



DPE 022/007/2021

31st May 2022

To: Accounting Officers

DPER Circular: 13/2022

Minute of the Minister for PER in response to the Committee of Public Accounts Report on the Examination of the 2019 and 2020 Appropriation Accounts for Vote 29 – Environment, Climate and Communications, and expenditure on the National Broadband Plan.

A Dhuine Uasail,

I am directed by the Minister for Public Expenditure and Reform to enclose, for your information and guidance, a copy of the Minute of the Minister for PER in response to the Committee of Public Accounts Report on the Examination of the 2019 and 2020 Appropriation Accounts for Vote 29 – Environment, Climate and Communications, and expenditure on the National Broadband Plan.

Issues raised

The Minute of the Minister addresses the following issues:

- Failure of the State to meet its greenhouse gas emissions and renewable energy targets;
- Clarity on sustainable energy programmes' expenditure;
- Total cost of landfill remediation;
- Failure of National Broadband Ireland to meet its targets for the rollout of the National Broadband Plan; and
- Develop in-house expertise to reduce reliance on external consultants for advice relating to the NBP contract

Enquiries

Enquiries in relation to this circular should be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571 or email: govacc@per.gov.ie.

Mise le Meas,

David Moloney

Secretary General

Committee of Public Accounts Report on the Examination of the 2019 and 2020 Appropriation Accounts for Vote 29 – Environment, Climate and Communications, and expenditure on the National Broadband Plan

Issue 1 – Failure of the State to meet its greenhouse gas emissions and renewable energy targets:

In order to meet Ireland’s obligations under the European Union’s (EU) ‘Renewable Energy Directive’, €50 million was spent in 2020 on specified quantities of renewable energy through statistical transfers of renewable energy¹ from other EU member states. These included the purchase of 1,000 GWh² from Denmark at a cost of €12.5 million, and 2,500 GWh from Estonia at a cost of €37.5 million. In its meeting with the Committee on 22 January 2021, the Department stated it had ‘made provision in 2021 for a potential additional €20 million’ for such transfers, dependent on the final 2020 figures for renewable energy production from the Sustainable Energy Authority of Ireland (SEAI).

The Committee also examined the State’s failure to meet its greenhouse gas emissions reduction targets for 2020. The target set for the State through the 2009 EU Effort Sharing Decision (ESD) was that greenhouse gas emissions for 2020 should be 20% below their 2005 value. The Environmental Protection Agency (EPA) estimated in October 2021 that the 2020 emissions would be approximately 7% below the 2005 levels. Therefore, the State will need to purchase additional carbon credits to comply with its ESD target for 2020. The EPA estimates that the State will need to purchase an additional 3.8 million credits. €8 million was allocated in the Revised Estimates for Public Services 2022 for the purchase of these carbon credits.

The Committee is concerned at the level of expenditure in 2020 by the Department on statistical transfers, and the potential expenditure required on carbon credits, as a result of the State’s failure to meet its greenhouse gas emissions and renewable energy targets.

Recommendation 1a:

The Committee recommends that the Department takes urgent action to meet these targets going forward, in order to reduce expenditure by the State on statistical transfers or carbon credits.

The Minister for Public Expenditure and Reform is informed by the Department of the Environment, Climate and Communications that it accepts this recommendation.

The Climate Action and Low Carbon Development (Amendment) Act 2021 and the Climate Action Plan 2021 reflect the enhanced ambition set out in the Programme for Government, which includes halving Ireland’s emissions by 2030 and setting Ireland on a pathway to reach net-zero greenhouse gas emissions by no later than 2050. This significantly strengthened legally binding framework has clear targets and commitments

¹ EU Member States may agree on and may make arrangements for the statistical transfer of a specified amount of energy from renewable sources from one Member State to another Member State, as per Article 6 of EU Directive 2009/28/EC

² Gigawatt hours, abbreviated as GWh, is a unit of energy representing one billion (1,000,000,000) watt hours and is equivalent to one million kilowatt hours.

set in law, which will help ensure that Ireland achieves its national, EU and international climate goals and obligations in the near and long-term.

The Climate Action Plan 2021 (and the accompanying Annex of Actions) provides key sectoral targets and actions for emissions reductions and also sets out indicative ranges of emissions reductions and associated actions for each sector of the economy.

The emission reduction ranges in the Climate Action Plan 2021 are consistent with a 51% reduction in emissions by 2030 relative to 2018 levels. The Plan leaves savings of 4 MtCO₂eq. unallocated on an economy-wide basis pending the identification of additional abatement measures. The Plan is designed on the basis that 2030 emissions and future climate action plans must be consistent with the legally adopted carbon budgets and sectoral emissions ceilings. The indicative ranges of emissions reductions for each sector, as set out in the 2021 Plan, will become specific ceilings in the Climate Action Plan 2023, following the legal adoption of carbon budgets and sectoral emissions ceilings in accordance with the 2021 Act.

The Climate Action Plan 2021 also commits to increasing the share of electricity demand generated from renewable sources in Ireland to up to 80%, without compromising security of electricity supply, reflecting the national target to reduce emissions by 51% by 2030, and to achieve climate neutrality by 2050 at the latest.

The National Energy Security Framework published on 13 April 2022 sets out that a key focus to ensuring security of supply is replacing fossil fuels with renewable energy and in particular the development of offshore wind. In this regard a new Delivery Taskforce chaired by the Department has been established to accelerate the development of offshore wind.

Recommendation 1b:

The Committee recommends that the Department provide the Committee with progress updates on the following matters by August 2022:

- **Efforts being made to reduce the State's greenhouse gas emissions,**
- **How the State is increasing its production of renewable energy, and**
- **Up-to-date figures for the expenditure required on:**
 - **Carbon credits to comply with the EU Effort Sharing Decision target set for the State in 2020, and**
 - **Statistical transfers of renewable energy in 2021.**

The Minister for Public Expenditure and Reform is informed by the Department of the Environment, Climate and Communications that it accepts this recommendation.

The Department the Environment, Climate and Communications will provide a progress report to the PAC as requested by end of August 2022.

Issue 2 – Clarity on sustainable energy programmes' expenditure:

In the 2019 and 2020 Appropriation Accounts for Vote 29, the subhead entitled 'Sustainable energy programmes' comprises the highest expenditure by far in the Energy programme under the Vote. The 2021 estimate provision for the subhead was €255 million, amounting to a significant increase from the 2020 estimate provision of €137 million for the subhead. In the Revised Estimates for Public Services 2022, the subhead is broken down into two new subheads entitled 'Residential/Community retrofit programmes' and 'Other energy efficiency programmes'. The combined estimate provision for these two subheads is €310 million, representing another significant increase from 2021.

As there is no breakdown of expenditure for the schemes that are covered under these subheads, it is difficult for the Committee to assess annual trends in spending for the individual schemes, or to examine whether value for money is being achieved through the operation of these schemes.

Recommendation 2:

The Committee recommends that, starting from the 2023 Appropriation Account, the Department provides the estimate provision and the outturn for the individual schemes that fall under the subheads entitled 'Residential/Community retrofit programmes' and 'Other energy efficiency programmes'.

Furthermore, the Committee recommends that the Department provides the Committee with a breakdown of the 2022 estimate provision for each of the schemes that fall under these subheads by the end of quarter two 2022.

The Minister for Public Expenditure and Reform is informed by the Department of the Environment, Climate and Communications that it accepts this recommendation but notes that estimates and expenditure are reported in the appropriation account in line with the Department's vote structure as published by the Department of Public Expenditure and Reform in the annual Estimates Volume. The Department will engage with SEAI to develop a format to publish a breakdown of the 'Residential/Community retrofit programmes' and 'Other energy efficiency programmes' expenditure to enhance access of all stakeholders to timely performance information with effect from 2023.

The Department will provide a breakdown of the 2022 capital estimate provision for the individual schemes that fall under the subheads entitled 'Residential/Community retrofit programmes' (Subhead B4) and 'Other energy efficiency programmes' (Subhead B5) to the Committee before the end of Quarter 2, 2022.

Issue 3 – Total cost of landfill remediation:

At end-2019, the Department had expended approximately €158 million on the remediation of 122 landfill sites, comprising local authority sites, privately owned sites and illegal waste sites. Chapter 9 of the Comptroller and Auditor General’s Report on the Accounts of the Public Services 2019 notes that the ‘level of expenditure for landfill remediation varied significantly between sites.’

The Department contributed €52.4 million to the remediation of the Haulbowline former industrial site in Cork harbour. While €33.5 million has been provided for essential works at landfill sites in Kerdiffstown, Co. Kildare, and Kilconnell, Co. Galway, the Department has estimated a further €68 million may be required for remediation works at both sites. The total cost of remediation works required at other sites has not yet been estimated.

Given the significant cost to the State for remediation works at landfill sites, the Committee is concerned that, as per the C&AG’s report, there is no estimate for the total cost of such works at sites where work is still ongoing.

Recommendation 3:

The Committee recommends that the Department provides it with an estimate, by the end of August 2022, for the total cost of remediation for landfill sites where remediation works are still required.

The Minister for Public Expenditure and Reform is informed by the Department of the Environment, Climate and Communications that it accepts this recommendation.

The Department the Environment, Climate and Communications will provide the information requested to the PAC by the end of August 2022.

Issue 4 – Failure of National Broadband Ireland to meet its targets for the rollout of the National Broadband Plan

In the contract for the National Broadband Plan (NBP), the agreed target for the number of premises to be passed by the end of year two of the contract (31 January 2022) was 115,000 premises, or 102,000 by the end of 2021³. In an interim remedial plan submitted by National Broadband Ireland (NBI) to the Department, a revised target of 60,000 premises passed by the end of 2021 was agreed and contractualised. However, the actual number of premises passed by the network by 31 January 2022 was 34,454.

The target for premises passed by the NBP network by the end of 2022 was 130,000⁴. In correspondence to the Committee in November 2021, the Department advised that a further remedial plan for 2022 was due to be submitted to it by NBI 'very shortly'. During the meeting of 10 February 2022, NBI could not give a specific target for premises passed by end-2022, but estimated that on-site construction would be completed for between 100,000 and 130,000 premises. NBI also estimated that it is currently running six months behind in terms of the project's progress.

Furthermore, only 7,000 of the number of premises passed (at the time of the meeting in February 2022) were connected to the network, which represents an 8.4% take-up rate. The Committee is not satisfied that NBI's targeted 85% take-up rate is realistic.

Given that NBI has received approximately €132.3 million in subsidies to the end of quarter three 2021, the Committee is concerned that the progress achieved to date does not represent value for money for the taxpayer.

Recommendation 4:

The Committee recommends that the Department:

- a) urgently provides it with a copy of the remedial plan agreed with NBI for the number of premises to be passed in 2022 by the NBP network,**
- b) works with NBI to minimise the delays to the deployment of the NBP network, and takes a strong oversight role in ensuring that NBI meet its 2022 targets for premises passed by the NBP network, once agreed,**
- c) strives to dramatically increase the take-up rate of the network, given the level of investment by the State in this project, and**
- d) provides a quarterly report to the Committee of the total amount of State subsidies received by NBI; the total number of connections made to, and premises passed by, the NBP network to date, indicating any milestones that have been achieved, missed, and/or amended; and the total value and nature of any penalties applied by the Department to NBI for failure to meet its contractual obligations.**

³ As set out on page 144 of the 2021 Revised Estimates for Public Services.

⁴ As set out on page 143 of the 2022 Revised Estimates for Public Services.

The Minister for Public Expenditure and Reform is informed by the Department of the Environment, Climate and Communications that it accepts recommendation 4 (a) to (d).

- a) On 29 April 2022 the Secretary General wrote to the Committee and provided an update on the Updated Interim Remedial Plan (UIRP) agreed with National Broadband Ireland (NBI). In summary the UIRP has contracted the delivery of 102,000 Premises Passed by the end of Contract Year 3 (end of January 2023).
- b) The National Broadband Plan team in the Department will continue to work with NBI in its efforts to mitigate delays to the network rollout and will maintain the strong role it currently has in the management and governance of the contract.
- c) The National Broadband Plan (NBP) is the government's initiative to deliver high speed broadband services to all premises in Ireland. This is being delivered through investment by commercial enterprises coupled with intervention by the State in those parts of the country where private companies have no plans to invest.

The NBP is a key aspect of government strategy across a number of key areas including climate, agriculture, education, transport, tourism, sustainable growth, jobs and health.

A key principle of the NBP is to support and stimulate commercial investment. Since the publication of the original NBP in 2012, the commercial telecommunications sector has invested over €2.75 billion. This was spent primarily on upgrading and modernising networks which support the provision of high speed broadband and mobile telecommunications services. Significant additional investment is expected over the coming years.

NBI has been contracted to rollout the necessary broadband infrastructure to provide access to high speed broadband within the State Intervention area. The State Intervention area includes:

- 537,596 premises
- 1.1 million people
- Over 54,000 farms
- 44,000 non-farm businesses
- 700 schools

NBI has confirmed to the Department that over 10,100 premises have been connected, as of 22 April, and this is increasing every day. To date, the level of connections is in line with projections and some areas are already exceeding targets. There is a strong commercial incentive for NBI to have a high percentage of connections to the network and the Department will continue to monitor the communications and demand stimulation plans.

- d) In relation to the recommendation on a quarterly report the Department is working with NBI to have weekly/monthly information available on the NBI's political representative's website page (www.nbi.ie/reps). The information on the site will include subsidy paid to date and the number of premises passed.

In addition, the Department will provide a quarterly report on the progress of implementation of the NBP.

Issue 5 – Develop in-house expertise to reduce reliance on external consultants for advice relating to the NBP contract

Between 2013 and the end of quarter three 2021, the Department spent approximately €42.5 million on external advisory services related to the NBP contract. Expenditure on such services totalled €8.9 million in 2020, and €10.1 million in 2021⁵.

In its engagement with the Department on 10 February 2022, the Department expressed a desire for such consultancy services to move in-house as the NBP project develops. However, the Department did not indicate how this could be achieved, how many staff would need to be recruited to do so, or when it intends to advertise those positions.

While the Committee recognises the importance of obtaining appropriate advice on a project in which the State is to invest up to €2.7 billion, it is concerned at the level of expenditure in this area.

Recommendation 5a:

The Committee recommends that the Department urgently explores the recruitment of staff to develop in-house expertise with regard to the NBP project and its oversight.

The Minister for Public Expenditure and Reform is informed by the Department of the Environment, Climate and Communications that it accepts this recommendation.

The Department, as the contracting authority, manages all elements of contract governance. The Department currently has a core existing team of circa. 25 people, which is augmented by specialist external services (c. 20 whole time equivalents) to effectively manage the contract. These include technical, commercial advisory, financial and legal services.

The Department is working to build up the internal skills of the team so that there will be less reliance on external expertise as the NBP build programme moves to a more steady-state stage, with funding for approximately 20 additional staff approved in Budget 2022. The Department's core team has expanded over the past year with seven posts filled in 2021 with 14 further vacancies are in the process of being filled to replace some of the external resources and bring more expertise in house, as appropriate. Arrangements are in place for effective knowledge transfer between advisors and the core team in order to mitigate the reliance on external advisors.

⁵ This figure was given in an answer to written Parliamentary Question 143, 19 January 2022

Recommendation 5b:

The Committee also recommends that the Department shares with the Committee any projections it has with regard to expenditure on external consultants over the lifetime of the NBP project, and provides an estimate on how much could be saved if the Department takes on advisory services currently provided by external consultants.

The Minister for Public Expenditure and Reform is informed by the Department of the Environment, Climate and Communications that it accepts this recommendation.

The Department does not have a current projection but will be undertaking an internal review of the projected expenditure on external consultancy costs over the remainder of the project during 2022 taking account of the development of in-house expertise and delivery profile. An update on the projections will be provided to the PAC in due course.

It is, therefore, not possible at this time to estimate the potential additional cost savings that would result from DECC staff taking over the work of external consultants. However, like all large infrastructure projects there will be an ongoing requirement for certain external expertise.

Given under the Official Seal of the Minister for Public
Expenditure and Reform on this the day of May, 2022.



L.S.

A handwritten signature in blue ink, which appears to be 'David Moloney', is written over the bottom portion of the official seal.

David Moloney

Secretary General

Department of Public Expenditure and Reform

31/05/2022

