

Industry spending over €800 million on energy, new report reveals

- Report examines impact on competitiveness of carbon tax proposals

Industrial energy use in Ireland now accounts for over €800 million per annum and is responsible for 10 million tonnes of CO₂ emissions, representing a quarter of national energy related emissions. That is according to David Taylor, Chief Executive, Sustainable Energy Ireland (SEI), speaking in Dublin at the launch of a new report profiling energy consumption and CO₂ emissions in industry. The report was compiled by SEI's Energy Policy Statistical Support Unit.

The report is the first examination of its kind of energy consumption, associated CO₂ emissions and costs across the entire Irish industrial sector and has been produced directly from source data at the level of the individual firm. The report is intended to help inform discussions relating to the potential impact of carbon energy taxes and emissions trading on the competitiveness of Irish manufacturing industry and on CO₂ abatement.

According to the report, which is available on the SEI website (www.sei.ie), energy use in industry is dominated by relatively few large energy consumers. Of all 4500 firms assessed, less than 10% (431) account for 80% of all industry's energy CO₂ emissions. 120 firms account for 60%, while just 14 firms account for 30%, of these emissions.

Industry's relative share of national energy demand has been falling, and now accounts for 24% of primary energy consumption compared with 27% in 1990. Energy expenditure by Irish industry stood at around €840 million in 2002.

Looking at the potential competitiveness impact of a carbon tax, the report finds that, at 2002 energy prices, a carbon tax at the rate of €20/t CO₂ as proposed in Government consultation documents would result in average price increases in the ranges of 21 - 28% for oil and 15 - 19% for gas in the firms affected.

However, for 97% of firms employing 96% of the industrial workforce such a tax would translate into an increase of less than 0.3% in a company's direct cost base. The study found that just 19 firms would experience an increase of more than 0.4-0.7% in their cost base. Moreover, 15 of these firms were large energy users, some of which may be exempt from the tax as they would be obliged to participate in EU emissions trading arising from the scale of their energy usage. Exemptions may also be possible for participants in negotiated agreements or other measures.

Commenting, Mr. Taylor said, "As climate change becomes a more pressing environmental policy issue, Government is in the process of considering and implementing a range of measures, including the proposed introduction of a carbon tax in 2005. This report shows that the proposed carbon tax would not in itself be an adequate instrument for achieving industry's abatement targets under the Government's National Climate Change Strategy."

"Annually the proposed carbon tax would result in estimated costs of €28 million to affected firms, yielding a prospective CO₂ abatement of 152,000 tonnes. By comparison, a recent SEI report has shown that Negotiated Energy Agreements with industry have the potential to yield up to 640,000 tonnes per annum of abatement within the context of carbon tax", he added.

Mr. Taylor concluded, "Going forward, it will be vital for firms to have recourse to a variety of approaches, including negotiated agreements, allowing them the flexibility appropriate to making their full contribution to the goal of reducing our CO₂ emissions, while also minimising the cost and competitiveness impacts".

Sustainable Energy Ireland is a statutory authority charged with promoting and assisting the development of sustainable energy. Sustainable Energy Ireland is funded by the Irish Government under the National Development Plan 2000-2006 with programmes part financed by the European Union.

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About SEI's Energy Policy Statistical Support Unit

SEI has a lead role in developing and maintaining comprehensive national and sectoral statistics for energy production, transformation and end use. This data is a vital input to meeting international reporting obligations, advising policy makers, and informing investment decisions. Based in Cork, the Energy Policy Statistical Support Unit is SEI's specialist statistics team. Its core functions are to:

- collect, process and publish energy statistics to support policy analysis and development in line with national needs and international obligations
- conduct analyses of energy services sectors and sustainable energy options;
- contribute to the development and promulgation of appropriate sustainability indicators