable indicator of the ability of an obligated party to bear the costs of a given target, and sales in the transport sector are implicitly included under the relevant energy, whether liquid fuel, electricity or natural gas, on balance, the straight split approach is deemed more appropriate.

The decision not to proceed with the disaggregation of the EEOS Target as proposed also took account of the Minister's decision on the proposed allocation of sub-targets, which is discussed further under Question 5.6.

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<sup>21</sup> The 'eligible final energy sales volume' refers to the relevant sales considered in target setting, which is total final energy sales net a free allowance. For practical purposes, targets will be based on sales with a lag. The target setting process is discussed further in the Minister's response on Question 7.1.

<sup>22</sup> Transport accounted for over 42% of final energy consumption in Ireland in 2019. ([Energy in Ireland 2020 Report \(seai.ie\)](#))

<sup>23</sup> Appendix II to the Commission Recommendation

## 5 EEOS Delivery Sub-targets

This section outlines the Minister's decisions on what sub-targets will be put in place, what level of savings will be required under each and how these sub-targets will be allocated.

Please also refer to Section 5 of the consultation document and the ECA Report for further information on this section.

**Question 5.1** Do you agree with our proposal that a certain proportion of obligated party's energy savings must come from measures delivered in the residential sector (the Residential Delivery Sub-target)?

	Responses	Proportion
Yes	29	69%
No	5	12%
Don't Know/ No Strong Opinion	8	19%

**Question 5.4** Do you agree with our proposal that at least 15% of all EEOS savings, equivalent to 5,464 GWh cumulative final energy savings, must be delivered in the residential sector?

	Responses	Proportion
Yes	24	57%
No	5	12%
Don't Know/ No Strong Opinion	13	31%

### Summary of Consultation Responses

#### Summary relating to Question 5.1

The majority of respondents were in agreement with the proposal to require a portion of energy savings under the EEOS to be delivered in the residential sector. However, a small number of respondents felt obligated parties should be free to deliver all of their targets as cost effectively as possible, without any specific sectoral targets, with one respondent also noting there was no specific requirement in the Directive to deliver residential savings.

One respondent pointed out that broader issues affecting the residential retrofit market, such as skill/resource shortages and availability of grants and affordable finance, could also present challenges for any residential delivery under the EEOS and need to be addressed by Government.

Several responses to this question related to other proposals, such as how sub-targets are allocated across obligated parties; these points are addressed under the relevant question.

## Summary relating to Question 5.4

Most respondents to this question agreed with the proposal to set the residential target at a minimum of 15% of all EEOS savings. Many felt the consultation provided a clear rationale for setting the target at this level, and as one respondent noted, when taking into account the new delivery requirements also being proposed, such a target was suitably ambitious.

A small number of respondents felt the residential target as proposed was too low, given it was relatively lower than the 2014-20 EEOS, and suggested that it be increased to 25% to align with the residential sector's proportion of final energy consumption.

While most obligated parties supported the proposed target, most also raised points in relation to how the sub-target was to be allocated; these points are addressed under the relevant question.

One obligated party also felt that the analysis carried out by ECA did not look at whether the proposed target was feasible, and that it was unclear whether it was possible to meet the proposed targets given the proposed new delivery requirements.

## The Minister's Response, relating to Question 5.1 and Question 5.4

**The Minister has decided that, as proposed, at least 15% of all EEOS savings, equivalent to 5,464 GWh cumulative final energy savings, are to be delivered in the residential sector.**

As noted in the consultation, in the main, it is intended that obligated parties would be allowed the freedom to decide where they deliver their eligible savings, giving them the opportunity to achieve their savings as cost-effectively as possible. However, targeting only non-residential sectors through the EEOS, where energy savings are substantially cheaper for an obligated party to deliver than other sectors, would not be strategically effective in making progress towards the Government's broader climate targets. In addition, given that residential customers could potentially subsidise the cost of obligated parties' EEOS delivery to some extent, it is important to ensure that a portion of the cost saving benefits are also directly passed through to these customers.

As noted earlier, the Directive leaves Member States a broad margin of discretion in the choice of methods suitable for fulfilling its objectives, taking into account their own national situation and objectives. Furthermore, the Commission Recommendation<sup>24</sup> explicitly states that Member States can, and should, consider setting sub-targets where the scheme has

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<sup>24</sup> Appendix II to the Commission Recommendation

policy objectives that are not solely related to just achieving energy savings, such as the Minister has decided for the EEOS in the setting of a Residential Sub-target.

As set out in the consultation, ECA developed and analysed a range of scheme design options. These included variations in terms of the sectors ring-fenced; the size of the ring-fenced sectors; and the delivery requirements relating to each ring-fenced sector<sup>2526</sup>. In deciding to propose, and to proceed with, a Residential Delivery Sub-target set at 15% of EEOS savings (incorporating the 5% Energy Poverty Delivery Sub-target), careful consideration was given to the cost and complexity of implementation; the potential impact on energy consumers; and the potential savings opportunities available.

Central to the analysis was the estimated cost associated with the much more ambitious delivery requirements also being proposed for the residential sector (including those in energy poverty), which will better align with the ambitions and direction of our national residential retrofit policies. Unsurprisingly, this improved alignment will require a much deeper, and in turn, more expensive, approach to retrofitting by obligated parties under the EEOS. As reported by the ECA Report, the tightened criteria proposed for the eligibility of measures and associated energy savings resulted in an estimated increase in cost for residential (non-energy poor) sector energy credits under the Pathway scenarios<sup>27</sup>.

While a target of this size will ensure that the EEOS will play a very real and meaningful role in the achievement of the Government's challenging residential policy objectives, the level of savings expected from obligated parties, delivered in line with the new delivery requirements, is deemed to be proportionate and realistic, and based on the analysis, is expected to have a very limited cost impact for obligated parties relative to their total energy sales, even when factoring in higher Annex V requirements and all other proposals.

The feasibility of delivering the sub-targets combined with the new delivery requirements was also considered in the analysis, in the manner set out in relation to Question 4.1. This is discussed further in Section 6.

Solely basing the size of a sub-target, such as the Residential Delivery Sub-target, on the percentage of overall final energy consumption in that sector is not deemed to be a sufficient basis for such a decision. As shown above, and set out in the consultation, the decision to

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<sup>25</sup> The 'Pathway scenarios' are illustrated in Figure 10 in Section 3.3.1 of the ECA Report

<sup>26</sup> As noted in relation to Question 4.1, the EEOS target was set at approximately 60% of the Article 7 obligation in all scenarios.

<sup>27</sup> The cost data underpinning the estimated cost of energy saving credits under each scenario are provided in Annex A2 of the ECA report with the cost per kilowatt-hour-saved estimates of deep retrofit packages given in Table 40.

set the relevant target at 15% was based on numerous factors, including the level and type of contribution required, but also the potential cost impact for obligated parties and consumers; and the feasibility of delivering the targets to be set. Nevertheless, as part of the analysis carried out, a residential sub-target of 25% (including the energy poverty sub-target) was also considered. However, for the reasons set out above and in the consultation, a Residential Sub-target of 15% is deemed to be a more appropriate target, all factors considered, being sufficiently ambitious and balanced.

The Government's response to the wider issues affecting the residential retrofit market is discussed under Question 6.1.

<b>Question 5.2</b> Do you agree that, of these residential savings, a certain proportion must also come from activity in energy poor homes (the Energy Poverty Delivery Sub-target)?		
	Responses	Proportion
Yes	26	62%
No	6	14%
Don't Know/ No Strong Opinion	10	24%

<b>Question 5.5</b> Do you agree that at least 5% of the EEOS Target (a third of the Residential Delivery Sub-target), equivalent to 1,821 GWh cumulative final energy savings, must be achieved through measures delivered in energy poor homes?		
	Responses	Proportion
Yes	20	48%
No	10	24%
Don't Know/ No Strong Opinion	12	28%

## Summary of Consultation Responses

### Summary relating to Question 5.2

The majority of respondents supported the inclusion of an energy poverty delivery sub-target under the scheme. Some respondents felt that including this target was important given the impacts of the low carbon transition will be most felt by those in energy poverty. It was also noted that including an energy poverty target in the EEOS supports the EU Renovation Wave objectives and also, the Government's commitments for a just transition.

Of those not supporting the proposal, one respondent felt the EEOS was not an appropriate mechanism to support households in energy poverty and that social policies are more progressively and appropriately delivered by the Government rather than by the EEOS, where costs are generally recovered through bills. One respondent also noted that there was no specific requirement in the Directive regarding mandating targets on energy suppliers.

Others pointed out that the issue of energy poverty was a much broader issue, which needs broader Government intervention, rather than retrofit works under the EEOS.

Several responses to this question related to other proposals, such as how sub-targets are allocated across obligated parties and the delivery requirements relating to this sub-target; these points are addressed under the relevant question.

### **Summary relating to Question 5.5**

The majority of those who responded to this question were supportive of the proposal to require at least a third of residential savings (5% of the EEOS Target) to be delivered in the homes of those living in energy poverty. However, a limited number of respondents argued that the target proposed was either too high (two obligated parties) or too low (two non obligated parties).

Of those who felt the target was too high, one respondent noted the difficulty faced by obligated parties in achieving this target in the 2014-20 EEOS and how, based on the proposal included in the consultation, there will be an effective increase in the target for the obligated parties delivering energy poverty measures in the 2022-2030 scheme given the overall EEOS Target is bigger. It was also pointed out by a few obligated parties that the proposal, to allocate the energy poverty sub-target relative to obligated parties' non-transport sales, meant that the sub-target for some obligated parties could potentially be over 8% of their EEOS Target and not 5%.

Of those who felt the target was too low, one respondent felt that a target set at 5% of EEOS savings, which would be the same relative proportion as the 2014-20 EEOS, was insufficient given the commitments the Government had previously made to increase the role of the EEOS in targeting energy poverty. They also stressed that those in energy poverty face even greater risks as we transition away from fossil fuels, and the EEOS, which is financed by all customers, including those in energy poverty, should be afforded a greater focus of efforts to help avoid widening inequality further. Finally, they noted that the energy poverty target for the 2014-20 EEOS was exceeded, demonstrating a capacity and appetite to deliver within the sector.



As with Question 5.2, several responses to this question related to other proposals, such as how sub-targets are allocated across obligated parties and the delivery requirements relating to this sub-target; these points are addressed under the relevant question.

A small number of obligated parties again felt, similar to Question 5.4, that the analysis carried out by ECA did not sufficiently look at whether the proposed target was feasible, and that it was unclear whether it was possible to meet the proposed targets given the new delivery requirements also proposed.

### **The Minister's Response, relating to Question 5.2 and Question 5.5**

**The Minister has decided that, as proposed, at least 5% of the EEOS Target (a third of the savings to be delivered in the residential sector under the Residential Delivery Sub-target), equivalent to 1,821 GWh cumulative final energy savings, are to be achieved through measures delivered in energy poor homes.**

The Directive notes that Europe's energy efficiency policies should be inclusive and ensure accessibility to energy efficiency measures for consumers affected by energy poverty. Article 7 requires Member States to deliver a share of the energy efficiency measures as a priority among vulnerable households, including those affected by energy poverty. On this basis, it is appropriate for the EEOS to contribute towards this objective. Specifically in relation to energy poverty, the Commission Recommendation<sup>28</sup> advises that, as part of their obligation schemes, Member States may wish to 'include a specific target relating to energy poverty (e.g. minimum share or amount of energy savings to be achieved from actions for low-income households)'. The Minister has decided to follow this recommendation. This will ensure the EEOS supports the other policy measures the Government already has in place to tackle energy poverty in Ireland.

Setting a ring-fenced energy poverty sub-target also takes into account that those living in energy poverty could potentially subsidise the cost of obligated parties' EEOS delivery to some extent, and therefore, it must be ensured that at least some of the benefits from the EEOS will definitely reach these households also.

In relation to the proportion of energy savings that must be delivered in this sector, there was limited support for lowering the target. While this target, at 5% of all EEOS savings is, on a GWh basis, greater than the target in place for the 2014-2020 scheme (being 5% of a larger overall EEOS target), it was the Minister's intention, as set out in the consultation, to ensure

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<sup>28</sup> Appendix II to the Commission Recommendation

that at least this level of savings was protected in any scheme design. This was why, in all scheme design options analysed, the ring-fenced energy poverty target was held constant at 5% of overall savings. As set out in the consultation, this minimum target, coupled with the delivery requirements also proposed, takes into consideration the increased requirements from Europe, and Ireland’s own energy poverty priorities.

As set out in the ECA Report, and further discussed in the Minister’s response relating to Question 4.1 (the EEOS Target) and Question 5.4 (the Residential Delivery Sub-target), in deciding to propose, and to proceed with, any targets under the EEOS, including the Energy Poverty Delivery Sub-target, full account was taken of the feasibility of delivering the proposed new delivery requirements against a target of the size proposed. This is discussed further in the Minister’s response to Question 6.2 (the Energy Poverty Delivery Requirements).

It is important to note that the Minister does intend, as committed, to increase the role of the EEOS in targeting energy poverty, and in this regard, has proposed significantly more ambitious energy poverty delivery requirements for the 2021-30 EEOS. These requirements are more challenging and will also likely result in additional costs for obligated parties, even when taking account of the substantial co-funding of measures provided through alternative measures (from local authorities, approved housing bodies and SEAI grants). Given the ambition built into the requirements, and the delivery transition required of obligated parties, it was felt that increasing the relative proportion of savings from energy poverty homes, beyond 5%, was not appropriate.

It should also be noted that the EEOS is only one policy measure and does not represent the Government’s entire approach to tackling energy poverty in Ireland. A wide variety of other policies operate across Government departments. This is discussed further in Section 6.

<b>Question 5.3</b> Do you agree with our position not to specifically require that a portion of the EEOS Target must be met by obligated parties through savings from measures in the transport sector?		
	Responses	Proportion
Yes	20	48%
No	13	31%
Don't Know/ No Strong Opinion	9	21%

## Summary of Consultation Responses

Of the 33 respondents who provided a response to this question, the majority agreed with the proposal not to specifically require that a portion of the EEOS Target is to be met by obligated parties through savings from measures in the transport sector, e.g. electric vehicle incentives, modal shift initiatives. While some of those who agreed with not having such a sub-target, particularly if set at 40%, acknowledged the likelihood that such a move could make the EEOS prohibitively expensive for obligated parties, most of the supporting points raised related to other challenges beyond cost. For example, respondents pointed out that:

- The scope of obligated parties to influence energy savings in transport is limited and highly dependent on high-level policy decisions, and in that regard (and as shown by the ECA Report), is a sector already heavily invested in through alternative policy measures.
- Shifting the dependency of transport activities away from fossil fuels is a major challenge and while this is a priority for Government, as indicated by the CAP policy targets, it would not be sensible to include as a mandatory requirement under the EEOS.
- Consumption of energy in the transport sector is not amenable to the type of actions that obligated parties can implement and would therefore be impractical to impose a mandatory delivery target of any amount, in relation to a sector where the ability to deliver energy savings may possibly only result in minimal energy savings at best.
- Savings through efficiency in the transport sector will predominantly be achieved through technological advances in the industry that are outside the control of obligated parties under the EEOS.
- Flexibility is needed in delivering transport measures, given it is a particularly hard sector from which to gather quality (metered) data.

However, at the same time, many respondents felt that there should be at least some level of mandatory transport delivery sub-target under the EEOS, even if set much lower than the 40% level included in the ECA analysis. Of those supporting the inclusion of a transport sub-target of some size, several noted that:

- Given the significant proportion of energy consumption and CO<sub>2</sub> emissions that the transport sector is responsible for, and the increased relevance of transport under Article 7, that a sectoral target for transport should be put in place.

- The inclusion of a transport delivery sub-target could support increased innovation and investment in the sector, and also encourage those in the transport industry to be more active in this area.
- It would be fairer to all obligated parties and more proportionate overall to require that any obligated parties with energy sales in the transport sector deliver a transport delivery sub-target, possibly more in line with the size of other sub-targets proposed.
- More analysis and exploration of transport measures should be done, possibly involving transport experts and/or looking to other countries, to better understand the potential for innovative approaches and additional measures, beyond those looked at in the ECA analysis.
- If deciding not to have a transport sub-target at this time, the appropriateness of this decision should be kept under review.

As with other questions in this section, several responses to this question related to other proposals, such as how sub-targets are allocated across obligated parties; these points are addressed under the relevant question.

### **The Minister's Response**

**The Minister has decided, as proposed, not to specifically require that a portion of the EEOS Target is to be met by obligated parties through savings from measures in the transport sector (under a 'Transport Delivery Sub-target').**

While transport is a key area of focus for the Government with several ambitious targets included in the Climate Action Plan, for the reasons set out in the consultation and further expanded on below, it is not deemed appropriate nor reasonable to specifically require obligated parties, whether they have transport sales or not, to deliver a certain amount of their EEOS Targets through transport measures.

Entities with transport fuel sales are included as obligated parties in energy efficiency obligation schemes in Ireland, France, Austria, Slovenia and Greece. In both Ireland and France, the delivery of transport measures has only accounted for approximately 5% of the energy savings achieved, and in France those with energy sales in transport have met the majority of their target through non-transport energy savings. In each of Austria, Slovenia and Greece a much larger share of savings has been achieved in the transport sector predominantly due to the use of fuel additives. However, as described in the ECA Report, the estimated potential contribution of this measure to the cumulative target for the period

2021-30 is limited by its short lifetime (the Commission Recommendation<sup>29</sup> provides a default lifetime of two years for this measure). The same issue also affects other transport measures including eco-driving and fuel saving tyres.

Measures which support modal shift (e.g. increased use of public transport or bike hire schemes) are eligible measures under Article 7 provided the monitoring and verification processes comply with the requirements of Annex V of the Directive. The Commission Recommendation<sup>30</sup> proposes this may be done via the use of transport modelling to compare scenarios with and without the measure in place and calibrated on the basis of transport surveys. The Austrian obligation scheme includes a specific methodology along such lines for modal shift measures. Therefore, this is an area for potential exploration by Irish obligated parties, however it should be qualified that:

- Despite its eligibility as a contributing measure in EEOS schemes, supporting modal shift has not been a major contributor towards EEOS targets to date in Europe, likely indicating that practical application is difficult.
- As for previously mentioned measures, the default lifetime given by the Commission Recommendation of two years will limit the level of eligible energy savings that can be achieved.
- The assessment of alternative measures in the ECA Report included a significant contribution from modal shift initiatives, equivalent to almost one quarter of all alternative measure energy savings. To avoid double-counting toward Ireland's Article 7 Target, any initiatives supported by an obligated party under the EEOS would be required to be additional to this.

While cost was not the only reason supporting the proposal not to include a transport sub-target, in response to several suggestions by respondents to include a much smaller target, the Department asked ECA to develop a new scenario to assess the impact. This new scenario was analysed in the EEOS model using a 5% ring-fenced target for transport, equivalent to the energy poverty sub-target. This scenario included a residential target of 15% under the 'Pathway scenario' approach<sup>31</sup> (inclusive of the 5% energy poor target), leaving 80% non-specified and open to measures from any sector. Taking account of this

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<sup>29</sup> Appendix VIII to the Commission Recommendation

<sup>30</sup> Appendix XI to the Commission Recommendation

<sup>31</sup> The 'Pathway scenarios' are illustrated in Figure 10 in Section 3.3.1 of the ECA Report

new analysis, in addition to the option analysis set out in the ECA Report, it should be noted that:

- Under the central estimate there is no difference in the results with and without the 5% transport ring-fencing. This is because even under the scenario of no transport ring-fencing, transport measures are estimated to deliver more than 5% of the overall EEOS Target.
- However, under the scenario of no transport ring-fencing, incentives for electric vehicles (EVs), which constitute the majority of transport sector energy savings, are shown by the modelling to be the marginal energy efficiency measure for meeting targets (see Figure 19 of the ECA report). As such, the level of contribution from EVs is highly sensitive to assumptions on energy saving potential and cost for this and other non-residential measures. With no separate ring-fenced target for transport, even if the cost of EV incentives proves higher than anticipated in the modelling, obligated parties would at least be able to substitute these measures with other non-transport, non-residential measures. However, with a mandatory sub-target requiring savings specifically from transport measures, such substitution would not be allowed, and therefore the EV cost uncertainty noted above and in the ECA Report could be much more problematic.

In addition, a key justification for the use of ring-fenced targets is that market failures (e.g. access to capital and lack of information) are more acute in the residential sector, and in the energy poverty sub-sector in particular. As discussed in other sections, applying ring-fencing of sectoral targets is therefore a balance between addressing the relative importance of market failures in each sector and maximising the cost efficiencies sought by a market-based mechanism such as the EEOS. As identified in the cost-benefit analysis (Annex A3 of the ECA Report), due primarily to the lower share of investment costs met by obligated parties in the non-residential sector, the most cost-efficient mix of measures to an obligated party may not yield the greatest socio-economic net benefit. Having a ring-fenced target for the residential sector is therefore estimated to increase the socio-economic net benefit of the EEOS as opposed to the case without a ring-fenced target. The same result is not estimated to occur through enforcing a specific ring-fenced target for transport in the same manner<sup>32</sup>.

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<sup>32</sup> Market acceleration effects for EVs (or indeed other transport measures) were not considered in the results due to inadequate evidence on which to base estimates. However, should such an effect be found to be significant then the findings relating to transport could be different.

As set out in the consultation, the Government will continue to work with relevant bodies and experts to further explore opportunities to tackle emissions from transport consumption. As part of this work, consideration will also be given to how obligated party support could help to realise these opportunities and how savings could be measured, verified and claimed under Article 7. This work should help to increase the volume of transport measures delivered by obligated parties under the EEOS.

**Question 5.6** Taking account of the worked examples provided in Appendix 3, do you agree with our proposed approach in how the delivery sub-targets are allocated to obligated parties?

	Responses	Proportion
Yes	15	36%
No	13	31%
Don't Know/ No Strong Opinion	14	33%

### Summary of Consultation Responses

Of those who responded to this question, a narrow majority agreed with the proposed approach, however, views were mainly provided by respondents who disagreed with the proposal. All obligated parties, except two, provided a view in response to this question and all, bar two, were against the proposed approach.

The main issue raised was that the sub-targets should not, as proposed, be allocated only in relation to the Non-transport Sales Target (60% of the EEOS Target). There were a number of points supporting this view including that:

- obligated parties who have mainly transport sales would have a distinct compliance and competitive advantage over other obligated parties (with less or no energy sales in transport) given they would be allocated a lower proportion of the sub-targets proposed, which it was felt was unfair and disproportionate; and
- the size of the sub-targets proposed was based on analysis of a 15% residential target (including the energy poverty sub-target) across 100% of obligated parties' sales, however the allocation approach was proposing to place the sub-target burden on only 60% of obligated parties' energy sales; which it was felt undermined the basis for the proposed sub-targets.

Of those respondents who disagreed with the approach, several also put forward suggestions on how they felt the above issues could be addressed, including suggestions: to

allocate the proposed sub-targets across all obligated parties based on 100% of obligated parties' sales; or to allocate equivalent sub-targets to those with transport sales (i.e. against the remaining 40% of obligated parties' sales)<sup>33</sup>, either residential and energy poverty sub-targets and/or, if possible, an equivalent transport sub-target. In some submissions, the same respondent made contradictory suggestions, however in the main, the basis for these suggestions were consistent.

Two obligated parties also opposed the proposal to apply the sub-targets equally to any obligated parties with non-transport sales, given they either do not operate in the residential sector and/or don't have a direct relationship with the residential energy user (the 'final customer'). They noted that this put them at a disadvantage to other obligated parties given, they felt, they had no realistic mechanisms of delivering a sub-target in a sector they don't serve and where they cannot leverage their own customer relationships.

Two non obligated parties also felt that this allocation approach and the disaggregation of the EEOS Target into two separate sales targets would have an impact on the size of the residential sub-target. One respondent also proposed that other sub-targets to those proposed should be considered for the commercial sector, such as an SME sub-target.

### The Minister's Response

**The Minister has decided that the Delivery Sub-targets will be allocated to each obligated party, irrespective of whether their energy sales are in the transport, residential or non-residential sector. This means 15% of each obligated party's overall EEOS Target is to be met through savings delivered in the residential sector, with a third of these residential savings to be delivered in energy poor homes.**

The sub-target allocation approach proposed in the consultation took into account the distinction between transport and non-transport, in line with the sales targets which were also being proposed (Question 4.2). However, as set out in relation to Question 4.2, while the new relevance of transport under Article 7 does mean that those obligated parties with sales in transport will now receive a more proportionate share of the EEOS Target (reflective of both their transport and non-transport sales), it is not actually necessary to explicitly take this into account in the setting of targets.

Given we are no longer pursuing the proposal to have separate sales targets and will instead be setting targets proportionately based on overall sales, it follows that the sub-targets for

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<sup>33</sup> It should be noted that all obligated parties have non-transport sales.



the scheme are also set in this way. This is also likely to be more appropriate given, as pointed out by several respondents, the analysis underpinning the size of the sub-targets being proposed was related to all obligated parties' sales, regardless of sector. The Minister has therefore decided that the residential and energy poverty sub-targets will be set proportionately across all obligated parties relative to their share of overall energy sales. While this change to the proposal will have the greatest impact for those obligated parties operating in the liquid fuel market, given they are responsible for the vast majority of energy sales in the transport sector, at the same time it should be noted that over 40% of final energy consumption in the residential sector also comes from liquid fuel and so a proportionate share of the residential sub-targets is not unreasonable.

As set out in the consultation, and expanded on earlier in this section, the reasons supporting the decision on the overall size of the sub-targets relate mainly to the contribution/ impact this level of savings will make and the feasibility of delivering them when combined with the new delivery requirements. How they are allocated does not, and should not, affect the decision on their overall size. Therefore, the sub targets that the Minister has already decided will be put in place for the EEOS, as outlined earlier in this section, will instead be divided equally amongst all obligated parties operating in each energy market, similar to the main EEOS Target.

Given residential savings are also shown to be more expensive for obligated parties to deliver than non-residential savings (currently), all obligated parties, regardless of where their own energy sales are achieved, would likely prefer not to have a sub-target in the residential sector. Therefore, when viewed collectively, it is also deemed fairest that all obligated parties are treated the same and given a proportionate share of these sub-targets relative to their overall energy sales.

This allocation approach also avoids adding further complexity to the target setting process, which, with the proposed approach, would have required that the process also take account of the level of energy sales relating to one specific sector (i.e. transport). Given the need to also incorporate the cumulative savings associated with both 2014-20 carryover and 2021 delivery into the calculation of targets, as well as needing to take account of changing market shares as part of the process, the risk of over-complicating target setting with another (moving) variable should not be understated.

This approach also recognises that there will be several flexibility mechanisms available to obligated parties to support the delivery of their sub-targets, such as the ability to exchange credits and trade targets (discussed further in Section 7). However, most significant of all is the flexibility to use third parties to deliver savings on an obligated party's behalf, which

allows obligated parties to engage private third parties to assist in the delivery and/or marketing of energy savings. As noted by many respondents in response to Question 7.3 (on allowing third party involvement), these partnerships bring both specialist skills in the implementation of energy savings measures in specific sectors, as well as enhancing the scale and scope of potential energy user relationships that may be leveraged to deliver savings. Economies of scale in the implementation of specific measures for energy saving may also be achieved by obligated parties by forming relationships with third parties that have substantial sales of relevant equipment and energy saving measures. While the use of third parties is available to all obligated parties, and was relied on heavily by obligated parties in the 2014-20 EEOS, it may be particularly relevant for those newer or smaller obligated parties; those who don't sell energy in the residential sector; or those who are further up the supply chain. In addition, given there is no requirement for obligated parties to promote energy savings to their own customers or to deliver savings in their own energy market, savings can be secured across any sector and all energy users, for the achievement of targets<sup>34</sup>.

Lastly, it should be noted that while the sub-targets are in place to guarantee that a certain amount of savings will be delivered in these sectors as a minimum, it is possible that residential savings would contribute towards obligated parties' EEOS Targets, beyond the sub-target savings requirements put in place. This is because, as noted in the ECA Report, while the modelling estimates the average obligated party cost of non-residential sector savings is significantly below that for residential sector savings, there is little difference in the estimated marginal cost of savings for each sector. This means that should the opportunity for low-cost energy savings in the non-residential sector prove smaller than anticipated, or the cost of residential sector savings prove lower for some than anticipated, then obligated parties may select to meet part of their Cross-sector Target (the remaining 85% of the EEOS Target) through residential sector measures, given this could be the lowest cost route to doing so. In this way, the proposed EEOS design is flexible to some of the uncertainties highlighted in the ECA Report.

In addition, many obligated parties, driven by the 2014-20 EEOS, are now very much involved and invested in residential energy efficiency, with many having diversified their business models to increase their organisations direct focus on energy efficiency. Given the level of growth expected in energy efficiency, and particularly required in the residential sector, it is therefore highly likely that, over the obligation period obligated parties may look

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<sup>34</sup> This is discussed further in Section 3

to further expand this aspect of their business<sup>35</sup>. This in turn would support more residential savings being delivered under the EEOS than are specifically required by an obligated party’s residential sub-target.

Regarding the potential inclusion of an SME sub-target under the EEOS, the Minister does not intend to pursue this at this time. As noted in the response to Question 5.3, ring-fencing sectoral targets needs to balance addressing the relative importance of market failures in each sector and maximising the cost efficiencies sought by the EEOS. While some of the market failures that exist in the residential sector may still be present in the SME sector, they are not as clear-cut, nor as severe, and therefore the imposition of an additional ringfenced target is not deemed to be sufficiently justified.

SEAI does, however, provide a range of supports and resources to support businesses including SMEs. These include educational supports such as SEAI’s Energy Academy, as well as training in energy efficiency and energy management. The Support Scheme for Energy Audits (SSEA) also assists SMEs to carry out energy audits. Financial supports are also provided for SMEs through the SEAI programmes: EXEED, the Support Scheme for Renewable Heat (SSRH), Project Assistance Grants and Community Energy Grants. In addition, the Accelerated Capital Allowance (ACA), which is a tax incentive scheme that promotes investment in energy efficient equipment (included on the Triple E Register), can also be used by SMEs.

## 6 Delivery requirements

This section sets out the Minister’s decisions on the requirements to be met in the delivery of measures in the residential sector, including to those living in energy poverty.

**Please also refer to Section 6 of the consultation document and the ECA Report for further information on this section.**

### Residential Delivery Requirements

<b>Question 6.1</b> Do you agree with our proposed requirements for delivery under the Residential Delivery Sub-target (excluding the Energy Poverty Delivery Sub-target)?		
	Responses	Proportion
Yes	12	29%

<sup>35</sup> Given obligated parties are able to initiate savings in any end-use energy type, it’s possible they are less conflicted in embracing this growth area as an expansion of this aspect of their business (to reduce energy consumption) will not necessarily affect their own energy sales.

No	12	29%
Don't Know/ No Strong Opinion	18	42%

### Summary of Consultation Responses

The same number of respondents agreed and disagreed with the proposed requirements (12), with 42% of respondents not indicating any opinion. While the level of overall support for the proposal was not as strong as for other proposals, the general view expressed by respondents was still generally positive, particularly in relation to the 'B2 pathway' aspect of the proposal. Several felt that the proposal was reasonable and welcomed that it recognised the need for the EEOS to align with other national policies (in terms of moving from single, shallow measures to deeper upgrades) while building in flexibility to take account of the level of transition needed. At the same time, one respondent noted their concern that the B2 pathway proposal was 'too loose', and could be watered down, should clear implementation detail not be provided. This, they felt, would greatly take away from the strong policy intent, to move the EEOS towards deeper, multi-measure retrofits.

Of those respondents who disagreed with the proposed requirements, many were still supportive of the B2 pathway element and the flexibility it offered obligated parties. However, while indicating broad support, several respondents, mainly obligated parties, felt it may still be too difficult to deliver and provided suggestions on how it could be made more flexible.

In terms of the type of works and level of ambition required, some highlighted the need for the new requirements to:

- retain shallow, more affordable measures;
- not to move away from step by step retrofits;
- not to exclude those who can't afford deep retrofits and/or those living in rural areas; and
- not to exclude behavioural measures which can complement other measures.

Regarding the potential introduction of pre/post BERs on the scheme, all obligated parties, and several parties in the supply chain, were strongly opposed. The main concerns raised related to costs, resourcing, delay, burden, and homeowner/contractor engagement. Some felt that the number of BER assessors available would be a significant implementation obstacle; others argued that the cost of carrying out the BER, particularly a pre-works BER, outweighs any potential benefits. In relation to the cost, a suggestion was made that the State should perhaps provide funding towards the BER. It was also felt by some that the

pre/post BER requirement would likely act as a barrier to customers availing of lower cost measures. Some also felt that moving away from deemed credits would increase uncertainty and complexity, leading to planning/negotiating challenges and a need for more involvement in the process.

Several respondents also felt it was unreasonable to require a 'technical B2 advisory report', which, in addition to the introduction of pre/post BERs, would lead to additional cost and further resource capacity pressures. While several respondents welcomed this aspect of the proposal, they also raised some concerns on costs and implementation, particularly if it was intended to be in line with a building passport type approach.

A few respondents also drew attention to the readiness of the residential retrofit market and the shortage of resourcing, skills and Government supports available for this move. Some obligated parties also cautioned against putting the delivery of the Climate Action Plan ahead of compliance with Article 7, which was the primary objective of the EEOS.

One respondent again queried the extent of the feasibility analysis carried out to support the proposal, as they themselves felt that the targets could only be achieved if the proposed requirements were adjusted further to allow adequate flexibility.

### **The Minister's Response**

**The Minister has decided that savings from measures will be eligible under the Residential Delivery Sub-target (excluding the Energy Poverty Delivery Sub-target) where:**

**1. the post-works BER achieves a 'minimum BER uplift'<sup>36</sup>**

**AND**

**2a. the post-works BER reaches a B2 energy rating or better (i.e. < 125 kWh /m2/yr)**

**OR**

**2b. the property is put on a 'B2 pathway', meaning the energy efficiency measures delivered have moved the property closer to achieving a B2 energy rating AND a BER advisory report has been developed, discussed and provided to the occupant(s) following works.**

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<sup>36</sup> The setting of the minimum BER uplift is discussed later in this section.

**In meeting the above requirements:**

- A published pre and post BER will be required in relation to all residential measures installed from 1 January 2022.**
- Any measure that can deliver eligible final energy savings, and which can be modelled in DEAP, will be eligible, subject to meeting all other relevant requirements.**

As set out in Section 5, at least 15% of the EEOS Target must be achieved through measures delivered in the residential sector, including 5% which must be achieved in energy poor homes (the Energy Poverty Delivery Sub-target). Excluding measures delivered for the achievement of the energy poverty sub-target (which is discussed next under Question 6.2), all residential measures under the EEOS will be required to meet the delivery requirements set out above.

**Introducing new residential delivery requirements**

As set out in the consultation, energy efficiency policy represents a major pillar of the Climate Action Plan (CAP), and therefore Ireland's policy response to Article 7, including the EEOS, needs to align with and support the CAP objectives and actions<sup>37</sup>. Aligning residential delivery under the 2021-30 EEOS with these objectives is a priority, and one which will require a move away from individual, shallow measures, towards deeper retrofit delivery and electrified heating systems. It is the Minister's intention to design an EEOS that is as effective and impactful as possible, and incentivises residential delivery that is ambitious and most closely aligned with the CAP. However, it is also recognised that the primary objective of the EEOS is for obligated parties to achieve their energy savings targets through the delivery of Article 7-eligible savings. Therefore, while being cognisant of the Government's headline residential policy objectives for 2030, the new CAP-aligned delivery requirements do not jeopardise the achievement of obligated parties' EEOS Targets, and in turn Ireland's Article 7 obligation, in any way.

**Transitioning to deeper retrofit delivery**

The 'B2 pathway' aspect of the proposal was intended to offer this flexibility, supporting an appropriate transition from the 2014-20 EEOS which was largely used to deliver relatively low-cost, individual energy efficiency measures. Rather than requiring that all homes under the EEOS are upgraded to B2 BER levels, the B2 pathway means obligated parties can also

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<sup>37</sup> Article 7 does not set out in detail the precise rules by which Member States' obligation schemes should operate, but rather provides for a common framework for the level of ambition of each scheme which is applicable across the Union, in a manner which leaves substantial discretion to the Member States in determining the rules of their schemes.

support measures that move the home closer to achieving a B2 rating in the future and form part of a longer-term plan to maximise the energy efficiency potential of that home – the ‘B2 pathway’. It should be made clear that the B2 pathway is not a mechanism which will support the continued delivery of single, shallow measures under the EEOS, nor is it intended as the main aspect of the proposal, but rather is supporting, in a pragmatic and prudent way, the move of the scheme to delivering deeper, multi-measure upgrades.

In response to specific concerns raised by some respondents, it should be clarified that the new requirements are not intended to specifically exclude the installation of:

- measures as part of a staged, or step-by-step, upgrade
- shallow measures, including full heating controls
- single measures
- measures as part of an upgrade which achieves a cost-optimal performance level<sup>38</sup>
- any measure that can deliver Article 7-eligible energy savings

At the same time, the new requirements are intended to move the EEOS away from the installation of:

- single, shallow measures
- measures that do not align with the fabric first principles
- measures that do not move the property closer to a B2 BER, which broadly means measures that would need to be reversed/removed for the home to later achieve a B2 BER.

To protect this policy intent, as part of the new requirements a ‘minimum BER uplift’ (i.e. a minimum level of savings) will also be required. This will ensure that the flexibility intended by the B2 pathway will be retained but the change in delivery approach and increase in ambition, also intended, will still take place on the EEOS.

Based on initial analysis carried out by SEAI, the Minister is minded to require a minimum BER uplift (primary energy) of 100 kWh/m<sup>2</sup>/yr as part of the new delivery requirements. This aligns with the lowest minimum BER uplift included under any of SEAI’s retrofit grants programmes<sup>39</sup> and it would appear to strike the necessary balance to avoid the delivery of

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<sup>38</sup> In line with the definition included in [TGD Part L of the Building Regulations](#).

<sup>39</sup> Both the National Home Retrofit Scheme and Community Energy Grants require that all domestic buildings completed must deliver a minimum primary energy BER uplift of at least 100 kWh/m<sup>2</sup>/yr.

shallow upgrades with minimal savings, while still accommodating obligated parties in transitioning to deeper retrofits. SEAI's analysis is expected to be completed shortly and this will guide the final decision on the uplift values. As noted in Box 1 at the end of Section 6, SEAI will be engaging further with obligated parties, and any other interested parties (i.e. those who responded to this consultation), on the implementation requirements/ guidance which will support the administration and delivery of the new scheme in line with the Minister's decisions and the new EEOS Regulations. As part of this engagement, and on completion of the abovementioned value analysis, SEAI will seek views from relevant parties on the minimum BER uplift that will be required on the EEOS.

### **Moving the EEOS to BERs**

In meeting the new delivery requirements, published pre and post BERs will be required, for both the evidencing of eligibility (for example, that the minimum BER uplift has been met) and for the calculation of eligible energy savings, replacing deemed savings<sup>40</sup>. This will also apply in relation to the energy poverty delivery requirements, discussed under Question 6.2. The decision to move the EEOS to BERs is based on a number of factors, including:

- Almost all retrofit grant programmes, which it is expected that obligated parties will continue to leverage, already require that both a pre and post BER is carried out, for example, Community Energy Grants, Local Authority Retrofit Programme, and the National Home Retrofit Scheme (One-Stop-Shop Development Call).
- Calculating savings based on the improvement in the BER for the specific home upgraded, rather than on a set of pre-determined values relating to individual measures for an average home (i.e. deemed savings) is much more in alignment with the objective of transitioning towards deeper retrofits, and away from shallow, single-measure upgrades.
- Calculating savings in this way also presents benefits for obligated parties, which in turn will benefit the scheme. For example, deemed savings were based on calculations for average homes, meaning obligated parties were less incentivised to target larger, above average sized, homes, given the deemed credits for the measure would be the same regardless. However, savings will now be calculated in relation to the specific home upgraded, and obligated parties will get more savings benefit where they target larger homes. Given rural properties are predominantly detached<sup>41</sup>,

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<sup>40</sup> Energy credits will be awarded based on the final energy savings achieved.

<sup>41</sup> [CSO Urban and Rural Life in Ireland, 2019](#)



and are generally larger than the average sized home<sup>42</sup>, there will be a greater incentive for obligated parties to target rural homes.

- In addition, although not necessarily borne by the obligated party, given the pre and post BER cost per home will be the same regardless of the level of upgrade carried out, obligated parties will likely be incentivised to carry out deeper upgrades, going beyond the minimum uplift required. This would require fewer homes to be targeted to achieve the savings required to meet their targets, thus reducing overhead costs and, in addition to other relevant economies of scale, contributing to more cost-effective delivery. As noted in the ECA Report, and discussed briefly below, obligated parties will be free to decide what delivery strategy works best for them specifically, but these are likely to be key considerations.
- SEAI has also been working to increase the number of registered BER assessors, improving the processes for recruiting and registering assessors and enhancing mentoring. The number of assessors has been growing and SEAI will continue to engage with stakeholders to improve the process and to encourage and support more people with the requisite skills to become registered BER assessors.
- While the points raised by several respondents supporting the retention of deemed savings/credits for the EEOS are acknowledged, the Minister does not accept that these are sufficient reasons to continue to use deemed savings, all things considered. Nor does the Minister accept that the move to BERs does not also allow for effective planning, negotiation and engagement, such as associated with having deemed savings. It is accepted that obligated parties and the supply chain are more familiar with the deemed credits approach, and that there is less complexity, and possibly uncertainty, in having one table of savings per measure per property category. However, SEAI is fully mindful of this, and will be providing guidance and proactively engaging with obligated parties on the new approach to energy savings using BERs.

At the same time, the Minister is committed to encouraging and supporting innovation among obligated parties and the supply chain in the achievement of the scheme's objectives. While acknowledging that certain measures cannot be modelled in DEAP (e.g. certain behavioural measures), it is not the Minister's intention to simply exclude certain measures, nor does the Minister wish to close off any opportunities that could potentially produce eligible, measurable and verifiable savings. However, the priority for the scheme

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<sup>42</sup> Table 11, [CSO Urban and Rural Life in Ireland, 2019](#)

must be identifying which measures can produce measurable and verifiable, eligible energy savings and how these can be measured as standard. Therefore, for now, the scheme will focus on measures that can be modelled in DEAP only, but other measures, subject to further supporting analysis, can also be considered for inclusion in the EEOS.

### **B2 Pathway Advisory Report**

As set out above, the new delivery requirements mean that where a home is put on the 'B2 Pathway' a BER advisory report must also be developed, discussed and provided to the occupant(s) following works. The BER advisory report is considered both appropriate and sufficient to meet the B2 Pathway Report requirement, given 1. the recent enhancements that have been made and 2. the potential for future enhancements to increase its alignment with the Building Retrofit Passport approach.

The introduction of the new Advisory Report<sup>43</sup> will offer greater support to homeowners in making future investment decisions and, at the same time, will allow the EEOS to incorporate any Building Retrofit Passport-type enhancements at the same pace as other retrofit programmes. However, given the importance of the homeowner engagement/discussion element in increasing the likelihood of action, obligated parties must, in meeting the B2 Pathway requirements, ensure that the assessor fully discusses the upgrade options with the homeowner before finalising the recommendations in the Advisory Report – thereby producing a report that is more likely to lead to subsequent works. As part of their guidance for the new scheme, SEAI will set out the relevant evidence requirements relating to the customer engagement.

### **Feasibility of delivering the target**

As noted above, some respondents expressed concerns regarding the feasibility of achieving the new residential sub-target (excluding the energy poverty sub-target) in line with the proposed new residential delivery requirements, and whether ECA's analysis sufficiently looked at this. As set out in Section 4, an estimation of the feasibility of delivering the target, and the relevant sub-targets, was embedded in the ECA analysis through consideration of factors including:

- The number of buildings of each type (both non-residential and residential), including those categorised as energy poor homes;
- The market penetration of each measure to date;

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<sup>43</sup> A new, updated BER Advisory Report has been in use in the market since the start of July.

- The suitability of each measure for a given building type;
- Limitations on the maximum annual rate of deployment due to supply chain and demand-side constraints (with consideration of historic rates of deployment); and
- Assumptions regarding a ‘non-reachable’ share of the market.

This feasibility analysis showed that under the ‘Pathway 15’ option<sup>44</sup>, which had a target of 15% inclusive of the 5% energy poverty sub-target (i.e. 10% general residential, 5% energy poverty), the number of homes that would be required to be upgraded was considered well within feasible levels given the overall residential building stock of Ireland and typical rates of home renovation. This was shown to be the case regardless of whether an obligated party chose to complete only deep retrofits, i.e. homes achieving a B2 energy rating or better<sup>45</sup>, OR if they chose to use the B2 pathway flexibilities to undertake partial retrofits, which would require a greater number of homes (as the average level of energy savings per house would reduce).

### **Broader market challenges**

It is recognised that there are broader issues impacting the residential retrofit market such as skills shortages, the availability of grants and affordable finance and the ability of the market to provide the scale required to reach the Climate Action plan targets. The Government is taking a number of steps to address these barriers, including:

- Earlier this year, the Minister for Further and Higher Education, Research, Innovation and Science has allocated €8 million to support retrofit specific courses in 2021. This will fund 1,500 training places across the country. Four retrofitting centres of excellence providing the very highest standards of training and qualifications are to open shortly also.
- The Expert Group on Future Skills Needs is currently working to identify the nature, and quantify the scale, of the skills needs of enterprises supporting the transition to a low carbon economy in the coming years, including retrofit. The group is scheduled to report shortly.
- In addition to the substantial Exchequer funding provided under Project Ireland 2040 and the Programme for Government, the CAP commits Government to improving access to finance for residential retrofit. The Department has been developing a residential retrofit loan guarantee scheme which will enable credit institutions to offer

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<sup>44</sup> The ‘Pathway scenarios’ are illustrated in Figure 10 in Section 3.3.1 of the ECA Report

<sup>45</sup> Table 51 of the ECA report

loans with reduced interest rates and make comprehensive home energy efficiency upgrades more affordable to consumers.

- A new initiative currently being designed by SEAI is the National Home Retrofit Scheme. This new support scheme is designed to encourage the development of retrofit one-stop-shops, to support home retrofit on a larger scale, and support the growth of the retrofit industry. It is intended to launch the new National Home Retrofit Scheme which will be focused on achieving B2 retrofits later this year. The existing SEAI grant schemes will be aligned with the National Home Retrofit Scheme as appropriate.

### Monitoring progress

As with all the scheme changes being introduced under the 2021-30 EEOS, the Department and SEAI, as scheme administrator, will be closely monitoring the roll-out of the new delivery requirements and obligated parties' progress in delivering their residential sub-targets in line with these requirements. As will be discussed further in Section 8, the availability of cost information from obligated parties from 2022 will increase the effectiveness of monitoring and greatly assist in the evaluation of impacts of the new requirements.

### Next steps for finalising implementation

See **Box 1** at the end of Section 6 for further information.

## Energy Poverty Delivery Requirements

<b>Question 6.2</b> Do you agree with our proposed requirements for delivery under the Energy Poverty Delivery Sub-target?		
	Responses	Proportion
Yes	12	29%
No	14	33%
Don't Know/ No Strong Opinion	16	38%

### Summary of Consultation Responses

While a small majority of those who responded to this question were not in favour of the proposed energy poverty delivery requirements, at the same time, several respondents welcomed that the proposal supported:

- A more targeted approach to addressing energy poverty;
- Greater urgency being placed on supporting those in living in the worst homes; and

- Greater alignment with the EU's Renovation Wave priorities on addressing energy poverty.

Of those respondents who disagreed with, some or all of, the proposed requirements, many were concerned that requiring homes to be upgraded from a BER of E1 or worse to at least a B2, as was being proposed:

- was inconsistent with and/or going beyond EU policy/requirements;
- excluded people who may also be in energy poverty; and
- was too challenging, and potentially unfeasible, for obligated parties to deliver.

In terms of the legal basis for the proposed requirements, some obligated parties argued that, in relation to the Directive, the proposed requirements were neither required nor allowed, and go beyond what is set out in the Directive.

In terms of the inclusiveness of the proposal, points raised related to concerns on the fairness and policy basis for the requirements which, in limiting eligibility to those in receipt of certain welfare payments living in homes with a BER of E1 or worse, was felt to be excluding other potential energy poor homes from receiving support under the EEOS. Those, who it was felt were unfairly excluded, included: those living in better BER-rated homes; those on other welfare payments; those who only wanted shallow measures; and those who had already received works under the EEOS.

In terms of delivery, obligated parties and the supply chain raised concerns that the proposed requirements were too challenging to implement and also did not fully align with other Government schemes and supports, which they would be leveraging in the delivery of their targets. Regarding the feasibility, some questioned whether the analysis supporting the proposal sufficiently showed that the target, with these requirements, was achievable and that there were enough opportunities (i.e. eligible homes) available. At the same time, one respondent cautioned that obligated parties shouldn't be allowed focus so heavily on delivering their energy poverty target through social housing providers and local authorities, where due to the work already happening, was more difficult to ensure materiality and additionality.

Other points raised related more generally to how energy poverty is addressed in Ireland and certain issues and shortcomings with national policy. Some highlighted the lack of support for those in the private rental sector, and in that regard suggested introducing a separate target/strand, or additional incentives, for measures targeting those living in private rented accommodation.

## The Minister's Response

**The Minister has decided that savings from measures will be eligible under the Energy Poverty Delivery Sub-target where**

- 1. the measures have been delivered in an 'eligible energy poor home',  
which is a property:
  - a. with a pre-works BER of an D2 rating or worse (i.e. > 250 kWh/m<sup>2</sup>/yr); and**
  - b. which is occupied by a person in receipt of a Warmer Homes-eligible welfare payment or is owned by a Local Authority/Housing Association****

**AND**

- 2. the post-works BER reaches a B2 rating or better (i.e. < 125 kWh/m<sup>2</sup>/yr).**

**In meeting the above requirements:**

- A published pre and post BER will be required in relation to all residential measures installed from 1 January 2022.**
- Any measure that can deliver eligible final energy savings, and which can be modelled in DEAP, will be eligible, subject to meeting all other relevant requirements.**

As set out in Section 5, at least 5% of the EEOS Target must be achieved through measures delivered in energy poor homes (the Energy Poverty Delivery Sub-target). In achieving this sub-target, which will be set at 5% for all obligated parties, obligated parties will be required to meet new delivery requirements, as set out above.

### **European objectives and requirements**

In terms of Europe's requirements in tackling energy poverty, the Directive on the Energy Performance of Buildings, states: "While outlining national actions that contribute to the alleviation of energy poverty in their renovation strategies, Member States have the right to establish what they consider to be relevant actions"<sup>46</sup>, which is further supported by the European Council's position that "the definition of energy poverty and of the measures to tackle it and the setting of renovation priorities fall within the competence of the Member States"<sup>47</sup>.

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<sup>46</sup> Directive (EU) 2018/844 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency (OJ L 156, 19.6.2018, p. 75, Recital 11).

<sup>47</sup> Council Conclusions on the Renovation Wave, Recital 32.

Under the Clean Energy Package, Member States are required to measure and report on measures to alleviate energy poverty, establish criteria for how they will address energy poverty and implement a proportion of the energy efficiency measures under Article 7 among vulnerable households as a priority. Ireland will also be expected to include information on the outcome of measures to alleviate energy poverty in our National Energy and Climate Plan (NECP) progress reports under Article 17 of the Governance Regulation (2018). The proposed approach for the EEOS meets these requirements.

### **Improved targeting**

In line with the European position on energy poverty – that allows Member States to develop their own criteria to identify the homes that are most likely to be at risk based on multiple indicators<sup>48</sup>, and to provide specific renovation support for the worst performing buildings<sup>49</sup> - the Minister has decided that, as part of the new energy poverty delivery requirements for the EEOS, and as proposed, measures will only be eligible where they have been delivered in an ‘eligible energy poor home’. In defining an ‘eligible energy poor home’ for the purpose of the EEOS, the Minister maintains the importance of prioritising and targeting support towards those energy poor households who are living in the worst performing homes, i.e. homes with the lowest energy ratings. This approach is further supported by research carried out for the Department in 2015 which showed that, while energy poverty can exist in homes of all BERs, the severity of it is linked to the energy performance of the home<sup>50</sup>.

It should be noted that the EEOS energy poverty target is only one strand of Government’s response to alleviating energy poverty. While it plays an important role in providing additional support to lower income homeowners, as a small portion of the overall EEOS Target, at 5%, the support is not intended to reach all lower-income homeowners, nor did it do so under the 2014-20 EEOS. Instead, by better targeting the support available from the scheme, based on multiple indicators, the EEOS can act as an additional extra support for those households in the worst circumstances.

### **Feasibility of delivering the target**

As set out in relation to Question 4.1 (the EEOS Target), the EEOS analysis is based on a bottom-up model which considered common energy efficiency measures in each end-use sector, cost data for each measure (including co-funding and leverage achieved), and energy savings per measure considered attributable to Article 7 targets. The feasibility of

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<sup>48</sup> Commission Recommendation (EU) 2020/1563 of 14 October 2020 on energy poverty.

<sup>49</sup> EU Council Conclusions on the Renovation Wave.

<sup>50</sup> [Bottom-up analysis of fuel poverty in Ireland](#)

delivering the proposed targets under each scenario was considered in the analysis in the manner described earlier in Section 4 and 5.

Some respondents questioned the assumptions made in the ECA Report regarding the number of eligible homes with BERs of E1 and worse (as per the original requirements proposed), and therefore the feasibility of achieving the target in line with the proposed delivery requirements. In this regard, it should be noted that:

- The total number of homes estimated to meet the proposed 'eligible energy poor home' criteria, was also cross-checked against a 2019 SEAI-funded analysis for the Warmer Homes Scheme which found that the incidence rate of households spending 10% or more of their income on energy rises for homes with BER levels E-G (as per the original proposal), totalling an estimated 219,000 homes (which is actually higher than the ECA estimate).
- As shown in the ECA Report<sup>51</sup>, it is estimated that the number of homes that obligated parties would be required to retrofit (in order to meet the 5% energy poverty sub-target in line with the delivery requirements, as proposed) is significantly below the number of eligible homes shown to be available. As for the general residential sector discussed above, this suggests substantial headroom on market potential.

### Government energy poverty supports

It is important to note that all lower income households at risk of energy poverty, including those who will also be eligible for EEOS support, will continue to be supported by Government, either through income supports, free energy efficiency upgrades, or both. The Government has allocated significant funding in 2021 for a number of measures to support households meeting the cost of energy. These include:

- Funding for SEAI energy poverty retrofit schemes of over €109 million for 2021 (representing a significant increase from €15 million in 2015);
- An allocation for retrofit of social housing of €65 million for 2021 (also representing a significant increase); and
- €292 million in 2021 for the Fuel Allowance payment (with 370,000 low income households receiving €784 for this season). In addition, the provision of electricity and gas allowances under the Household Benefits scheme, at an estimated cost of €195 million in 2021.

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<sup>51</sup> Table 49



Beyond 2021, the Programme for Government commits that the revenues raised from the carbon tax increases will be allocated to:

- Ensure that the increases in the carbon tax are progressive through targeted social welfare and other initiatives to prevent energy poverty and ensure a just transition (€3.5 billion);
- Fund a socially progressive national retrofitting programme targeting all homes but with a particular emphasis on the Midlands region and on social and low-income tenancies (€5 billion).

### Leveraging Government retrofit programmes

As set out in the consultation, and taken into account in the ECA analysis, it is expected that retrofit activity in the energy poverty sector will be heavily subsidised by Government supports, including but not limited to those listed above over the next decade. There will therefore be opportunities for obligated parties to leverage Government schemes and supports to meet their targets in this sector. To date under the EEOS, local authority programmes have been significantly leveraged by obligated parties, particularly in relation to their energy poverty sub-targets. While the Commission in its Recommendation<sup>52</sup> clearly supports the EEOS interacting with other policy measures, such as Government supports, given ‘This can reduce the costs to obligated parties of meeting their obligations and enable the setting of more ambitious targets’, it does caution about the risk of double-counting and that Member States must ensure there is no duplication in the reporting of impacts. In addition, in leveraging Government supports for the purpose of the EEOS, the Minister is particularly mindful of the need to ensure that, for any savings being claimed, that obligated parties are able to demonstrate that they satisfy the materiality and additionality requirements under Annex V of the Directive.

While most Government retrofit programmes now require that homes targeted achieve a post-works BER of B2 or better, and many require a minimum BER uplift to ensure at least a certain level of savings is delivered, most do not, by design, target the worst performing homes, such as those with a BER of E1 or worse. As pointed out by one respondent, the current requirements and funding arrangements in place for the Local Authority retrofit programme does not incentivise nor does it require local authorities to complete works in this bracket of properties. Local authorities typically plan their retrofitting around their tenants

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<sup>52</sup> Appendix II to the Commission Recommendation

needs and housing types, and therefore, Local Authority upgrades might not automatically meet the new energy poverty requirements of the EEOS independently.

However, the new energy poverty delivery requirements will now help to ensure that, where obligated parties work with other retrofit programmes to deliver their energy poverty target, there will be much more certainty that the materiality and additionality requirements of the Directive are met. In turn, and most importantly, it will most likely mean, that other retrofit programmes, supported by additional funding (in exchange for eligible energy poverty savings), will be able to increase their ambition and also target poorly performing homes through their schemes.

### **Broadening of 'eligible energy poor home' criteria**

Despite the proposed delivery requirements relating to the Energy Poverty Delivery Sub-target being justified; feasible; and likely to drive greater ambition in other retrofit programmes, the Minister does acknowledge that the change to requirements from the 2014-20 EEOS is significant and will require a certain degree of adaption. This is likely to be particularly the case in relation to identifying eligible properties/recipients and leveraging existing retrofit programmes.

Therefore, to offer greater flexibility to obligated parties, a decision has been made to broaden the definition of 'eligible energy poor home' from that proposed, to allow homes with a starting BER of D2, in addition to those in the E, F and G BER categories, to also be targeted, provided they are also occupied by a person in receipt of a Warmer Homes-eligible welfare payment or are owned by a Local Authority/Housing Association.

### **Other points of note**

- **Support for the private rental sector**

The Minister recognises that in the private rental sector, the incentives to invest in energy efficiency upgrades are misaligned between landlords and tenants, which impacts negatively on energy performance of the sector. Last year, the Department ran a public consultation outlining some potential policy measures to address this problem. The results of the public consultation have been analysed and will inform future policy.

The Housing for All Strategy has committed to introducing minimum Building Energy Ratings for rented properties from 2025.

In the meantime, landlords can already apply for grant support to upgrade their rental properties under a number of SEAI grant schemes including the Better Energy

Homes scheme and can also avail of support from EEOS obligated parties. In addition, SEAI also launched the National Home Retrofit Scheme (One-Stop-Shop Development Call) in Q4 2020. The findings of the consultation helped to inform the decision to include encouraging the retrofitting of rental properties as an objective of the scheme.

- **Energy poverty strategy update**

In addition to the above, a review of the implementation of the Strategy to Combat Energy Poverty will be completed this year and will inform the next steps in tackling energy poverty in Ireland. Alleviating energy poverty will also be a key consideration for the National Retrofit Framework, which will be published this year.

### **Monitoring progress**

As noted above in relation to Question 6.1, the Department and SEAI will be closely monitoring the roll-out of the new delivery requirements and obligated parties' progress in delivering their energy poverty sub-targets in line with these requirements. As discussed further in Section 8, the availability of cost information from obligated parties from 2022 will increase the effectiveness of monitoring and greatly assist in the evaluation of impacts of the new requirements.

### **Next steps for finalising implementation detail**

#### **Box 1 - Scheme implementation sessions:**

Having communicated the Minister's decisions on the residential and energy poverty delivery requirements for the EEOS, focused workshops on the implementation of these requirements will now be held.

These sessions will be hosted by SEAI, as scheme administrator, and obligated parties, and any registered interested parties, will be invited to attend.

The sessions will be focused on relevant items relating to:

- the implementation of the delivery requirements set out in this section, and also
- eligible saving requirements relating to Annex V

All consultation respondents will be notified of scheduled dates.

These workshops will help to inform the approach on administering the EEOS from 2022.

## 7 Nature of Targets and Compliance

This section outlines the Minister’s decisions on the nature of the targets that will be put in place for the 2021-30 obligation period and how the Department will support compliance and manage potential non-compliance by obligated parties.

<b>Question 7.1</b> Do you agree with our proposal to implement annual additive targets up to 2030, which obligated parties will be required to meet every year?		
	Responses	Proportion
Yes	20	48%
No	10	24%
Don't Know/ No Strong Opinion	12	28%

### Summary of Consultation Responses

The majority of respondents agreed with the proposal to implement annual additive targets. Most agreed with the reasons set out in the consultation, in particular that the proposed approach would ensure obligated parties remain on course to deliver their targets, with a much reduced risk of Ireland facing target shortfalls towards the end of the decade.

Of those who disagreed with the proposed approach, mainly obligated parties, most felt that the approach lacked flexibility and did not recognise, incentivise or reward early delivery, which would have a higher cumulative savings value. This was seen as unfair as Ireland will benefit from the cumulative impact of over-delivery in the early years, but this benefit would not be passed on in the same way to obligated parties.

A range of alternatives were suggested by these respondents, with some suggesting there should be no annual targets for obligated parties, only cumulative targets; that obligated parties should be given the choice of whether to have a cumulative or annual target, depending on what suited their business models and intended delivery strategy; or that there should be a combined approach – annual compliance targets, but with the cumulative value of over-delivery also factored in.

Some respondents also believed that having annual compliance targets could somewhat stifle innovation and would not support longer, larger projects, given the need to deliver a certain amount of savings every year. In this regard, two respondents suggested introducing compliance periods over three years, instead of one, so that the risk of falling too far behind, as noted in the consultation, was largely mitigated but flexibility was afforded to obligated parties on when their savings were delivered within the three years.

A small number of respondents were also concerned that obligated parties would not be able to overdeliver against their annual target with excess delivered savings allowed to ‘spill over’ towards the next year’s target.

### The Minister’s Response

**The Minister has decided that, as proposed, annual additive targets<sup>53</sup> will be implemented up to 2030, which obligated parties will be required to meet every year. See also, table included in Appendix 2<sup>54</sup> which includes further detail.**

#### Annual targets for compliance

As set out in the consultation, given the size of the Article 7 Target, and in turn the EEOS Target, it must be ensured that at least a minimum level of savings is being delivered consistently each year. This more controlled and steady delivery approach will avoid an over-reliance on delivery in the latter years of the obligation period, which would present a significant risk of non-compliance for Ireland, but also for obligated parties.

It is acknowledged that this approach does reduce delivery flexibility somewhat, given the need to deliver a certain amount of savings every year. However, activity will not be constrained, and as proposed, obligated parties will be free to exceed their annual additive targets, with total savings achieved rolling over to count against the next year’s annual additive target. This means that larger projects can be supported, with savings potentially contributing to the achievement of targets over several years, depending on the project/target size. In addition, with the inclusion of a ‘minimum achievement requirement’, a degree of leniency in the delivery of targets is also offered; this is discussed further under Question 7.5.

Introducing compliance periods over three-year periods, as suggested by some respondents, could offer more flexibility, however, given the size of targets to be delivered and the decreasing cumulative value of savings as each year of the obligation period progresses, this approach is not deemed to sufficiently control the overall risk of non-compliance and could allow some obligated parties to stray too far off course in their delivery. In addition, allowing more flexibility on when savings are delivered within a three-year period could mean, depending on the year the savings are achieved, that the

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<sup>53</sup> By ‘annual additive targets’, it means new final energy savings targets which must be met every year, but which grow as the obligation period progresses.

<sup>54</sup> Appendix 2 relates to targets, compliance and the target setting process, and so, in addition to Q7.1 also contains detail relating to decisions made regarding other proposals under Q3.4; Q3.5; Q7.2; Q7.5; Q7.15; Q7.16; and Q8.2. Further information is also provided under the relevant question.

cumulative value of savings delivered is lower and the cumulative requirement for Ireland (the basis of the targets) is not covered.

### Annual savings value

As explained above, similar to the 2014-20 EEOS, obligated parties will be free to exceed their annual additive targets, with any over delivery reducing the amount of new savings required in the following year(s). While there may not be a reward associated with this over-delivery (to take account of its higher cumulative savings value), this is still deemed to be an appropriate and fair approach, particularly when considering the allowances that are already being offered to obligated parties as part of this approach, such as:

- Allowing obligated parties to benefit from over-delivery in 2021 in the calculation of their new EEOS targets: As proposed, in calculating each obligated party's annual additive targets for the remaining nine years of the obligation period (2022-30), the cumulative value of each obligated party's 2021 delivery, rather than their issued targets<sup>55</sup>, will be taken into account.
- Allowing obligated parties' performance in the 2014-20 period to be taken into account in the calculation of their new EEOS targets.
- Allowing obligated parties to under-deliver against their annual additive targets (by sector) by up to 5%<sup>56</sup> without being penalised for the resulting cumulative impact: As proposed, obligated parties will be allowed to meet 95% of their relevant annual additive target per sector and still be deemed compliant. Despite this 5% flexibility having a potential impact on cumulative savings that can be reported by Ireland, obligated parties will not be penalised for this.

In addition, the implementation of annual additive targets, as proposed, will avoid several of the risks and challenges that other alternative approaches would present, such as:

- Increased scheme complexity: Taking account of the cumulative value of savings delivered each year in the setting of targets would significantly increase the

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<sup>55</sup> For 2021, taking into account the move to final energy as well as the impact of the COVID-19 pandemic, a transitory approach was taken to setting obligated parties' targets. This approach included a number of choices and flexibilities for obligated parties. The result of these flexibilities, when combined for the scheme in total, means that the targets set amount to ~50% of what the EEOS would need to achieve in 2021 if the 2021-2030 target was split in 10. This is expected to increase the potential for obligated parties to overachieve in 2021 against their targets.

<sup>56</sup> With the exception of 2030, when 100% of obligated parties' annual additive targets will need to be met.

complexity of the target setting process, which in turn would increase risk, burden and expense in the administration of the scheme;

- Misalignment with the reporting of non-residential savings: Taking account of the cumulative value of savings delivered each year in the setting of targets does not align with the current approach in place for the reporting of non-residential measures which, due to measurement and verification (M&V) requirements, may be submitted by obligated parties a year or more after they start making savings. Given the need for any target adjustments to be based on verified savings, this could lead to further complexities, risks and delays in the calculation and issuing of targets to obligated parties.
- Issues for certain flexibility mechanisms: Introducing a cumulative value for savings would also mean energy credits would have differing values depending on the year in which they were delivered. This would bring additional complexity for the transfer of credits between obligated parties and may also reduce obligated parties' appetite to transfer credits given the increased value of retaining surplus credits for cumulative benefit. In turn, this would reduce the flexibilities available to obligated parties, making it harder for some obligated parties to meet their targets.

#### Accounting for market share changes in annual targets

As for the 2014-20 EEOS, it is intended that the target setting process in place will take account of market share changes over the obligation period, while at the same time, minimising administrative burden and uncertainty for obligated parties as much as possible. With this objective in mind, and taking account of feedback received from respondents, SEAI intend to introduce a slightly revised, but equally robust, approach to account for market share changes in the setting of targets.

As set out in Appendix 2, target calculations and recalculations (and the issuance of updated EENs) will be carried out at set intervals over the obligation period, with targets set based on the market share in the relevant 'sales base year' for that period. Outside of these scheduled target review years, recalculations will only occur where:

- a new obligated party is entering the EEOS
- an obligated party is exiting the EEOS, or
- an 'exceptional' market share change has occurred, as determined by SEAI.

SEAI, as scheme administrator, will be providing further detail and guidance to obligated parties on the target setting process, which will take account of the key points outlined in Appendix 2.

**Question 7.2** Do you agree that each obligated party's 2021 delivery, rather than their 2021 targets, should be considered in the calculation of targets for the remaining nine years of the obligation period?

	Responses	Proportion
Yes	20	48%
No	6	14%
Don't Know/ No Strong Opinion	16	38%

### Summary of Consultation Responses

Of those who responded to this question, a large majority supported the proposal, with many indicating their agreement with the reasons set out in the consultation.

Many respondents took this proposal to mean that under-delivery against obligated parties' 2021 targets (lower than the 95% minimum required) would be allowed, with one noting that this seemed to suggest it was considered acceptable to miss targets. On this understanding, two respondents, including one obligated party, suggested obligated parties' 2021 targets, rather than their 2021 delivery, should be considered for target calculations, given a proposal to allow under delivery in 2021 could make obligated parties' targets even more difficult to deliver and would ultimately increase the risk of Ireland not meeting its Article 7 Target.

Several respondents mentioned in their responses the challenges faced in 2021 with the continued impact of the Covid-19 pandemic on delivery, which they highlighted could make compliance with their 2021 targets more difficult. They felt this should be taken into account in any decisions regarding compliance, particularly given any target shortfalls in 2021 could be recovered by obligated parties over the remaining lifetime of the scheme.

### The Minister's Response

**The Minister has decided that, as proposed, the calculation of targets for the remaining years of the obligation period (2022-30) will take account of each obligated party's 2021 delivery of savings.**

As set out in the consultation, this decision gives obligated parties the opportunity to benefit from any over-delivery against their 2021 issued targets in the calculation of their targets for 2022-30.



In relation to 2021 targets, normal procedures should be followed separately in relation to any concerns about compliance.

<b>Question 7.3</b> Do you agree that obligated parties should be allowed to count savings achieved on their behalf by third parties towards their targets?		
	Responses	Proportion
Yes	29	69%
No	2	5%
Don't Know/ No Strong Opinion	11	26%

### Summary of Consultation Responses<sup>57</sup>

Of those who responded to this question, almost all respondents were supportive of this proposal, to allow obligated parties to count savings achieved on their behalf by third parties, and many pointed to the clear benefits this brings to the scheme, obligated parties and the supply chain. For example, it was highlighted that this flexibility allows entities to access markets where they do not have customers, which was felt to be particularly important given the need to deliver specific delivery sub-targets. It was also pointed out by some that this allows obligated parties to leverage the specialist expertise available in the market, meaning third parties can provide expertise in, or service, sectors where an obligated party may not be active, increasing flexibility and overall cost effectiveness.

However, some points of caution were also raised by respondents, several of whom flagged the need to ensure that there is no weakening of the EEOS materiality and additionality requirements for obligated parties, which could be blurred with the involvement of third parties, if not appropriately defined. Some also highlighted the need to ensure that obligated parties remain fully responsible for meeting the quality and other standards/requirements of the scheme and delivering fully measurable and verifiable savings, even when third parties are delivering on their behalf. It was felt that robust processes, governance and contractual arrangements by obligated parties would best help to ensure this.

Separately, some responses seemed to indicate that there was some level of misunderstanding of the proposal. This seems to be related to a broader misunderstanding of some of the main requirements of the Irish obligation scheme, and the involvement and role third parties can have in the delivery of the EEOS. This was also apparent in some responses to other consultation questions.

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<sup>57</sup> This also takes account of any responses received to Question 7.4, which asked respondents if they wished to provide any suggestions or comments in relation to this proposal.

## The Minister's Response

**The Minister has decided that, as proposed, obligated parties will be allowed to count savings achieved on their behalf by third parties towards their targets.**

As noted in the consultation, and acknowledged by the majority of respondents, allowing obligated parties to partner with third parties in the delivery of savings brings many benefits to the scheme and the supply chain. It also provides an important support to obligated parties in meeting their targets, which can be particularly useful for smaller/newer obligated parties and/or where no direct relationship exists with the relevant energy users.

However, it is important to note that, regardless of whether an obligated party chooses to deliver their energy savings independently or through a third party, the responsibilities and expectations of the obligated party are the same. Similar to the 2014-20 EEOS, in delivering their targets, all obligated parties will be:

- responsible for ensuring the veracity, quality and eligibility of any savings that they claim;
- required to have a quality management system to ensure that they have the requisite processes in place to guarantee the validity of any savings that they claim;
- expected to have appropriate contracts and agreements in place with any service providers they commission to deliver savings on their behalf, and
- required to demonstrate that they have been material to any savings that they claim.

In terms of the latter requirement regarding materiality, which is required under Annex V of the Directive, the design of the scheme means that obligated parties are required to show that they are directly linked with, and causal to, the decision to carry out the energy efficiency measure. In the case of third-party delivery, an obligated party may be deemed material in the delivery of savings where they have authorised or commissioned a third party to carry out measures on their behalf.

As set out in the consultation, the proposal was intended to allow obligated parties to use third parties to achieve savings on their behalf, for example, allowing an obligated party to authorise a third party to carry out energy efficiency works for them. However, the proposal was not intended to allow for third parties to independently carry out energy savings and to then sell these savings to obligated parties or other entities. Energy efficiency works that are carried out without the involvement of the obligated party are considered works that would have been carried out anyway. Therefore, the savings resulting from these works cannot be considered eligible for the purpose of the EEOS and cannot be counted towards an

obligated party's targets, given they do not satisfy the additionality and materiality requirements of Annex V.

**Question 7.5** Do you agree that a minimum achievement requirement should be put in place, which would mean that if an obligated party achieves at least 95% of its annual additive target, with the exception of the final year of the obligation period, they are deemed compliant?

	Responses	Proportion
Yes	24	57%
No	8	19%
Don't Know/ No Strong Opinion	10	24%

### Summary of Consultation Responses<sup>58</sup>

Of those who responded to this question, there was largely support on the proposal set out. Again, the need for flexibility was emphasised in the responses to this question.

Of those not fully in agreement, one non obligated party suggested a slightly different approach, offering a lower overall minimum achievement requirement, as they felt there was too much target flexibility with the approach being proposed. One respondent felt there should be no such flexibility offered to obligated parties on their targets at all. While, in contrast, one obligated party suggested that the minimum achievement requirement should be more flexible, starting at a lower level as for the previous scheme, which would allow obligated parties to better adapt to the new requirements.

Another obligated party raised some concern in relation to the level of the minimum achievement requirement by the final year, which could potentially pose a compliance risk given the 5% shortfall on the annual additive target allowed up to that point would need to be met in full in the final year.

Of the other views provided, several points did not relate to this proposal specifically and were more in response to other closely related proposals regarding targets and compliance, such as Question 7.1 and Question 7.2; These points were considered under the most relevant question.

<sup>58</sup> This also takes account of any responses received to Question 7.6, which asked respondents if they wished to provide any suggestions or comments in relation to this proposal.

## The Minister's Response

**The Minister has decided that, as proposed, a minimum achievement requirement will be put in place, which will mean that should an obligated party achieve at least 95% of its annual additive target (by sector), with the exception of the final year of the obligation period, they will be deemed compliant.**

As set out in the consultation, the Minister is of the view that allowing this level of target flexibility, without penalty, is fair but still ensures that obligated parties' delivery is kept on track. It is not deemed necessary to set the minimum achievement requirement at lower than 95%, which was justifiable at the start of the last obligation period given that was Ireland's first obligation scheme and most obligated parties were not experienced in the delivery of energy savings. In addition, as noted under Question 7.1, allowing obligated parties to underdeliver in any way, even if above 95%, affects the level of cumulative savings delivered through the EEOS, on which the annual targets are set. While obligated parties will not be penalised with higher targets for underdelivery above 95%, allowing a larger shortfall would result in a bigger cumulative impact and would need to be accounted for, by increasing the targets of the relevant party/ies. Furthermore, a free allowance, which will be set at the same level as the sales threshold, is being introduced on the scheme from 2022, and this will also provide support to newer and/or smaller obligated parties in achieving their obligation.

Where an obligated party does decide to use this target flexibility, it will be their responsibility to ensure that they can manage the delivery of this shortfall in 2030, the final year of the obligation period, when 100% of their annual additive targets per sector must be delivered.

**Question 7.7** Do you agree that obligated parties should be allowed to exchange validated credits bilaterally?

	Responses	Proportion
Yes	27	64%
No	5	12%
Don't Know/ No Strong Opinion	10	24%

## Summary of Consultation Responses<sup>59</sup>

Respondents were largely supportive of the proposal to allow obligated parties to bilaterally exchange energy credits. Those in agreement pointed out that this was an important flexibility mechanism which allows parties to deliver savings in the sectors in which they have expertise and eases the burden on all obligated parties by allowing the trading of efficiently generated credits. It also removes a false threshold whereby obligated parties would otherwise stop serving a customer base once their target had been reached. It was felt that this should increase the cost effectiveness of the scheme.

One obligated party noted that under the 2014-20 EEOS, this mechanism allowed parties to achieve their annual targets while at the same time being able to exchange surpluses with other parties. They noted that this helped to ensure continuity of delivery, while at the same time allowing other parties develop their own delivery mechanisms.

Another obligated party, while supporting the proposal, highlighted that the inclusion of such flexibility mechanisms, does not mean obligated parties should be required to deliver savings in sectors where they have no customer base.

As with other questions, particularly questions relating to targets and compliance, there was some confusion among respondents, mainly non obligated parties, on how the Irish obligation scheme operates, with a perception by some that an EEOS market exists where 'energy credits' can be bought and sold, similar to a 'white certificate' type scheme where certified savings are traded in an open market. This misunderstanding, in turn, led to confusion on what exactly was being proposed.

## The Minister's Response

**The Minister has decided that, as proposed, obligated parties will be allowed to bilaterally exchange energy credits (i.e. validated energy savings).**

As set out in the consultation, this mechanism allows obligated parties to recoup the excess costs associated with over-delivery, while at the same time offering other obligated parties, who may be at risk of underachievement, the opportunity to benefit from that over-delivery. Similarly, it enables obligated parties with strong ties in one sector to exchange credits with obligated parties who have stronger ties in a different sector. It therefore broadens the opportunities available for obligated parties to meet compliance.

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<sup>59</sup> This also takes account of any responses received to Question 7.8, which asked respondents if they wished to provide any suggestions or comments in relation to this proposal.

Similar to the 2014-20 EEOS, this flexibility mechanism will only be available to obligated parties, who will be permitted to bilaterally exchange energy credits, subject to certain conditions.

<b>Question 7.9</b> Do you think it could be beneficial to allow obligated parties to bilaterally trade all or part of their annual additive targets?		
	Responses	Proportion
Yes	22	52%
No	9	22%
Don't Know/ No Strong Opinion	11	26%

### Summary of Consultation Responses<sup>60</sup>

Respondents were generally supportive of this proposal but, as for Question 7.7, it was evident from several responses that there was some confusion on what was being proposed and who and what it would involve.

Of those who supported the proposal - to allow obligated parties trade all or part of their targets bilaterally - it was felt that this would be beneficial for the scheme, and could be of particular value for newer and/or smaller obligated parties, allowing them to avoid fixed costs, which in turn could help the scheme to be more cost effective. It was also felt that it could be of value for some in terms of achieving their sub-targets.

A limited number of respondents cautioned that, given this was a new flexibility mechanism for the EEOS, it should be closely monitored to ensure there were no unintended consequences, which could reduce the effectiveness of the scheme. In this regard, one suggested that it may be sensible to only allow the trading of part of an obligated party's target, rather than their entire target.

As noted also in their response to Question 7.7, one obligated party supported the proposal but did not feel it justified the allocation of sub-targets to obligated parties in sectors where they have no customer base. They pointed out that they could not rely on such a mechanism for the delivery of their sub-targets as they could not be certain that another obligated party would be willing to take on the delivery of their target.

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<sup>60</sup> This also takes account of any responses received to Question 7.10, which asked respondents if they wished to provide any suggestions or comments in relation to this proposal.

## The Minister's Response

**The Minister has decided that, as proposed, obligated parties will be allowed to bilaterally trade all or part of their annual additive targets.**

Trading of targets is a distinct flexibility mechanism from the exchange of credits (addressed in Question 7.7), which relates to targets, as opposed to energy savings or credits. This mechanism allows one obligated party to pay another to take on liability for all or part of its obligation (i.e. to deliver all or part of its annual additive targets), and in so doing accept any risks associated with delivery and enforcement. Unlike the exchange of credits, this mechanism allows trading before any energy savings are achieved. This mechanism is being introduced on the basis that it allows greater flexibility in the scheme and hence has the potential to allow obligated parties to achieve their targets at a lower cost.

There were some useful points raised by some respondents that will be considered by SEAI in the design of this new mechanism. Similar to the exchange of credits, there is an important role for SEAI, as administrator of the scheme, in facilitating the process and ensuring that risks of non-compliance are mitigated. As such, SEAI, in developing the process will ensure the necessary controls are in place, thus avoiding a situation where an obligated party would be able to take on unmanageable targets and risk. As a new mechanism, the process will also be carefully monitored once in operation to ensure there are no risks to the scheme operating in an effective and efficient manner.

As noted in the consultation, the Minister wishes to make flexibility mechanisms available, to help assist obligated parties in meeting their targets and ensure the success of the scheme. The introduction of the option to trade targets, in addition to the mechanisms that were available under the 2014-20 EEOS (such as third party delivery, exchanging of credits, and the buy-out mechanism), should further help to reduce the risk of non-compliance for obligated parties.

**Question 7.11** Do you think there should be a buy-out mechanism in place for the 2021-30 EEOS, which would allow obligated parties to buy out a proportion of their EEOS targets by contributing to an Energy Efficiency National Fund?

	Responses	Proportion
Yes	23	55%
No	8	19%
Don't Know/ No Strong Opinion	11	26%

**Question 7.12** Do you think that the buy-out cap should be set at a max of 30% of targets?

	Responses	Proportion
Yes	8	19%
No	18	43%
Don't Know/ No Strong Opinion	16	38%

**Question 7.13** Do you wish to make any suggestions on how buy-out prices are set, which would ensure the State is not financially disadvantaged and the relevant requirements of the EED are considered?

### Summary of Consultation Responses<sup>61</sup>

Broadly, non obligated party respondents were less supportive of having a buy-out mechanism than obligated parties, who were all in favour of retaining this mechanism. Reasons given by those who did not support the inclusion of a buy-out option mainly related to concerns that it would reduce the effectiveness of the EEOs; would undermine the primary project delivery aspect of the EEOs (instead just stimulating more investment); would make the scheme too easy for obligated parties; and would potentially divert money away from energy efficiency. One respondent suggested that if there was a buy-out mechanism, perhaps it should just be available in the latter years of the obligation period, should obligated parties be at risk of missing their overall targets.

On the other hand, most obligated parties pointed out that it was an important flexibility mechanism which, while not previously used, gave obligated parties more options in how to deliver their targets, mitigating the risk of non-compliance further and offering an additional protection to smaller and/or newer obligated parties. It was felt that the impact of the COVID-19 pandemic meant that even greater flexibility is necessary within the scheme.

Regarding the inclusion of a buy-out cap, almost all obligated parties, bar one, felt there should be no cap or at least that it should be much higher than 30%. A maximum 30% buy-out cap was also not supported by several other respondents; however, this seems to have been largely due to the fact that they were not in favour of having a buy-out option in the first place.

Several obligated parties pointed out that if the State could deliver these savings cheaper than the EEOs (which seemed to be based on an assumption held that savings were more

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<sup>61</sup> This also takes account of any responses received to Question 7.14, which asked respondents if they wished to provide any suggestions or comments in relation to this flexibility mechanism.



expensive for obligated parties to deliver), then why would a cap be necessary. Related to this point, one obligated party pointed out that there should be no cap as if the buy-out rate is set correctly and shows the cost to the State is higher, this will be a disincentive to obligated parties to use the buy-out option; whereas if the cost to the State is lower, and obligated parties do choose to use this option, Ireland will still be benefitting from more cost-effective delivery. Another felt there should be no buy-out cap for smaller obligated parties.

In terms of setting the buy-out rate, there were several useful suggestions on how the rate should be set and what it should be based on, however the overwhelming response, mainly from obligated parties, was that the process needs to be much more transparent and show clearly the methodology used to calculate any rate(s). It was also pointed out by some that the rates set should be based on real costs rather than penalty, inflated costs.

### **The Minister's Response, relating to Question 7.11; 7.12; 7.13; and 7.14**

**The Minister has decided that a buy-out mechanism will be in place, which will allow obligated parties to buy out up to 30% of their annual additive targets (by sector).**

The Directive allows Member States to choose whether to allow obligated parties to fulfil their EEOS savings obligations (targets), in whole or in part, by way of a contribution to an energy efficiency national fund ('the fund'). In doing so, the Directive explicitly requires that the fund set up must be used to support national energy efficiency initiatives, and any contributions made by obligated parties to this fund must be equal to the investments required to achieve those obligations (i.e. to deliver the relevant amount of cumulative end-use energy savings)<sup>62</sup>.

As noted in the consultation, the Minister wishes to offer this flexibility to obligated parties, as another mechanism to support compliance, thus further helping them to meet their challenging EEOS targets and avoid penalties. As indicated above, any contributions that obligated parties make to the fund must be used to support energy efficiency initiatives, which will achieve the equivalent amount of energy savings. This ensures that these funds cannot be diverted away from the primary EEOS objective of achieving final energy savings.

While the Directive allows Member States to offer this flexibility, it does not require that Ireland allow obligated parties to achieve their full EEOS Targets in this way. As set out in the consultation, and supported by several respondents, the contribution the EEOS makes for Ireland is not just limited to increasing private investment in energy efficiency, but

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<sup>62</sup> As set out in [Article 7a, para 1](#) and [Article 20, para 4 and para 6](#) of the Directive

extends to benefits brought by the direct involvement of the obligated parties in the achievement of their targets, in terms of increasing the energy efficiency market's capacity, diversity and stimulus.

While several obligated parties indicated in their responses that they believed it would be less expensive for the State to deliver the EEOS than obligated parties, no obligated party provided supporting cost information. If this were shown to be the case, based on analysis carried out in the setting of the buy-out prices for the new scheme, Ireland still does not wish to allow a situation where the full EEOS could be met through financial contributions to the State. Capping the level of contributions to the fund which can be made by obligated parties will ensure this cannot be the case.

Therefore, while offering another compliance flexibility mechanism to obligated parties to help in the achievement of their targets, the level of contribution allowed to the fund under the EEOS will be capped at 30% of their annual additive targets (by sector). Given there will be annual compliance targets in place for the EEOS, it is deemed appropriate to offer this mechanism to obligated parties for the full obligation period, and not just the latter years. Furthermore, given the introduction of a free allowance for all obligated parties (relating to Question 3.4), it is not deemed necessary to also offer a higher buy-out cap level, or a cap exemption, for smaller and/or newly obligated parties. Further detail on the set up and purpose of the fund and the main relevant contribution requirements will be included in the new EEOS Regulations.

In terms of calculating the appropriate contribution rate for the fund, the Directive requires that where contributions to a fund are allowed, that the contribution of any obligated party must be 'equal to the investments required to achieve [its 'bought-out'] obligations'.

Therefore, the Minister, in setting the buy-out price(s), must ensure that any contributions made sufficiently cover the cost of delivering the relevant amount of cumulative final energy savings (to which the contribution relates), and the State is not financially disadvantaged in any way. For the 2014-20 EEOS, the buy-out rates in place, which were set in 2014, reflected the costs which Ireland would incur through its grant schemes in delivering the equivalent savings, plus any administrative costs associated with this delivery.

In implementing this mechanism for the new EEOS, new buy-out price(s) need to be set and published. Taking on board the consultation feedback received in relation to the calculation of the buy-out price(s), the Minister recognises the need for an open and transparent process, which will show what methodology and data is being used in the calculation of any new buy-out prices. Over the coming months, the Minister intends to appoint a third party to carry out this work, who will be asked to develop a robust and transparent calculation

approach, taking into account respondents' useful suggestions, and based on this, advise on the new prices to be set/ published. In parallel, SEAI will be finalising all administrative processes for the new scheme, including the buy-out process. Further information will be provided in due course.

**Question 7.15** Do you agree with all, or part, of our proposed approach to non-compliance and penalties?

	Responses	Proportion
Yes	9	21%
No	12	29%
Don't Know/ No Strong Opinion	21	50%

**Question 7.16** In your opinion, how should penalties for non-compliance be determined, i.e. what factors should be considered as part of any calculation framework?

### Summary of Consultation Responses<sup>63</sup>

Half of respondents did not provide a view on this proposal. Of those who did provide a view, a small majority opposed the proposed approach, however, it should be noted that disagreements mostly related to specific aspects of the proposal, rather than the approach in full.

As expected, obligated parties provided the most detailed feedback on this proposal and in general, emphasised the need for transparency, proportionality and fairness in relation to how the penalty regime operates. Most agreed with having a clear framework in place setting out how and when penalties would be determined and issued, and asked that the Department, in dealing with incidents of non-compliance also takes mitigating factors into account and also shows flexibility in relation to situations outside of obligated parties' control.

All bar one obligated party agreed with setting a maximum penalty, however almost all were against the element of the proposed approach which would require obligated parties to deliver their non-compliance shortfall (after the compliance deadline), in addition to paying a penalty amount for being non-compliant, understanding this to mean they would be penalised twice.

<sup>63</sup> This also takes account of any responses received to Question 7.17, which asked respondents if they wished to provide any suggestions or comments in relation to this proposal.

One respondent felt that the buy-out rate should be sufficient to incentivise target achievement and did not believe an increase on this rate was necessary in the calculation of the maximum penalty rate given the buyout rate is prohibitive enough to ensure compliance on its own.

Some useful suggestions were put forward on how penalties should be determined and what factors should be taken into account, such as the level and prevalence of non-compliance, the cumulative impact for Ireland related to the non-compliance; and potentially relevant mitigating factors and actions.

Other points were raised in relation to other proposals such as annual additive targets and the minimum achievement requirement; these have been considered under the relevant question.

### **The Minister's Response, relating to Question 7.15; 7.16; and 7.17<sup>64</sup>**

**The Minister has decided that, in managing non-compliance under the EEOS, the following conditions will apply:**

- **Annual compliance targets will be in place, which require the minimum achievement requirement to be met for an obligated party to be deemed compliant.**
- **Penalties will not be calculated or issued each year (see Appendix 2) but will still take account of an obligated party's compliance position in every year.**
- **A fixed maximum penalty amount will be set, which will be relative to, and sufficiently higher than, the buy-out rate in place.**
- **Penalties will be determined and issued based on a defined penalty framework which will be in place for the EEOS.**
- **In line with the framework in place, the determination of penalties will take account of the maximum penalty amount, the level and prevalence of non-compliance, any mitigating actions carried out/steps taken (which may include the delivery of some or all of the shortfall after the relevant compliance deadline) and any other relevant qualifying factors.**
- **The framework will ensure that the requirements of Article 13 are met and that the cost of non-compliance will always be higher than the cost of compliance, including buy-out.**

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<sup>64</sup> This decision also takes account of decisions made in relation to relevant questions, i.e. Q 7.1 and Q7.5

- **Penalties imposed will contribute to a fund which will be used to deliver energy efficiency measures, separate to the EEOS.**

The Minister is keen to reduce the risk of non-compliance for obligated parties, and thus avoid a situation where penalties are required. This is evident in the proposed design of the scheme with, for example, the availability of more flexibility mechanisms, the introduction of a free allowance and the implementation of annual additive targets. Having entered a new, longer and more demanding obligation period, with bigger targets and more challenging requirements, for both Ireland and obligated parties, supporting compliance in this way is deemed both prudent and fair.

However, as set out in Article 13 of the Directive<sup>65</sup>, Ireland must also lay down the rules on penalties that will apply, and be implemented, in the case of non-compliance; ensuring that penalties provided for are effective, proportionate and dissuasive. As set out in the consultation, in line with these requirements, it is intended that the penalty approach in place for the new EEOS will:

- firmly incentivise compliance
- avoid risk of under-delivery for Ireland and obligated parties
- be robust
- be fair and consistent
- take account of effort and commitment
- be clear and transparent
- be pragmatic
- avoid unnecessary administrative burden
- benefit, rather than distort the market, and
- remain, or should remain, appropriate for the full duration of the obligation period

While the penalty regime in place for the 2014-20 EEOS also achieved the above, entering a new obligation period has presented an opportunity to reconsider (and consult on) the approach to non-compliance, and improve and/or strengthen any aspects deemed necessary. The conditions set out above, which will apply for the 2022-30 EEOS, are broadly

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<sup>65</sup> Article 13 of the [Directive](#)

in line with those proposed, but include some revisions based on feedback received from respondents.

While obligated parties will be required to meet targets annually to be deemed compliant<sup>66</sup>, penalties, in the case of any non-compliance, will only be determined and issued every three years – in 2024; 2027; and 2031<sup>67</sup> (set out in Appendix 2). Determining penalties at these intervals will allow for a better understanding of the context of any non-compliance, while also reducing administrative burden.

As proposed, a fixed maximum penalty amount will be set, which will be relative to, and sufficiently higher than, the buy-out rate in place. As noted in the previous section, the buy-out price will be set at a level which ensures that the cost of delivering the relevant cumulative energy savings 'bought-out' can be covered. While the fixed maximum penalty amount will similarly need to cover the cost of delivering the relevant cumulative energy savings shortfall (and so will take account of the same price calculations), it is not sufficient, as one respondent suggested, to set the fixed penalty amount at the same rate.

For reasons set out in the previous section, a buy-out cap of 30% of annual additive targets will be put in place. Setting the maximum penalty amount at the same level as the buy-out rate undermines the inclusion of a buy-out cap, and places non-compliance on the same footing as compliance with targets through the buy-out mechanism. Furthermore, setting the fixed maximum penalty at a level sufficiently higher than the buy-out rate, will also offer obligated parties an opportunity to influence the level of penalty they receive, which, regardless of any mitigating actions carried out, will always be higher than the buy-out price in place but will not necessarily have to be as high as the fixed maximum penalty. This is set out in the condition above which outlines that, the determination of penalties will take account of the maximum penalty amount, the level and prevalence of non-compliance, any mitigating actions carried out/steps taken (which may include the delivery of some or all of the shortfall after the relevant compliance deadline) and any other relevant qualifying factors, such as circumstances beyond an obligated party's control which most likely have affected all obligated parties.

While the proposed condition to specifically require obligated parties to deliver the shortfall in their targets (that led to the non-compliance), in addition to paying a certain financial penalty, has been removed, it should be clarified that the intention of this proposal was not to penalise obligated parties twice but to require obligated parties to pay a financial penalty

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<sup>66</sup> Or the associated minimum achievement requirement (by sector)

<sup>67</sup> Or four years, in relation to 2031

which would be the maximum penalty amount less the cost they incurred in delivering the relevant shortfall, which would mean they would pay a lower financial penalty and the State would not be burdened with the delivery of their target shortfall. While such a penalty/shortfall approach is actually highlighted for consideration in the Commission Recommendation,<sup>68</sup> it is not now intended to make the delivery of target shortfalls a mandatory condition, as proposed, however, it may be included in some way in the new penalty framework as a recognised mitigating action.

The Department intends to appoint a third-party expert shortly who, over the coming months, will carry out the necessary development and analytical work required for the implementation of the new penalty framework and advise on the fixed maximum penalty amount/rate to be set. This work will also consider feedback received as part of this consultation. Further information will be provided in due course.

## 8 New Scheme Opportunities and Cost Data

**Question 8.1** Do you wish to raise any issues or make any suggestions on improvements that could potentially be made, in relation to the redesigned EEOS, beyond those discussed in this document?

### Summary of Consultation Responses

A number of useful points and suggestions were put forward in response to this question. Most views submitted were also raised in response to other questions and have been summarised previously in this document. However, there were a few key themes in the responses, many of which called on the Department and/or SEAI to:

- increase transparency and information sharing;
- increase awareness and promotion of the scheme;
- increase support for energy users and the supply chain engaging with the scheme;
- increase focus on innovation and new opportunities;
- reduce administrative burden and complexity where possible;
- provide greater clarity on scheme requirements and methodologies
- ensure quality and standards are a central focus and maintained, and

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<sup>68</sup> Appendix II to the Commission Recommendation

- continue to monitor the scheme closely to ensure it remains effective and fair.

### The Minister's Response

The Minister is committed to ensuring the new EEOS is as robust, effective and accessible as possible, and over the coming years, the Department will continue to work with SEAI on improving the scheme further. In doing so, the Department and SEAI will consider the important feedback and useful suggestions received, not only in response to this question, but to the consultation more broadly.

**Question 8.2** In your opinion, how often should the scheme be reviewed, e.g. after three years; after four years; after five years?

### Summary of Consultation Responses

There were several suggestions made by respondents in relation to how often the scheme should be reviewed, as well as how such reviews should be carried out.

- Respondents felt that the timing of reviews needed to consider a number of factors. Some stressed that the need for certainty, while ensuring the scheme is remaining effective, should be reflected in the timing of any review.
- Ensuring the review timelines aligned with changes to EU policy was also highlighted.
- A number of respondents suggested a review take place after 2-3 years, although several felt less frequent reviews, such as every five years, were more appropriate. One respondent felt that reviews every three years would provide enough certainty to allow obligated parties to plan but would also allow the scheme to be amended regularly enough to reflect the changing environment within which it operates. Some respondents suggested an initial review after one year, followed by less regular reviews would be a good idea, given the new requirements being introduced.
- Some respondents cautioned that any review schedule should be flexible to allow the scheme to adjust to unexpected major changes in the policy environment.
- A final point made by respondents was in relation to ensuring the scope of such reviews was clearly set out.



## The Minister's Response

**The Minister has decided that a formal EEOS policy review will be scheduled to be carried out in 2025/26, with any changes arising from this review to be introduced from 2027.**

Respondents received many useful suggestions in relation to reviewing the scheme. Having considered all responses and taking account of the intended scope of such a review, the Minister has decided it is appropriate for a formal scheme review to be scheduled to commence in mid- 2025. This timing will allow the scheme to operate uninterrupted for a number of years and then, based on a review during 2025/26, implementing any policy changes from the start of 2027, with four years of the obligation period remaining.

2025 was considered the most practical timing for several reasons. Carrying out a review is resource and time intensive and therefore, the timing should ensure the review will add sufficient value. A review in 2025/2026 also allows the opportunity to collect sufficient data to effectively review the progress of the EEOS and evaluate its impacts and coincides well with the next planned review of the Directive by the Commission<sup>69</sup>. However, as raised by some respondents, the Minister may choose to review this timeline in the case of unforeseen circumstances that have a significant impact on the EEOS. Considering this, the Minister is committed to engaging with interested parties in a timely manner and will ensure that all parties are kept up to date with any EEOS developments.

It is anticipated that the planned review would be similar in scope to the current process and could extend to look at some or all of the scheme design. Depending on the changes, if any, that are deemed necessary following this review, certain legislative amendments may also be required. It is important to clarify that such a review is distinct from the ongoing work carried out by SEAI to ensure the effective administration of the scheme. This, in and of itself, may lead, in light of experience, to updates in relation to the operation of the scheme. The timing of the review is also subject to change should that be required following completion of the negotiation process on the recast of the Directive<sup>70</sup>.

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<sup>69</sup> As per recital 69 of the Governance Regulations (2018): 'The Commission [will] review the implementation of [the EED] in 2024 and every five years thereafter and make amending proposals as appropriate to ensure the proper implementation thereof and the achievement of its objectives.'

<sup>70</sup> On 14 July 2021, the Commission, following its recent review, published its proposal for a recast of the EED, as part of its broader 'Fit for 55' policy package. The Department has commenced a review of this proposal and will be engaging with the Commission as part of the negotiation process. Should

Separately, and on an ongoing basis, the Department will also continue to monitor progress and developments on the scheme, engaging with SEAI and the obligated parties, in addressing any broader issues that may arise.

<b>Question 8.3</b> Do you agree with our proposal to require obligated parties to report their EEOS cost data to SEAI?		
	Responses	Proportion
Yes	18	43%
No	14	33%
Don't Know/ No Strong Opinion	10	24%

<b>Question 8.5</b> Do you agree that cost data should be published, provided all commercial confidentiality concerns are addressed?		
	Responses	Proportion
Yes	17	40%
No	12	29%
Don't Know/ No Strong Opinion	13	31%

### Summary of Consultation Responses<sup>71</sup>

Of those who responded, a small majority of respondents supported the proposal to require obligated parties to report their EEOS cost data to SEAI (Question 8.3) and also, the proposal to potentially publish cost data (Question 8.5). In general, obligated parties were against both proposals, whereas non obligated parties were in favour.

While very distinct proposals, many respondents conflated the two proposals in their responses. For example, in responding on the proposal to report cost information to SEAI, several noted the commercial and competition risks that could be presented (more relevant to publication), while others noted that this would mean greater transparency for the public (more relevant to publication). In addition, there was some confusion on the specific type of information referred to in the proposals, with several respondents indicating their support for

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further changes to the EEOS be necessary as a result of this recast an earlier review of the scheme could be required.

<sup>71</sup> This also takes account of any responses received to Questions 8.4 and 8.6, which asked respondents if they wished to provide any suggestions or comments on how such data is reported and/or published, in terms of the level of detail, format, and frequency.

the publication of energy information on the scheme (as opposed to just obligated party cost data).

Specifically in relation to reporting EEOS cost data to SEAI, obligated parties raised concerns that such a move would add to administrative burden; was insufficiently justified in the consultation; was not done (or done successfully) previously; involved highly sensitive data; and would be complex and/or unhelpful given the different delivery structures used by obligated parties to meet their obligations. One obligated party also emphasised the difficulty they would face in assigning costs to the EEOS.

There was even less agreement from obligated parties regarding the publication of cost data, with strong concerns raised. These concerns related mainly to the commercial sensitivity of this information, with some also noting that there was a lack of sufficient justification for this proposal provided in the consultation. Some respondents felt that publishing the price of energy credits could dampen competition and lead to higher delivery and compliance costs, particularly if the data was too granular and/or was not anonymised. Certain entities in the supply chain felt that the more information published the better, including credit pricing.

Support for the publication of cost data mostly emphasised the impact this reporting would have on the level of transparency within the scheme and the positive result this could have for consumers and the energy efficiency market. While some misunderstandings on the type of data, there was a clear indication from non obligated parties that the EEOS is lacking transparency. Some respondents felt this supports an unfairly protected negotiation position for obligated parties, and in turn limits the benefits and opportunities that can be gleaned from the scheme. In this regard, suggestions were also made in relation to other information that SEAI could potentially collate and publish, and other supports they could offer non obligated parties (both energy users and the supply chain), to increase the effectiveness of the scheme.

Several useful points were raised, and suggestions provided in relation to how such data could/should be reported and/or be published, all of which will be considered.

#### **The Minister's Response, relating to Question 8.1; 8.2; 8.3; 8.4**

**The Minister has decided, as proposed, to require obligated parties to report their EEOS cost data to SEAI from 2022. Regarding the publication of EEOS cost data, further analysis and development work is required before a final decision will be made.**

Requiring obligated parties to report their EEOS cost data to SEAI, as scheme administrator, presents many benefits for the scheme. As set out in the consultation, having a clear understanding of obligated parties' costs is important for the effective evaluation and monitoring of the scheme, and when designing future schemes - to the benefit of both obligated parties and consumers. It will also bring benefits for the administration of the scheme and will be of particular value in relation to the buy-out and penalty regimes, discussed in the previous section.

Work will now commence on scoping and developing the new reporting process to be implemented from 2022. As part of the development process, feedback received as part of this consultation will be considered, including the various concerns raised regarding administrative burden and data complexity, and the need for clarity and consistency.

While any information collected will need to be at a sufficient level of detail and frequency to be useful to the Department and SEAI, the intention is not to unnecessarily increase burden on obligated parties. In developing the new process, the Department will also engage further with our counterparts in the Department for Business, Energy and Industrial Strategy (BEIS) in the UK, given their experience requiring obligated party cost data through the Office of Gas and Electricity Markets (Ofgem) on the Energy Company Obligation (ECO).

In relation to the publication of obligated party cost information, it is acknowledged that there were some valid concerns raised in the consultation by obligated parties. However, there are also many benefits brought by improving the transparency and accessibility of the scheme, as noted by many respondents. Therefore, while the Minister has decided not to introduce the publication of cost data in 2022, this proposal will be pursued further, and may be introduced on the scheme at some point in the future. In this regard, further analysis will be carried out before decisions are taken on if, and when, cost data could be published, and will carefully consider the commercial interest and competition concerns raised. We will also be engaging further with our BEIS counterparts in the UK to better understand their approach to publishing costs, the issues they may have encountered and how they have achieved a balanced and workable approach for the ECO.

SEAI, supported by a third party, will be developing the new cost reporting approach over the coming months. In addition to taking account of the feedback from the consultation, they will engage with obligated parties on the development of this new requirement to ensure the approach is workable and effective. They will also be looking into the potential publication of cost data, as noted above. Again, supported by a third party, this work will take account of all relevant information, including feedback from obligated parties and learnings from the UK and EU Member States, where appropriate.

## 9 Information on Bills

**Question 9.1** Do you think there is a case for the provision of additional information to all consumers, via bills or otherwise, on their consumption and/or potential energy savings?

**Question 9.2** How could the provision of such information be implemented cost effectively and in a way that benefits all consumers, whether on bills or otherwise?

### Summary of Consultation Responses

Views submitted in relation to these questions are currently being reviewed by the Department and a response will be provided at a later date.

# Appendices

## Appendix 1: Consultation Respondents

Consultation Respondents	
1	Bord Gais Energy
2	Bord na Mona
3	Brookfield Renewable Ireland
4	Building Insulation Energy Consultancy
5	Calor Gas
6	Climate Action Regional Office Atlantic Seaboard South
7	Climote
8	Department of Enterprise, Trade and Employment
9	Electric Ireland
10	Electricity Association of Ireland
11	Energia
12	Energy Action CLG
13	Enprova
14	GHG Zero Carbon
15	Hub Controls
16	Irish Green Building Council
17	KORE Insulation
18	Liquid Gas Ireland
19	Micro Electricity Generation Association (MEGA)
20	Micro-Renewable Energy Federation
21	Naturgy Ireland
22	NovoGrid
23	Overy & Associates

<b>24</b> Panda Power
<b>25</b> PrepayPower
<b>26</b> Renewable Gas Forum Ireland
<b>27</b> Smart M Power Co
<b>28</b> Society of St Vincent de Paul
<b>29</b> Solas Holdings
<b>30</b> SSE Airtricity
<b>31</b> Stafford Fuels
<b>32</b> Symphony Energy
<b>33</b> Tipperary Energy Agency/ Codema/ 3 Counties Energy Agency
<b>34</b> Tom O'Callaghan Energy Consultant

In addition to the respondents listed above, eight anonymous submissions were received.

## Appendix 2: Targets, compliance and target setting

The below table sets out key points relating to targets, compliance and the target setting process. This information relates to decisions made on proposals under Q3.4; Q3.5; Q7.1; Q7.2; Q7.5; Q7.15; Q7.16; Q8.2. Further information is provided in this document under the relevant question.

SEAI, as scheme administrator, will be providing further detail and guidance to obligated parties on targets and the target setting process, which will take account of the key points outlined below.

Relevant aspect	Q	Detail
<b>Nature of targets</b>	Q7.1	Annual additive targets to be in place for each year of obligation period
<b>Factoring 2021 into calculations</b>	Q7.2	Delivery in 2021 (as opposed to 2021 targets) to be taken into account in the calculation of 2022-30 targets
<b>Minimum achievement requirement</b>	Q7.5	A minimum achievement requirement of 95% (of relevant annual additive targets, by sector), to be in place for each year of obligation, with the exception of 2030 when 100% of annual additive targets required
<b>Compliance</b>	Q7.15, Q7.16	Compliance with targets required on an annual basis. To be deemed compliant, at least the minimum achievement requirement in place must be met.
<b>Determination/issuance of penalties</b>	Q7.15, Q7.16	Determination/issuance of relevant penalties (in relation to annual compliance targets) to be carried out in: <ul style="list-style-type: none"> <li>• 2024</li> <li>• 2027</li> <li>• 2031</li> </ul>



<b>Scheduled target calculations/ recalculations and sales base year</b>	Q3.5, Q7.1, Q7.2	<p>Target calculations/recalculations to be carried out in:</p> <ul style="list-style-type: none"> <li>• 2022 (for 2022 to 2030 incl), with sales base year of 2020*</li> <li>• 2024 (for 2024 to 2030 incl), with sales base year of 2022</li> <li>• 2027 (for 2027 to 2030 incl), with sales base year of 2025</li> <li>• 2030 (for 2030), with sales base year of 2028</li> </ul> <p>*cumulative value of 2021 over/underdelivery factored in for target setting</p>
<b>Issuance of Energy Efficiency Notices (EENs)</b>	Q7.1	<p>Energy Efficiency Notices (EENs) to be issued to all obligated parties<sup>72</sup> in:</p> <ul style="list-style-type: none"> <li>• 2022 (for 2022 to 2030 incl)</li> <li>• 2024 (for 2024 to 2030 incl) (superseding any previous EEN issued)</li> <li>• 2027 (for 2027 to 2030 incl) (superseding any previous EEN issued)</li> <li>• 2030 (for 2030) (superseding any previous EEN issued)</li> </ul>
<b>Non-scheduled recalculations/ issuance of EENs</b>	Q3.4	<p>Sales volumes for all obligated parties and potential obligated parties to be monitored on an annual basis</p> <p>Outside of the scheduled dates listed above, recalculations and issuance of EENs may occur where:</p> <ul style="list-style-type: none"> <li>• a new obligated party is entering the EEOS</li> <li>• an obligated party is exiting the EEOS, or</li> <li>• an ‘exceptional’ market share change has occurred, as determined by SEAI</li> </ul> <p>This will be based on relevant sales volumes in the sales year two years prior to the relevant target year (e.g. sales volumes in 2024 relate to targets for 2026)</p>
<b>Full scheme review of EEOS scheduled</b>	Q8.2	<p>A full scheme review of the EEOS planned for 2025/26<sup>73</sup>, with any resulting changes to be introduced from 2027</p>

<sup>72</sup> EENs were issued to all obligated parties in 2021 setting out their 2021 targets to be achieved.

<sup>73</sup> The timing of this review may be subject to change, should that be required following completion of the negotiation process on the recast of the Directive.

