

In our Topical News section, we bring you extracts from a couple of recently published articles in The Irish Times (27th October 2022) , outlining how the energy crisis has resulted in a dramatic increase in investment appetite for renewables in Ireland and how governance is central to ensuring that ESG strategy becomes embedded in company culture and gives a competitive edge.



Energy crisis accelerates green focus

According to O’Connell, S (2022), the EU is accelerating energy policy towards an increase in renewable energy and less reliance on fossil fuels, prompted , not least, by the effect of the war in Ukraine on energy supply:

The predicament facing Ireland is summed up starkly by John Young, head of policy and external relations Ireland at the energy company SSE. “The war [in Ukraine] has exposed that most countries, including Ireland, are over-reliant on fossil fuels,” says Young. “This is particularly true of gas, of which Russia is a major supplier. While in Ireland we’re less reliant on Russian gas, this shortfall and ongoing concern affects the continent at large, particularly in terms of increased price volatility.”

“At the same time we have seen first-hand the impact of the climate crisis, with extreme heat and fires across Europe this summer adding to the increasingly extreme nature of our weather. Bringing these things together we see the need to reduce reliance on fossil fuels, become more energy independent and tackle the climate crisis. It’s clear why at an EU level there has been a massive push to accelerate and increase the deployment of renewable energy.”

The EU's REPowerEU publication, released earlier this year, calls on member states to accelerate growth of renewable energy and remove blockers to its rollout. The EU has also agreed short-term measures to address customer affordability and decrease energy use where possible.

"While these short-term measures will help manage the energy crisis, it is clean electricity infrastructure that will get us out of this crisis in the medium term and avoid future crises of this nature," says Young.

"Indeed, if we had more offshore wind, more renewables, more hydrogen, more batteries and other clean technologies, and greater uptake of energy efficiency measures, there would be nothing Russia or any other actor could do to disrupt our energy supplies and distort our markets," says Young.

O'Connell, S (2022)

O'Connell, S (2022) continues to outline how Ireland's approach to the alternative energy sources is at the heart of government policy and how we can take advantage of our own natural and renewable energy sources:

Ireland has had success with onshore wind, achieving its target of 40 per cent renewable electricity by 2030. But fossil fuels still account for the majority of Ireland's electricity needs. The Government has now set a target of 80 per cent renewable electricity by 2030 and a halving of overall emissions. While that is ambitious, the scale of opportunity of offshore wind will help. Ireland has one of the best wind resources in the world, with territorial waters many times larger than its land mass. The Government has set a target of 7GW of offshore wind by 2030 and shown its determination with the completion of the Maritime Area Planning Bill, a key piece of policy needed to kick-start it.

"We will see first batch of offshore wind projects enter the planning system for the offshore wind farm next year and it is key that An Bord Pleanála is resourced and ready to progress applications quickly and the process is fair and equitable to ensure projects do not sit in the planning process for an extended time," says Young. There is no time to delay the transition to renewables, says Russell Smyth, head of sustainable futures at KPMG. "The energy crisis has resulted in a dramatic increase in investment appetite for renewables, with its historical benefits of cleaner and cheaper energy now supplemented with a key role in driving energy security. Tough and decisive decisions need to be taken in the upcoming Climate Action Plan and the Government must invest in appropriate resources for our key departments," he says.

"As highlighted in EirGrid's generation adequacy report, we have urgent and critical issues that need addressing. We should not, however, lose sight of the net-zero economy opportunities Ireland can benefit from by becoming a source of abundant renewable energy, we now need to put the right structures in place to capitalise on this for future generations."

Ireland is already a world leader in onshore energy. As a result, “we have an incredible ecosystem built up here in Ireland already, expertise that will stand to our benefit over the next 10 years,” says Noel Cuniffe, chief executive of Wind Energy Ireland, the representative body for the Irish wind industry and promoter of the Green Tech Skillnet. After Ireland’s pioneering offshore wind facility off Arklow, offshore wind stalled.

“The technology was still evolving at the time, it was really expensive, and then recession hit,” explains Cuniffe. “Government made the decision to focus on onshore wind at the time and deliver all the policies it needed, which was good. But we should have started back to offshore sooner. In the meantime, countries such as Denmark, the UK and Netherlands have seen offshore thrive.”

Offshore is now being prioritised by government but planning delays are a concern. Decisions that should take 18 weeks “are much closer to 18 months”, says Cuniffe. “The process is five or six times longer than it should be.”

Strategic Power Projects designs, supplies and installs renewable energy systems for large energy users. Its managing director, Paul Carson, believes planning delays here undermine our ability to meet the Government’s renewable energy targets. Planning delays also impact on a company’s ability to apply for a grid connection for projects, which can only be made in September each year.

“Businesses want renewable energy. They want to be seen to be responsible. But unfortunately, the systems, processes and policies are not bringing us anywhere close to hitting our targets by 2030,” says Carson. “The country needs renewable energy to get away from fossil fuels, to reduce carbon emissions and to improve security of supply by diversifying.”

“But the issue always comes back to the local community piece – getting the community to buy in and support it. There has to be a public realisation that we need these projects in the national interest.”

It should help that companies overwhelmingly see carbon reduction as fundamental to their business operations, according to a 2021 report from telecoms company Huawei. It commissioned Amárach Research to see how digital technologies could help Ireland achieve its 2030 carbon reduction targets and found that successfully deploying digital technologies could deliver up to 40 per cent of the reduction in carbon emissions needed to meet Ireland’s 2030 targets.

“It is clear innovative digital technologies will play a central role in tackling climate change,” says Luke McDonnell, senior corporate communications manager at Huawei Ireland.”

“But it is only by working together that we can find and deploy the critical government, industry and society-wide digital solutions required for Ireland to meet its Climate Action Plan 2021 goals.”

O’Connell, S (2022)

Source: Irish Times, Sandra O’Connell, Thursday the 27th of October 2022

HIGH ESG performance essential for business

Corrigan, E (2022) emphasizes the role of governance in the implementation of ESG strategy and its importance for companies’ future growth:

As environmental issues become more pressing and more businesses implement ESG measures what will the new reporting standards being implemented at an EU level mean for companies’ sustainability initiatives?

What is green governance?

“Green governance” is a term that is becoming used and discussed increasingly more at board level in the dialogue surrounding environment, social and governance (ESG) yet in the wider ESG space it is a term which tends not to be often used, says Matheson Corporate partner Susanne McMenamin. “ESG is a framework for ensuring that business practices have regard for the environment in which they operate, including energy resources used, the output of waste and general impact on climate; social issues such as employee health and safety, human rights, data privacy of customers and employment practices; and governance of the business in an environmentally and socially sustainable manner, having regard to such issues as the supply chain of the organisation, corporate governance and risk management, and compliance.

“The G in ESG however, is the cornerstone for ensuring that ESG considerations form part of an organisation’s culture and strategy and is very much a top-down driven concept. Green governance is encapsulated in this ESG framework and as a concept centres itself around a board’s approach to governance through the lens of environmental concerns that impact the company’s shareholders and consumers alike, as well as those doing business with the company.”



Embedding it into the business

ESG should no longer be treated as a separate agenda from a company's core business strategy, says Russell Smyth, sustainability lead, KPMG. "The forthcoming regulatory requirements, including investors and stakeholders' pressure, is now driving companies to integrate ESG in their business model, investment decisions and, most importantly, unlocking new products and services to address various climate-related challenges." Embedding an ESG strategy can help to strengthen organisational value, generate new opportunities for employees, and attract future employees, says Smyth. "At a senior leadership level it provides a mechanism to communicate internally and externally on how the company is managing ESG risks and demonstrating resilience."

Placing environmental and social considerations at the heart of boardroom decision-making is a challenge that all boardrooms find themselves navigating today, says McMenamin. "Before companies can make meaningful progress on environmental and social change they need the foundation of a strong governance structure and the concept of green governance is encapsulated within this. Governance in this regard really underpins the environmental and social structures that can be established in a company."

Corrigan, E (2022)

According to Corrigan, E (2022), a new EU Directive will ensure greater corporate responsibility and reporting of company targets, particularly among larger and listed companies, in relation to their ESG strategy and its impact on the growth and value to the business:

New reporting framework

The purpose of the new Corporate Sustainability Reporting Directive (CSRD) is to ensure that companies report reliable and comparable sustainability information that investors and other stakeholders need, says Niamh O’Gorman, sustainability lead at Accenture in Ireland. “It focuses on all aspects of ESG and will likely come into effect in 2024. “The CSRD introduces new requirements for companies to provide information about their strategy, targets, role of the board and management, principle adverse impacts connected to the company and its value chain, intangibles, and how they have identified the information.”

The directive applies to all industries and all large companies, and most listed companies will need to comply, she says. This means that nearly 50,000 companies in the EU will now need to follow detailed EU sustainability reporting standards. This is compared to the 11,000 companies subject to the current requirements of the Non-Financial Reporting Directive (NFRD), which will be replaced by CSRD.

Being transparent

Transparency is more important than ever as whilst the reporting framework is still to be developed it is clear that there is an appetite across various stakeholders to understand who they are engaging with, says Derarca Dennis, EY Ireland assurance partner, and lead for climate change and sustainability services.

“ESG regulations are mandating this through their disclosure requirements but for many companies they are already being asked questions by their customers through tender processes or indeed the banks that finance them.”

“Thus while the CSRD is forcing companies to report on topics they previously might not have reported on, this really just mirrors what society wants to know. What’s more these reporting requirements are not only requiring companies to disclose their ambitions and initiatives, they require companies to report their progress, management approach, governance, and strategy behind each and every ESG claim they make.”

Whilst regulation is increasing the pressure for transparency, but this is also being driven by stakeholder needs and the global climate crisis, says Dennis. “Saying you are reducing your impact is no longer enough, you need to prove it through valid and transparent disclosure, measurement and reporting.”

Corrigan, E (2022)

Corrigan, E (2022) supports the argument that ESG strategy, including an increased use of renewable energy, can give a company a distinct competitive advantage:

Supporting the move to renewables

While there is a growing movement in the area of green governance, there is more work to be done from the top to promote the use of renewable energy, improve education and awareness in our communities and the quick implementation of policies to encourage sustainable development, says Paul Carson, managing director, Sustainable Power.

“At the highest level we need the structures and policies in place to create a more sustainable future. There must be immediate action here in terms of creating a more seamless planning process, grid connection policies and private wire legislation.”

“If we are to meet the 2030 targets there needs to be clarity in the process, linking planning through to grid. We need to get everyone resourced and working towards delivering the Climate Action targets. Switching from fossil fuel generation to renewable energy is a crucial step in meeting many of those ESG targets.”

Strategic advantage

ESG policies won't just help the environment – they'll also provide a competitive advantage. It's not just something companies need to do, there are significant opportunities for those who get it right, says O'Gorman. “The reality is that businesses that have high ESG performance deliver superior returns over time.”

“Of course, the value extends well beyond commercial returns. Higher ESG performance translates to value for customers, employees, and broader communities. A focus on sustainable development will be key to competitiveness and sustained success for businesses moving forward.”

Corrigan, E (2022)

Source: Irish Times, Edel Corrigan, Thursday the 27th of October 2022

References

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THE IRISH TIMES