RE-Source

European platform for corporate renewable energy sourcing

Response to the Public Consultation on Policy Options for Meeting Ireland's Corporate Power Purchase Agreement (CPPA) Target

The RE-Source Platform welcomes the opportunity to share our views on the public consultation issued by the Sustainable Energy Authority of Ireland (SEAI) on policy options to meet Ireland's target of 15% of electricity consumption to come from CPPAs by 2030.

RE-Source is a European alliance of stakeholders representing corporate clean energy buyers and suppliers for renewable energy sourcing in Europe. Its stakeholders have over 4.5 gigawatts (GW) of CPPAs under management in Europe alone. Ireland is a critical market for many businesses in the RE-Source Platform who have operations in the country. These companies regard CPPAs as an important tool for achieving their broader decarbonisation goals. Many are already making significant contributions toward renewable energy procurement in Ireland and many more stand ready to enter into CPPAs in Ireland.[1]

We applaud Ireland as a leader in the European energy transition, and recognise its efforts to harness new and creative policies to drive the development of renewable assets. RE-Source welcomes Ireland's ambition in setting a target for corporate procurement for 2030, recognising the contribution it can make towards Ireland's 70% renewable electricity target.

However, Ireland's goals will only be achievable through enabling policy measures that address the fundamental barriers that make CPPAs uncompetitive for both renewable energy developers and voluntary buyers. RE-Source looks forward to working with Ireland to develop a suitable package of policy measures to unlock the full potential of corporate procurement and to help meet these ambitious goals.

Ireland's renewable electricity targets are achievable, but to achieve them, Ireland needs to set enabling policies and remove barriers to CPPAs. [Question #12]

RE-Source endorses Ireland's 70% renewable electricity target by 2030. It also welcomes a target for corporate renewable electricity consumption by 2030. We recognise these types of targets as important to all Member States' National Energy and Climate Plans (NECPs) and we hold up Ireland as an example for other Member States to follow.

[1] The views expressed in these comments are not necessarily representative of the views of all RE-Source supporting companies.

However, the target of 15% of electricity consumption by 2030 will only be possible with policy measures that address the fundamental challenges that make CPPAs uncompetitive for both project developers and voluntary buyers. A precondition to a thriving CPPA market is the removal of barriers as required under Article 15.8 of the Renewable Energy Directive.

Further, we recommend performing the necessary analyses to understand whether the 15% target identified is right for Ireland and all actors involved. We look to Ireland to set a corporate procurement target that makes the most sense for its climate and energy plans.

RE-Source also encourages Ireland to expand the definition of the corporate renewable energy target to include other forms of contracting and direct investment in renewable energy. For example, self-ownership is not accounted for in the target, even though this method encourages significant levels of market-driven renewables deployment. While the CPPA is the dominant means by which corporates contract for renewable energy today, this could evolve. A broader definition can help to future-proof Ireland's target.

Corporate renewable energy procurement can play a large role in delivering Ireland's renewable energy ambitions, complementing revenue stabilisation mechanisms. [Question #6]

Public tendering schemes like the Irish Renewable Energy Support Scheme (RESS) have represented, until recently, the primary means of driving new renewable energy deployment. Well-designed government auctions that offer stable revenues are crucial to attracting project investment at low interest rates, and help to deliver lower electricity prices to consumers.

Revenue stabilisation mechanisms also send crucial market signals to the CPPA market. As such, Ireland must set policies that ensure a well-functioning RESS with adequate renewable energy supply and competition. It should also avoid any RESS modifications that create unintended barriers to the CPPA market. For example, a tail auction will be unattractive to some companies, as they will not want to be required to invest in renewable projects that already receive government support, as this would not meet their criteria for additionality.

At the same time, corporate renewable procurement can play a significant role in supporting Ireland to deliver the additional renewable resources that are needed. CPPAs bring multiple benefits: they bring private capital investment to renewable projects, provide financial certainty to renewable developers, and contribute to a market that is economically and environmentally efficient, liquid, and transparent, enabling energy consumer access to cost-competitive clean electricity supply.

The consultation document correctly recognises that CPPAs also reduce the overall volume of renewable electricity that needs to be procured through the RESS and paid for by the PSO, thus lowering the size of the PSO for all consumers and minimising costs. These benefits make corporate PPAs an essential tool to drive a cost-effective energy transition.

Ireland should remove permitting and interconnection barriers as a means to ensure sufficient supply and competition to the RESS and CPPA markets. [Question #6]

Permit-granting procedures are one of the major barriers to the development of renewable projects across Europe. Procedures are too complex, too restrictive, too lengthy, and involve too many contact points. These obstacles create significant project delays as well as increases to cost of capital and other development costs.

Delays in grid infrastructure development and interconnection processes also add complications and costs to the development of new renewable projects. The ultimate result is limited supply to the RESS and CPPA markets, with the most severe supply constraints experienced in the CPPA market.

Article 16 of the Renewable Energy Directive requires Member States to shorten and simplify permitting processes. However, the Irish NECP does not provide any details on how national permitting processes could be improved and sped up. Short and simple permitting processes are crucial. Interconnection processes could also be improved through shorter, more frequent grid-connection cycles. A package of enabling permitting and interconnection policies is critical to unlocking sufficient supply and competition for both the RESS and CPPA markets.

A CPPA mandate would be detrimental to the corporate renewable energy market in Ireland and would set a harmful precedent for other markets. [Question #8]

Corporate renewable energy sourcing is a major opportunity for businesses. Last year, companies voluntarily signed a record 23.7 GW of PPAs globally, including a record 4 GW in Europe. In the same year, more than 65 corporates joined RE100, making voluntary commitments to source 100% renewable electricity.

<u>The public consultation includes a list of potential policy measures for further consideration – one of which is to "mandate LEUs to procure CPPAs from Irish RE</u>."

Considering a mandate to sign CPPAs, with penalties for noncompliance, would have a chilling effect on corporate renewable sourcing in Ireland and would produce unintended negative consequences, both domestically and abroad.

Companies have shown serious market interest to sign CPPAs in Ireland, with many already signing CPPAs at large volumes. Nevertheless, CPPAs are sophisticated commercial transactions where the corporate must be able to understand and manage all potential risks associated with the contract.

A CPPA mandate would render many risks unmanageable for even the most sophisticated companies. It would create significant price risk, with steep and uncompetitive price increases during supply shortfalls – and the corporate market already experiences extremely limited supply following RESS auctions. In practice, a mandate without addressing the many issues that currently lead to inadequate, uncompetitive supply is unworkable.

A mandate would likely affect companies' decisions whether to locate their facilities in Ireland. This is true for both experienced companies, with large teams of internal energy experts, and also newer, less sophisticated buyers. Further, a mandate on Irish large energy users – currently an undefined term - may not prove compliant with existing EU competition guidelines and could be in contrast with State Aid rules.

Ireland's consideration of a CPPA mandate would also set a harmful precedent for other European and international markets. If other governments began to pass mandates, it would undermine voluntary commitments and threaten global corporate sourcing momentum – in particular, the success to date with CPPAs, which have enabled vast amounts of renewable energy deployment in both established and emerging renewable energy markets.

We have similar concerns with the proposed measure to "mandate LEUs to procure GoOs from Irish merchant RE." This would also be ineffective as it would not address the problem of limited renewable energy supply, and even at higher GoO prices, would not provide the revenue stabilisation needed by projects to secure finance.

This public consultation is a pivotal moment to identify enabling policies for corporate renewable procurement. A CPPA mandate would serve as a barrier and should not be given further consideration.

Ireland has the opportunity to improve the design of the PSO levy such that it incentivizes corporate procurement. [Question #2]

Corporates signing CPPAs contribute directly to the financing of new renewable energy projects and help deliver overall national targets. Large energy users and other companies in Ireland are already major contributors to the financing of renewable energy through the payment of the PSO levy through their electricity bills. Corporates thus contribute twice to renewable energy development - once through their direct renewable purchases, and again through PSO payments. This double commitment under the existing design of the PSO is a major barrier to the development of CPPAs.

We support restructuring the PSO levy so it sends a price signal to encourage businesses to procure renewable energy in Ireland. This can be done by proportionally modifying the PSO to account for renewable energy projects that are voluntarily financed by corporates. We recommend this policy change so corporate buyers are not placed at a financial disadvantage when committing to long-term energy purchases.

We also believe it is possible to design the PSO modification so it reduces overall consumer costs. As corporate procurement increases and supports the development of renewable assets outside of the RESS, PSO-supported renewable energy volumes will be able to decrease, thus lowering the overall size of the PSO levy. We recommend further study on the potential net benefits to consumers to be realised by a PSO modification.

RE-Source supports the policy proposal for a “RESS-specific PSO exemption for CPPAs.” We support expanding the policy to a full PSO exemption and allowing the exemption to apply to other forms of direct investment in renewable energy. Under these conditions, the PSO will send a price signal that encourages the market-driven deployment of renewables in Ireland, and can potentially reduce costs for all consumers.

The Irish CPPA market can be broadened to include more companies through credit risk reduction measures. [Question #2]

To expand the CPPA market in Ireland to more corporates of different sizes, RE-Source welcomes measures to set up financing and credit de-risking facilities as seen in other Member States. RE-Source supports the policy proposal for a “3rd party default guarantee on CPPAs,” which partially addresses the need for credit risk reduction policies, and highlights existing policies in Norway, where energy-intensive companies and buyer consortiums can benefit from a public guarantee scheme supported by the Norwegian Export Credit Guarantee Agency. We also recommend looking to the Spanish government, which recently announced a financial support scheme for corporates seeking CPPAs that will include credit risk guarantees to help drive investment.

Innovative self-consumption business models such as direct wire PPAs should be encouraged in Ireland. [Question #2]

This public consultation presents the opportunity to support innovative business models for self-consumption. It is important for Ireland to implement Article 7 of the Electricity Directive (2019/944) to allow for the implementation of direct wire CPPAs. This would drastically reduce grid costs and shorten time required to deliver CPPAs, making projects increasingly viable.

<u>RE-Source supports the policy proposal to "Support direct wire for CPPAs."</u> For this model to play its full part delivering Ireland's renewable energy ambitions, it is crucial that GOs are generated from these direct wire connections. Currently GOs are only created for electricity exported to the grid and not for "behind the meter" generation.

Ireland should provide a more transparent framework for Guarantees of Origin (GO) with additional information captured to evidence renewable electricity consumption [Question #9]

GOs are meant to trace green electricity in the power system and therefore are critical to demonstrate the use of renewable electricity. Moreover, corporate energy buyers and other consumers are increasingly seeking more detailed information on the origin of their electricity. For this reason, a well-functioning framework for GOs is critical to the development of corporate renewable PPAs.

- Ireland should issue GOs to all renewable electricity producers, irrespective of whether the renewable energy projects are installed behind-the-meter or receive state support. Ireland, like some Member States (Spain, France, and Germany), retains GOs from renewable energy projects benefiting from state aid. This breaks the link between renewable energy producers and consumers and prevents PPAs from being signed. Article 19 of the Renewable Energy Directive already states that the price of the GOs needs to be factored into the level of support to avoid any double compensation.
- Corporates should be able to cancel GOs. Currently, corporates in Ireland are required to contract with a supply company or establish a supply company themselves to cancel GOs.
- GOs should contain an increased level of information both to support those consumers seeking to obtain more detail on the origin of their electricity and to empower renewable energy producers to market their electricity.

- Information related to the time of generation of the GO should be provided at a more granular level than simply annually to support corporate consumers willing to attest to the matching of supply and demand. Therefore, we would propose that the National Government or relevant authorities "time-stamp" the GOs issued to producers to know the precise time at which the underlying unit of energy was produced.