



PEOPLE BEFORE PROFIT

FIGHTING FOR WORKERS & ECO-SOCIALISM



Energy Policy

People Before Profit Policy On Energy Prices

Ireland is a wealthy country, with an energy system that was once world-renowned for its speed, efficiency and competence from the 1920s onwards. Ireland can afford to take leadership on climate action in a just and fair way that leaves carbon space for the poorest and developing countries. We have the technology, we have the expertise; the only barrier is the focus on profit over people and planet.

Energy prices are rising across the global economy in ways that reflect how the capitalist energy markets are becoming increasingly dysfunctional and preventing our energy systems from being used as they should; ending energy poverty, fighting climate change and enhancing national energy security to avoid blackouts.

Global leaders have talked about a switch to renewables to stop climate change, but this is not happening in practice. Renewables are not replacing fossil fuel-powered energy worldwide, but only adding to overall energy use. This is a result of the system being focused on profit and not public good.

One example of this is the decline in gas prices in 2015, for example, led to the construction of Liquefied Natural Gas terminals rather than a prioritisation of energy efficiency or renewables.

Growing tensions in international politics also have a role in energy production with Russia being accused of refusing to increase gas supplies to Europe, or the US applying pressure on Germany to scrap the Nord Stream 2 pipeline. This is accompanied by promotion of US fracked and LNG gas.

However, blaming the broader global situation is a means for Irish politicians to wring their hands and act as though they are powerless to change anything. Socialists understand the anarchy of the global market leads firstly to a failure to reduce carbon emissions and secondly rising prices that hit ordinary people. But we also have policies to deal with the specific problems that confront the Irish energy sector.

Irish Energy Prices: The Facts

People in the North spend 32% more on Gas and Electricity than the average household in the UK.

In the second half of 2019, the price of gas in the South was 12% above the EU average. The price of electricity in the 26 counties was 11% above the EU average and in 2021 they were 18% percent above the EU average.

These high energy prices hit those that are already struggling. Ireland has one of the highest rates of deaths from cold-related diseases - 2,800 per year.¹ To put this in context, 2,300 excess

¹ https://www.publichealth.ie/files/file/FuelPoverty_0.pdf

deaths were recorded during the worst of the Covid pandemic between March 2020 and February 2021.² Those worst affected are the elderly, single parents and their children as well as Travellers.

Both electricity and gas bills in the South are composed of unit rates, standing charges and VAT calculated at a rate of 13.5%. Electricity bills include a Public Service Obligation levy (PSO) while gas bills also include a carbon tax. This carbon tax amounts to €41 a ton and this will rise to €100 a ton by 2030. The average household pays €73 a year in carbon tax and this will increase to €93 a year as early as May 2022.

While these indirect taxes are inherently unfair because they are applied to everyone regardless of their income, they are not the sole reason for Ireland's unusually high energy prices. Even if these taxes were removed from the equation, Irish consumers would still be paying 53% above the EU average for their electricity. Irish consumers pay more because of the way in which energy is produced in Ireland.

Privatisation

The roots of this specifically Irish problem lie in the move to privatise energy production and treat it as a market for profit, rather than a natural monopoly to be run for public value or public good.

In the 1990s the EU sought to break up state-run energy companies across Europe, including as the ESB and Bord Gáis. In 1996 and 1998, the European Union introduced Electricity and Gas Directives, forcing member states to open their energy systems up to investors and sell off power plants and infrastructure to private capitalists.

Fianna Fáil did not seek an Irish derogation for this directive, even though the small size of the Irish market would exacerbate the worst effects of privatisation.

In 1999, Fianna Fail introduced the Electricity Regulation Bill which opened the market to competition. Two years later, they removed the 'not for profit' mandate of the ESB. Public companies that formerly operated on a not-for-profit basis are now forced into a market, requiring them to behave instead like private capitalists by seeking higher rates of profit.

Between 1986 and 2002, there were no price increases because the ESB did not operate on a for profit basis.. But these moves to privatisation alongside a failure to transition to renewable sources of energy have since led to price hikes for domestic consumers and black outs have started to occur in parts of Dublin. Here are the reasons why:

1. Electricity is produced on an all-island basis, through the Single Electricity Market, while gas is produced both in Ireland and via an interconnector from Britain. In both of these markets a variety of firms are operating, each seeking to maximise their own profits. Some energy companies may pay lip service to more sustainable energy sources but they have failed to invest in renewable energy sources. This has the result that half of Irish electricity is still produced by fossil fuels. As fossil fuels have risen in cost over the past number of years due to the global trends outlined above, the Irish consumer is forced to pick up the

² <https://www.rte.ie/news/2021/0430/1213042-cso-excess-deaths/>

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cost.

2. In order to further entrench a domestic market for energy, the government and the Commission for Energy Regulation raised the price of electricity and gas to make it more attractive for private companies to enter the market. They also attached a PSU levy to electricity bills, which, at time of writing, amounts to €58.57 annually. This money is used in order to subsidise private competitors of the ESB.
3. Privatisation or 'unbundling' has also brought inordinate costs. In capitalist markets, each company only seeks profit in its specific field. Each operator expects a return on their investments. Holistic approaches to energy consumption are therefore rendered impossible under capitalism, as a reduction in energy usage would run counter to the economic interest of the capitalists.

Second, energy supplier companies are charged for moving energy throughout the system. These charges are then passed down to ordinary energy users, making up one third of the household bill. There are special Transmission Use of System (TUoS) charges (or tariffs) paid by suppliers to Eirgrid and Gas Networks Ireland for using their transmission network, and Distribution Use of System (DUoS) tariffs paid to ESB Networks and Gas Networks Ireland to distribute energy.

Each company also charges others for moving energy throughout the system. Special tariffs are paid to Eirgrid and Gas Networks Ireland due to their ownership of the distribution or network. Other companies also add Distribution of Use of System charges to bring the energy to domestic users. In the South these charges are the third highest in the EU and, according to the Commission on Energy Regulation, amount to 11% of a user's bill.

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Irish households consume 7% more energy than the EU average. It is important to note that this is not a moral failing, but reflective of the poor insulation of houses on the island of Ireland. A mere 12% of these homes can achieve an A or B rating, which is an acceptable level of insulation.

In the North, it is estimated that every £1 in £4 spent on energy is wasted/lost. Similarly, in the North the average Energy Efficiency Rating for a dwelling is band D.

³ <https://www.bonkers.ie/blog/gas-electricity/why-are-energy-prices-increasing/>

Policies

The government proposal to give energy companies €100 per consumer to cut energy bills is too little and too late. Companies will pocket this subsidy while pushing up prices.

People Before Profit propose the following measures.

1. End investment in fossil fuel infrastructure - including plans for 4-7 new gas plants - and invest instead in energy efficiency and renewables, including public research and development funding for tidal and truly 'green' hydrogen. Ban the development of more data centres which are due to use 30% of our total electricity demand by 2030.
2. We call for governments in both Leinster House and Stormont to impose an immediate price cap order on energy companies. This cap would force these companies to produce gas and electricity at the price level of early 2021. A social cap should also be imposed on these companies (e.g. 2% rate of profit). At EU level, Ireland must join with France, Spain and Greece in backing price controls on energy and overhaul the energy market to deliver on climate action and affordable energy.⁴
3. The energy industry should be taken into public ownership and a 32 county not-for-profit energy company focused on immediate climate action and ending energy poverty. This would allow for the re-integration of production, supply, transmission and distribution and end the for-profit market for energy.
4. A public not-for-profit company should be created in order to undertake cheap retrofitting of housing across the island. This scheme would bring major benefits in both rural and urban areas, such as the creation of high quality jobs, Ireland becoming a global leader in high-quality warm and green housing, as well as wider social benefits for both physical and mental health, especially among children and the elderly.
5. The carbon tax should be abolished. Ireland must instead introduce taxes on the biggest polluters. It is unjust for ordinary households to shoulder the burden of taxation when the biggest polluters in cement, gas, coal and data centres paid only €6 under the EU ETS for years and only €20 before the pandemic. As it stands, The carbon tax is an unjust tax that hits the poorest in Irish society who are unable to afford in converting their homes to renewable sources of energy. Taxes on aviation, shipping and financial investment in fossil fuels should be implemented before taxes on inflexible household heating systems. People Before Profit's policy of climate justice entails shifting the burden to the biggest companies who should be forced to switch to more energy efficient and renewable forms of energy production.
6. A temporary reduction in VAT of fuel for households and small businesses as has been undertaken in Spain and elsewhere in the EU. VAT is an indirect tax that disproportionately impacts the poorer sections of society especially when the Irish government have not taken the measures required to enable people to obtain energy from

⁴ <https://www.independent.ie/business/world/spain-and-france-lead-calls-for-brussels-action-to-address-rising-energy-costs-40917197.html>

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sources other than fossil fuels.

7. The extra costs imposed on prepaid meter users should be abolished. 30,000 homes, or almost half of all customers of electricity in the North use PAYG meters.

BLACK
LIVES
MATTER

