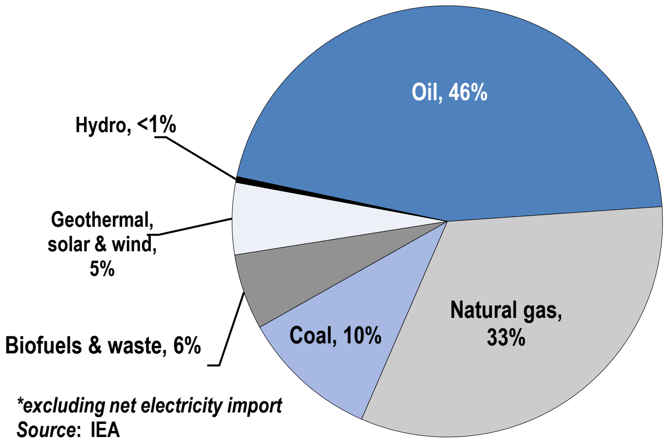
Ireland

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries, eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

Energy resources and market structure

Ireland has few fossil fuel resources of its own and imports most of its fuels. The only indigenously produced energy sources are peat, combustible renewables, waste, and some natural gas. Until 2016, ninety-six per cent (96%) of the gas consumed in Ireland was imported via an interconnector with the United Kingdom, due to the depletion of the national mature gas fields. Though, in 2016, the Corrib field—which was discovered in 1997 but which start-up had been delayed until the end of 2015—provided sufficient gas to reduce imports to 40% of the TPES.

Total Primary Energy Supply* in 2018



*excluding net electricity import
Source: IEA

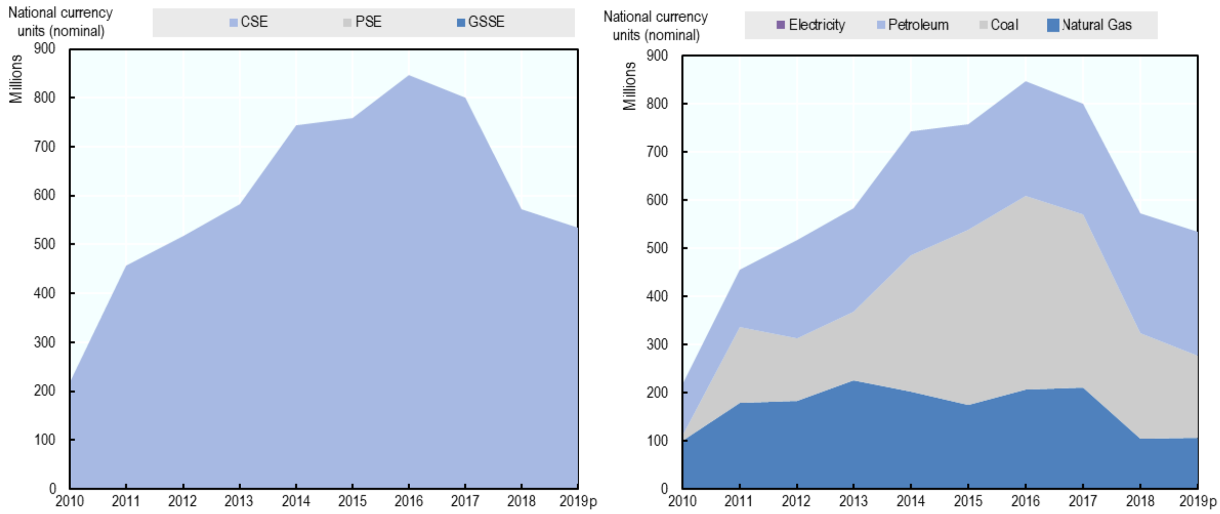
The energy sector is characterised by a mix of private and publicly-owned companies. The oil industry is fully deregulated and privatised with several companies competing in the retail sector. The Irish National Petroleum Company, a state-owned enterprise (SOE), operated Ireland's only refinery at Whitegate, Co. Cork, prior to 2001. That year, the refinery, with a capacity of 75,000 barrels per day, was sold to Tosco Corporation for USD 100 million. The refinery is currently operated by Irving Oil and supplies c. 30% of Ireland's demand for petroleum products, mainly in the south of the country.

In Ireland, state-owned companies dominate electricity, peat and natural gas markets, with 43% of the generating capacity being held by the Electricity Supply Board (ESB). ESB's share of power generation has been falling with the entry of new power producers but it continues to own the transmission system and the distribution network. EirGrid operates the transmission system. For natural gas, Gas Networks Ireland (GNI) own, operate, build and maintain the natural gas network in the country. GNI connects all customers to the network regardless of which natural gas supply company the customer chooses.. The country's main peat producer, Bord na Móna, is a commercial semi state body.

Energy prices and taxes

Energy prices are deregulated and set by the market. Customers have the option of switching suppliers. The Commission for the Regulation of Utilities, the independent regulator, regulates electricity and gas network charges. Fuel and energy services with the exception of gasoline and diesel fuels used on roads are subject to a special VAT rate of 13.5%. Fuel for road-use is taxed at the normal VAT rate of 23%. Excise taxes are levied on all oil products used as fuel, as well as on natural gas, coal, peat and electricity. In the case of oil products, the excise charge incorporates a component based on fuel's carbon emissions, and in the case of natural gas, and solid fuel (coal and peat) the excise duty charge is entirely based on the fuel's carbon emissions. The National Oil Reserve Agency (NORA) also charges a monthly levy, on relevant disposals of petroleum products in the preceding month.

Total support for fossil fuels in Ireland by support indicator (left) and fuel type (right)



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate

Recent developments and trends in support

Main forms of support in Ireland are : (i) a compensation scheme for electricity produced from peat and support for renewables, (ii) a fuel allowance to low-income households, and (iii) exemptions from Mineral Oil Tax (MOT), Natural Gas Carbon Tax (NGCT) and Solid Fuel Carbon Tax (SFC) for certain uses.

In the compensation scheme for peat, electricity consumers are charged a public service obligation levy to finance the additional costs incurred by the electricity supply boards during peat-generated power purchases. PSO Levy supports for peat generation ceased at the end of calendar year 2019. There are exemptions from MOT, NGCT and SFCT for the fossil fuels of oil products, natural gas and solid fuel put to certain uses. There is a full relief from these taxes for these fossil fuels used in the generation of electricity, chemical reduction and electrolytic and metallurgical processes. There is a partial relief for these fossil fuels used in installations covered by a greenhouse gas emission permit issued by the Environmental Protection Agency (peat attracts a full relief from SFCT). In 2018, Ireland's Strategic Investment Fund (ISIF) announced a policy to divest existing investments in fossil-fuel companies wherein shares will be sold off within the next five years.

Examples of measures	
Expensing of exploration and development costs	Under this measure, a full tax deduction rate of 25% (as compared to the 12.5% rate applicable to other sectors) are allowed for exploration, development, and field-abandonment costs of petroleum activities in the year in which they are incurred. Unclaimed deductions can be carried forward for an unlimited amount of time.
Public service obligation for Peat and Renewables (1999-2019)	The PSO Levy supports the development of renewable electricity, which is important for security of supply, for reducing carbon emissions from electricity generation and is a necessary policy support to enable Ireland to reach legally binding renewable electricity targets; and electricity generation which was constructed for security of supply purposes (peat generation). PSO Levy supports for peat generation ceased at the end of calendar year 2019.