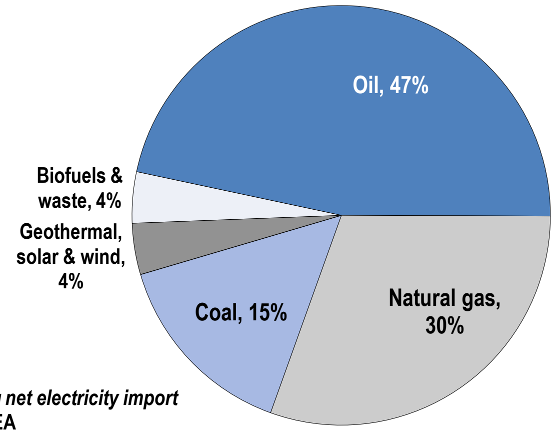
Ireland

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 and eight large partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

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 2016



*excluding net electricity import
Source: IEA

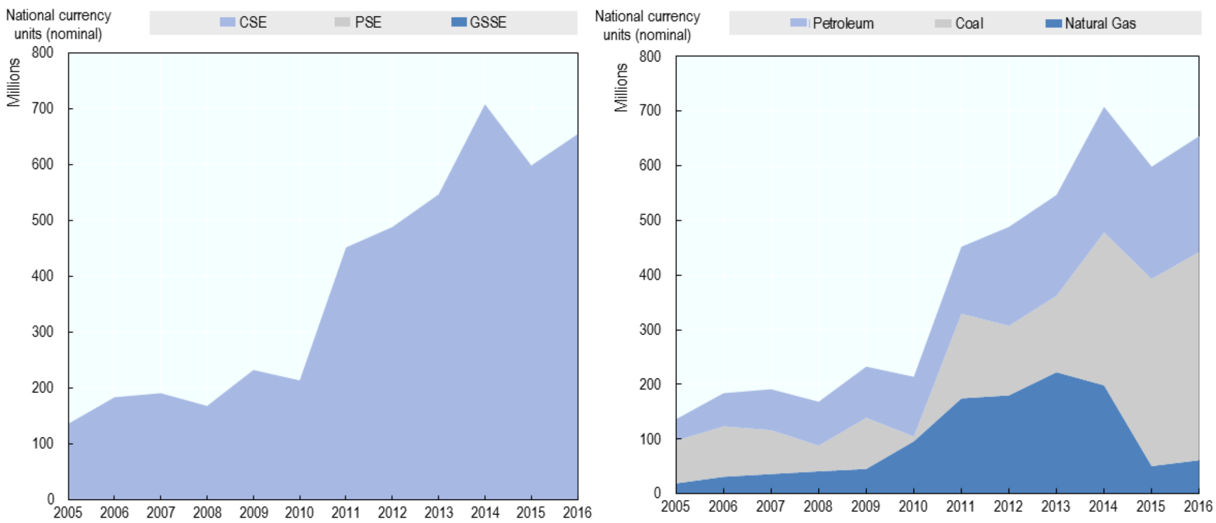
The energy sector is characterised by a mix of private and publicly-owned companies. The oil industry is fully deregulated and privatised with several companies competing in the retail sector. The Irish National Petroleum Company, a state-owned enterprise (SOE), owned Ireland's only refinery for several decades prior to 2001. That year, the Whitegate refinery in Cork, with a capacity of 75,000 barrels per day, was sold to Tosco Corporation for USD 100 million. This refinery supplies 41% of Ireland's demand for petroleum products.

In Ireland, state-owned companies dominate electricity, peat and natural gas markets, with two-thirds 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. Bord Gáis Éireann (BGE) owns the transmission and distribution network with retail competition developing to only a relatively small degree. The country's main peat producer, Bord na Móna, is partially owned by the state.

Energy prices and taxes

The prices of all energy products with the exception of natural gas and electricity are deregulated and set by the market. Customers have the option of switching suppliers. The electricity and gas tariffs of ECB and BGE for small and medium sized enterprises along with network charges are regulated by the Commission for Energy Regulation (CER) on a cost-of-service basis. 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 OilReserve Agency 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

During the 2017 update round of this Inventory, a number of estimates have been included, substantially changing the picture of support to fossil fuels in Ireland that the Inventory used to provide. The main forms of support are (i) a compensation scheme for electricity produced from peat, (ii) a fuel allowance to low-income households, and (iii) a Solid Fuel Carbon Tax (SFCT) exemption for certain uses. The compensation scheme for peat was introduced in 2003. 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. The amount is set by the regulator CER on an annual basis. The fuel allowance was introduced in 1988 but data is available only from 2005 onwards. The SFCT was introduced in 2013 with some exemptions, namely to solid fuels used solely in the generation of electricity, chemical reduction, electrolytic and metallurgical processes, and for peat used in installations covered by a greenhouse gas emissions permit issued by the Environmental Protection Agency. Coal used in the same plants attracts a partial exemption.

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 (1999-)	The costs of generating electricity using peat usually exceed the market price. All final electricity consumers are therefore charged a Public Service Obligation (PSO) levy to finance purchases of peat-generated power by the Electricity Supply Board (ESB).