



Press Release

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Electricity cost competitiveness and security of supply are key issues for enterprise- Forfás

"Electricity is a key input to all services and manufacturing enterprises. The cost of electricity in Ireland is now second highest in Europe and this is impacting on the ability of firms to compete in international markets," commented Martin Cronin, Chief Executive, Forfás, at the launch of the agency's 2007 electricity benchmarking study.

The study assesses Ireland's comparative performance on the supply of electricity and highlights a number of policy issues that need to be addressed to achieve a more competitively priced, secure and environmentally sustainable supply of electricity.

Mr Cronin said "While a number of factors that affect electricity prices are outside Ireland's direct control, such as global fuel price volatility, there are a number of areas where Ireland can act to restore cost competitiveness and improve the adequacy of our electricity supply. Full and timely implementation of the actions set out in the Government's Energy White Paper is critical to improving Ireland's performance in meeting the electricity needs of business.

The main priorities include increasing competition in the electricity market through encouraging and facilitating new entrants, the full ownership unbundling of the transmission network and the provision of the planned interconnectors to Northern Ireland and to the UK. Additional generation capacity needs to come on stream as planned to ensure an adequate supply of electricity in the medium to long term. Better energy use also has a key role to play in addressing the cost and adequacy issues."

Key Findings:

Pricing and capacity

- Industrial electricity prices in Ireland are the second highest of the EU-25. The cost of electricity for business was 18.7 percent above the EU-15 average in January 2007 an increase from being 16.7 percent above the EU-15 average in 2006.
- For the period 2008-2010, significant improvements in the availability performance of generating plant will be required to avoid generation capacity deficits, and timely provision of new generation capacity will be needed.

Demand

- The increase in electricity demand in Ireland in recent years has been among the highest in the OECD due to strong economic and population growth. Electricity demand grew by 4.5 percent in 2006, which is the equivalent of a new 400 MW generation plant every two years.

Positive developments

- The energy intensity of industry (electricity consumed per unit of sales) has decreased by 43 percent over the period 1990-2005. Changes in the structure of Irish industry and progress in improving energy efficiency are the main factors driving that improvement.
- The contribution to electricity generation from renewable sources has continued to grow strongly in Ireland, increasing to 8.6 percent of total electricity generation in 2006, up from 4.8 percent in 2005.