

Minister defends electricity levy

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The Government and the energy regulator have defended the decision to introduce a new levy that will lead to an increase in electricity prices of up to 5 per cent.

Minister for Energy Eamon Ryan unveiled plans for the public service obligation (PSO) levy last week.

Coming into effect from October, the charge is expected to raise up to €157 million and will be used to offset the costs faced by electricity producers who are obliged to buy a certain proportion of renewable and peat-generated electricity.

However, opposition politicians and consumer groups have warned the increase in prices will put more pressure on consumers.

Speaking on RTÉ's *Morning Ireland*, the chairman of the Commission for Energy Regulation, Michael Tutty, said electricity prices had not increased for some time and that the levy was needed to ensure security of future supply.

"It is just reflecting the actual costs that are out there, it's not that some one decided there should be a price increase," he said.

"[The public service obligation levy] is there to protect the consumer in the future through promoting renewables, which will give us security of supply. We are very dependent on imported fossil fuels. Most of our electricity is produced from gas, which is almost all imported.

"The renewables will help us a lot in the future, will help to keep prices down, will give us security of supply. The peat generating stations are there because they are an indigenous fuel, it is also more secure than importing gas from abroad, and also gives jobs in the midland, Bord na Móna and the stations."

Mr Tutty said the recently reported profits of more than €500 million from ESB included the disposal of capital assets and did not reflect its usual business.

The Republic is strongly dependent on fossil fuels for energy generation, and as such are vulnerable to fluctuating energy prices.

Minister for Agriculture Brendan Smith said this afternoon the levy was "absolutely necessary", and said it would help the Government deliver on its EU targets for renewable energy.

"The Government has a very strong green energy commitment to ensuring that we generate more of our energy needs throughout our own country through renewables, and through wind, tide and wave generation of electricity as well," he told RTÉ Radio. "If we don't set about putting in place the necessary infrastructure to ensure security of electricity supply then down the road we could be in serious trouble."

He also defended the timing of the levy's introduction, saying prices had fallen in the past year almost 24 per cent compared to the EU average.

However not all of his party colleagues agreed with the price hike. Fianna Fail TD for Dublin South Chris Andrews said the ESB should absorb some of the PSO instead of passing the full cost on to businesses and consumers.

"I'm not convinced that a justifiable case has been made for an increase of this magnitude and I would like to see this being funded, at least in part, by cost savings within the ESB," he said.

"I feel that the proposed price hike is particularly testing for people given the large salaries of some senior staff in the ESB and believe that no increases should be forced onto taxpayers before the review of pay rates of semi-state CEOs is complete."

Opposition politicians have also criticised the move. Labour's energy spokeswoman Liz McManus said Mr Ryan's silence on the issue was "unacceptable" and called on him to ensure consumers and businesses were supported.

"A 5 per cent increase in electricity prices will put a terrible strain on struggling SMEs and on households dependent on low incomes," she said.

Ms McManus called for a stop to plans to force ESB to change the brand name of its retail sector in a bid to save money. She is also seeking a commitment that the funds raised from the carbon revenue levy legislation be ringfenced, and an altering of the formula for allocating the charge to ensure that it is fair.

Sinn Féin's energy spokesperson Martin Ferris said the proposal would "punish already struggling families" and businesses struggling with costs.

"The decision by the government to introduce this new levy at a time of unprecedented hardship for households and businesses is simply ludicrous," he said.

"I would seriously question the need for this levy given that the ESB only recently reported profits of €500 million. At the very least the government should delay its introduction. It makes absolutely no sense whatsoever and further highlights how clueless this government is when it comes to turning our economy around."

Age Action warned the levy could tip many older people into fuel poverty.

"Older people because they are more fuel dependent than other groups in society spend a high proportion of their income on fuel and energy," said spokesman Gerard Scully. "So any increase in either domestic heating fuel or electricity will mean those older people surviving on State pensions will find it increasingly difficult to maintain themselves with any sense of security or dignity."

Fine Gael yesterday urged Mr Ryan to postpone the introduction of the levy. "Responsibility for this price hike lies firmly with the Minister, Eamon Ryan," said Fine Gael energy spokesman Leo Varadkar.

"Consumers and business are going to have to pay the bill for Eamon Ryan's green energy revolution and his unwillingness to squeeze the ESB."

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