

Opening Statement – Joint Committee on Climate, Environment and Energy

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Introduction

My name is Niall Farrell, and I am joined by my colleague John Curtis. We would like to thank the chair for the invitation to appear before the Committee today.

Context

Eurostat data shows that in Ireland, residential electricity prices in the second half of 2024 were roughly double what they were in 2018, before changes to taxes and levies are taken into account. Policy measures, including energy credits and reduced VAT rates, helped shield consumers from some, but not all, of this additional burden.

Irish electricity prices have fallen from their 2023 peak, but the decline has been less than in many other European countries. The exact reason is difficult to establish, but several plausible factors exist. Ireland's limited ability to diversify away from gas-fired generation, for example, reduces the scope for wholesale price reductions.

As noted recently by the International Energy Agency,ⁱ the gap between Irish wholesale and retail electricity prices has widened since the energy crisis. This has occurred in many other European countries, but to a greater extent in Ireland. Possible explanations include fewer risk-mitigation options and weaker competition in the Irish market. Limited public data constrains understanding and may suggest a role for regulator inquiry.

Renewable energy deployment will be required to meet decarbonisation targets. Construction sector capacityⁱⁱ and an efficient planning systemⁱⁱⁱ will influence progress.

Finally, rising network costs will increase our electricity prices over the next five years. According to the CRU, residential energy bills may rise by an estimated €80 per annum^{iv,v}

Tackling Energy Affordability

Tariffs should be *cost reflective* to guide efficient use and investment in the system. The unit price should reflect the cost of generation and standing charges should reflect each consumer's fair share of fixed costs.^{vi,vii}

Irish tariffs are currently not cost reflective. The CRU are undergoing a network charging review.^{viii} This is welcome; a cost-reflective reform guides the efficient evolution of the system, minimising unnecessary costs for consumers.^{ix,x}

The principle of cost reflectivity implies that social tariffs or VAT adjustments can undermine the efficient use and evolution of the system. It also undermines environmental objectives, counteracting efforts to reduce consumption and therefore emissions.

There are more efficient and equitable options available to assist with energy affordability.

- **Policy options to tackle energy affordability.**

There are three primary means by which policy may assist households with ability to pay; uniform transfers (e.g. energy credits), targeted transfers (e.g. changes to social transfers) and changes to energy prices (e.g. VAT rate changes).

Changes to energy prices are least progressive; a greater proportion of the financial transfer goes to those who are most well-off as they tend to consume more electricity. Uniform transfers are second least progressive. Targeted social transfers are most progressive.^{xi} For each euro spent, social transfers benefit vulnerable households to a greater extent than changes to prices or uniform transfers.

Policy may also seek to lower energy costs for vulnerable households. Such policies include the promotion of supplier switching or retrofit support. Some evidence merits consideration.

- Much evidence shows that household energy savings are smaller than BER metrics imply.^{xii} While retrofits may aid comfort, and reduce energy expenditures somewhat, the magnitude may be overstated. Further research is required to fully understand why.
- Information campaigns are commonly used to prompt actions such as switching suppliers or to engage in more cost-effective behaviour. Evidence suggests that careful design is required: information campaigns that do not identify and target a specific barrier to a desired action have been found to be ineffective.^{xiii}

Finally, salience is an important issue

Political acceptability will be an increasingly important component of decarbonisation policy and should be considered when designing energy affordability policy.

International research (Klenert et al. 2018^{xiv}) has shown that salient and visible benefits are more acceptable to citizens and therefore more likely to succeed. This may inform the design of energy

affordability measures, such as a targeted energy credit for eligible households, via a bespoke cheque or an electricity bill adjustment. This may require the cooperation of multiple government agencies and departments.

Concluding remarks

The evidence presents some clear guidelines for energy affordability policy. Adjusting prices can undermine environmental policy and are also least effective in addressing distributional objectives. Targeted transfers are more effective. The design of a salient transfer can maximise the likelihood that decarbonisation policies are received positively. Data suggests that investment in insulation may have a lesser effect on consumption than expected, whilst information campaigns must target a specific barrier.

ⁱ International Energy Agency. (2025). *Renewables 2025*. IEA. <https://www.iea.org/reports/renewables-2025>

ⁱⁱ Kakkar, P., Farrell, N., and Lynch, M. (2024). Energy: chapter 4 in *The National Development Plan in 2023: priorities and capacity*, Barrett, A. and Curtis, J. (eds.), *The National Development Plan in 2023: priorities and capacity*, Dublin: ESRI, Dublin: ESRI, <https://doi.org/10.26504/sustat123>

ⁱⁱⁱ Longoria, G., Lynch, M., Farrell, N. and Curtis, J. (2024) “The impact of extended decision times in planning and regulatory processes for energy infrastructure”, *Utilities Policy*. <https://doi.org/10.1016/j.jup.2024.101824>

^{iv} CRU. (2025). Price Review 6 – Impact Analysis Note. Retrieved from <https://consult.cru.ie/en/system/files/materials/492/CRU202591%20-%20Price%20Review%20Six%20-%20Impact%20Analysis%20Note.PDF>

^v CRU. (2025). Price Review 6: Investing in Ireland’s Energy Future. Retrieved from https://consult.cru.ie/en/system/files/flipbook_pdf/CRU202586%20-%20Price%20Review%20Six%20-%20Summary%20Paper%20%283%29.pdf

^{vi} Farrell, N., & Meles, T. H. (2025). The equity and efficiency effects of electricity network tariff reform: Evidence from Ireland. *The Energy Journal*, 46(5), 1–23. <https://doi.org/10.1177/01956574251334363>

^{vii} Farrell, N. (2021). The increasing cost of ignoring Coase: Inefficient electricity tariffs, welfare loss and welfare-reducing technological change. *Energy Economics*, 97, 104848. doi:<https://doi.org/10.1016/j.eneco.2020.104848>

^{viii} Commission for Regulation of Utilities. (2025, September 10). *Electricity Network Tariff Structure Review: Consultation Information Paper*. <https://consult.cru.ie/en/consultation/electricity-network-tariff-structure-review>

^{ix} Spiller, E., Esparza, R., Mohlin, K., Tapia-Ahumada, K., & Ünel, B. (2023). The role of electricity tariff design in distributed energy resource deployment. *Energy Economics*, 120, 106500. <https://doi.org/10.1016/j.eneco.2022.106500>

^x Farrell, N. (2021). The increasing cost of ignoring Coase: Inefficient electricity tariffs, welfare loss and welfare-reducing technological change. *Energy Economics*, 97, 104848. doi:<https://doi.org/10.1016/j.eneco.2020.104848>

^{xi} For further discussion, see Barrett, M., Farrell, N., & Roantree, B. (2022). *Energy poverty and deprivation in Ireland* (ESRI Research Series No. RS144). Dublin: Economic and Social Research Institute. <https://doi.org/10.26504/rs144>

^{xii} See Coyne, B., & Denny, E. (2021). *Mind the energy performance gap: Testing the accuracy of building Energy Performance Certificates in Ireland*. *Energy Efficiency*, 14, 571. <https://doi.org/10.1007/s12053-021-09960-1>

^{xiii} This literature has been reviewed by: Estévez, A., and Farrell, N. (2025). Memo on energy affordability and energy poverty research: Submission of evidence to the National Energy Affordability Taskforce, ESRI Submission 202501, Dublin: ESRI, <https://www.esri.ie/publications/memo-on-energy-affordability-and-energy-poverty-research-submission-of-evidence-to-the>

^{xiv} See Klenert, D., Mattauch, L., Combet, E., Edenhofer, O., Hepburn, C., Rafaty, R., & Stern, N. (2018). *Making carbon pricing work for citizens*. *Nature Climate Change*, 8(8), 669–677. <https://doi.org/10.1038/s41558-018-0201-2>