FREE MAGAZINE FOOD&WINE
Domini Kemp's chicken schnitzel

PLUS In the kitchen with Gemma Austin
A salty success story

Business Post

March 3-4, 2024 • Vol 37 No 9 • businesspost.ie • Price £2.00

Revealed: Value of Ronan's €300m prized assets plunges

Page 3

Sunak's budget is Ireland's opportunity

DOMINIC McGRATH, OUR NEW UK CORRESPONDENT Page 17

Leo's leftward drift costing us in Europe

LUCINDA CREIGHTON Page 19

'High risk': Houses will not be built due to dire water shortage

• Unpublished report from expert group to warn state's housing targets in jeopardy

DONAL MACNAMEE AND LORCAN ALLEN

The delivery of tens of thousands of homes is under major threat amid a "high risk of major water shortages" in the greater Dublin area over the next six years, the Housing Commission will warn the government.

In an unpublished landmark report on the future of Irish housing, the commission will say the country's water infrastructure risks jeopardising the government's plan to meet its current and longer-term targets.

It will warn that because of delays to a scheme to supply the east of the country, there is a risk that the delivery of new homes in the mid-east – an area that comprises 40 per cent of the population – may be at risk in the next six years.

Revelations about the report, which will be submitted to Darragh O'Brien, the housing minister, in the coming weeks, come as the *Business Post* has been told water supply is now a "significant risk factor" for multinationals when it comes to planning major developments in Ireland.

One senior industry source said that while Ireland hasn't yet lost out on any significant projects due to water, "it's only a matter of time based on the current trajectory".

Big businesses, who contribute tens of billions a year to the Irish economy, are "privately very worried about water", the source added.

"All it will take will be one event where a project is refused a water connection, and it will have a devastating effect on foreign direct investment."

The remarks, as well as the commission's report, suggest that water supply is now a serious problem for the government when it comes to both housing and economic policy.

> **All it will take will be one event where a project is refused a water connection, and it will have a devastating effect**

In its report, the Housing Commission warned that there has been a "significant lack of progress" in the delivery of the Water Supply Project for the eastern and midlands region, and called for "urgent" action to make sure the project is delivered on schedule by 2030.

The commission said the project is "clearly running behind programme", and warned there is a "high risk of major water shortages" in parts of the country until it is completed. Last week, Uisce Éireann warned it may have to start refusing connections to new developments in Dublin by next year because water supply is so stretched.

The Water Supply Project, which is awaiting cabinet approval, would see water piped from the River Shannon in Co Tipperary for houses in the greater Dublin area.

The plan, which was intended to be delivered by 2030, proposes to abstract 2 per cent of the average flow of the Shannon at Parteen Basin downstream of Lough Derg.

However, it has proved very controversial among local organisations in Tipperary, who have warned that taking 300 million litres of water a day would have a major impact on the river and local wildlife.

Now the Housing Commission has intervened, describing the project as significantly behind schedule and warning of the consequences if it is not delivered on time.

The group has called for a whole-of-government approach to deliver the project by 2030, and warned that "emergency" plans are needed in the interim because delays to the project have created a risk of "major disruption" to water supply in Dublin.

The commission – which consists of 12 members from across industry and academia – said the project needs to be delivered on time to meet housing requirements and to safeguard water supply.

Contacted for comment, Uisce Éireann said the River Liffey is currently the "single source" of 85 per cent of the water requirements of 1.7 million people – which it said "results in a serious vulnerability to risks such as prolonged drought and/or contamination".

"Exposure to this key vulnerability is endured daily and can only be addressed through a new independent water source for the eastern and midlands region," a spokesman said.

The body said population and economic growth would "exacerbate the region's water supply challenges even further" and added that its plan to reduce leakage would not be enough to ensure a sustainable water supply.

Uisce Éireann has submitted a preliminary business case for the water project to the Department of Housing, which has said it expects to progress it to the next stage of the state's infrastructure guidelines "in the coming months". A spokesman for the department said there was "no immediate risk" to housing or economic development as a result of water supply, but added that the "government recognises the challenges in the more medium to longer term".

He said many water sources in the region "will be at capacity by the late 2020s", and noted that a "significant increase in capacity is needed".

€250m gap in Sinn Féin budget identified by finance officials

CÓNAL THOMAS

A significant gap of at least €250 million has emerged between Sinn Féin's alternative budget and what Department of Finance officials concluded the measures would cost, new documents reveal.

Announced in the run-up to the actual budget in October, across more than 50 pages the party outlined what it said was "a credible fiscal plan", including a €6.8 billion package of measures aimed at investment in housing, healthcare, and easing the burden during the cost-of-living crisis.

However, documents published by the Department of Finance and the Department of Public Expenditure and Reform (DPER) reveal significantly divergent estimates provided by government officials versus what the party published in its alternative budget.

For example, Sinn Féin estimated that reducing childcare costs by two-thirds would cost €201 million for a full year, however DPER said in its costings assessment this would cost €281 million.

Sinn Féin said the first-year cost to the exchequer of not proceeding with a carbon tax increase in 2024 would be €141 million, however DPER said the cost of not proceeding with two increases in May and October this year would be €47 million. On income tax, Sinn Féin said the total of its proposed changes would cost taxpayers €766 million for the first year. However, the department has estimated the cost at €807 million.

According to a Sinn Féin spokesman, the discrepancy of €41 million is explained by the fact that the party had proposed also removing tax credits on a tapered basis from individual incomes above €100,000. "Accounting for the interaction between these measures, Sinn Féin allocated €766 million for this tax package proposal," he said.

Furthermore, a number of the party's key party policies came with a warning from officials due to both competition concerns and a lack of available data.

For example, Sinn Féin's finance team also stated the first-year cost for reducing the local property tax by 20 per cent would be €103 million.

Officials have said it was not possible to estimate the first-year impact of this measure, and only provided the €103 million figure for full-year costs. Sinn Féin quoted the full year costs of €103m as first-year costs in its budget.

The party proposed increasing residential stamp duty to 2 per cent and 5 per cent on values above €700,000 and €1 million respectively, which it said would yield €128 million in the first year, however it did not receive a figure from the department for this cost but was instead drawn from pre-budget Revenue data.

Meanwhile, government officials also warned against certain party proposals that were ultimately included in the alternative budget.

While its plan for R&D tax credits to be payable to small and micro companies was estimated at a cost of €45 million, "it should be noted that there are potential state aid implications," the Department of Finance said.

09
9 770791 261270

RESULTS ROUND-UP

INSIDE: OUR TOP WRITERS RUN THE RULE OVER AGM SEASON Page 4

Business Post

May 12-13, 2024 • Vol 37 No 19 • businesspost.ie • Price £2.00

‘IT IS NOT EASY TO GROW OUR FOOTBALL CLUBS’

Newcastle United’s Amanda Staveley on battle against new watchdog

Sport Page 25

WHY NO FEMALE BOSSES?

Irish companies are EU’s worst when it comes to women CEOs

Page 6

Ryanair’s Italian slide

Catherine Sanz: How a visit to the airline’s HQ took a peculiar twist Page 16

How the pillar banks’ rival to Revolut fell apart

Donal MacNamee Page 8

Up to 80,000 new homes a year needed between now and 2050

• Extreme scenario in unpublished report to pile pressure on state’s housing targets

DONAL MACNAMEE

Ireland will need to build as many as 80,000 homes a year between now and 2050 in the most extreme scenario, the Housing Commission has warned the government in a landmark report.

The heavyweight commission, set up by the government to produce a report on long-term housing policy, last week submitted its findings to Darragh O’Brien, the housing minister.

The *Business Post* can reveal that the group has told the government that should the population spike dramatically, the country’s average annual housing requirement up to 2050 could be as high as 80,000.

However, the group has offered other scenarios in which the number of houses required is lower – ranging from below 40,000 to around 70,000.

Last year, 32,695 new homes were built in the state, exceeding the government’s Housing for All target of 29,000. The plan contains a goal of 33,000 new units a year on average up to and including 2030, while the Department of Housing has committed to a €5.1 billion capital investment in housing in 2024.

The commission’s report, which has been in development for more than two years, will ratchet up pressure on the government as it struggles to get to grips with the country’s severe housing crisis. The body includes high-profile academic Ronan Lyons and Michael O’Flynn, the outspoken developer, as well as solicitors, policy experts and economists.

> The Housing Commission has offered several scenarios ranging from 40,000 homes per year to 70,000

There have been significant tensions within the group at different stages in recent years, including a major row over the accuracy of meeting minutes and criticism of some members for briefing politicians on the work of the group.

The commission’s report to government examines various scenarios for population growth by 2050, from 6.25 million to more than 7 million.

The document also outlines a range of scenarios for household size by the mid-century, from under 2 people per household to 2.4 people per household.

The lowest number of houses needed annually between now and 2050 is below 35,000, with one higher estimate – based on a population of 7 million, and a household size of 2.0 – of close to 70,000.

In the most dramatic scenario, the commission has estimated that if population growth reaches 7.25 million and household size drops below 2 people per home, Ireland could need more than 80,000 houses a year.

While the commission is formally warning Ireland could need up to 80,000 homes, this is not a universally held view within the construction industry, with some experts suggesting the requirement is likely to be lower.

In a scenario where Ireland’s 2050 population is 6.75 million, and its household size is 2.2, the country’s average annual housing requirement will be around 51,000, according to the report.

In a speech last month, Simon Harris, the taoiseach, suggested that Ireland will need 250,000 houses between now and 2030.

Ireland’s population, which currently stands at around 5.3 million, is projected to increase significantly over the coming decades.

The most recent projections by the Central Statistics Office, published in 2017, said the population could rise as high as 6.7 million by 2051.

Ireland’s average household size was recorded at 2.74 in the 2022 census. It is expected to fall in the coming years as the country’s population ages, according to a report from the Economic and Social Research Institute (ESRI) published last month.

Contacted for comment, a spokeswoman said O’Brien received the commission’s report last week, adding that he intends to bring it to cabinet “in the coming weeks”.

“As planned, Housing for All targets are being reviewed having regard, among other things, to Census 2022 data published last year – this review is well advanced with revised targets expected in Q3,” the spokeswoman said.

Revealed: Coalition eyes delay to minimum wage hikes to help SMEs

DANIEL MURRAY

The government is eyeing up delays to further minimum wage hikes as well as pausing policy changes a part of review of business costs that will be announced this week. A package of up to €150 million of supports for small businesses is to be approved by cabinet on Tuesday.

The review will include a commitment to delay or more slowly phase in further increases towards the national living wage and additional sick pay entitlements if deemed necessary, in a bid to lessen the pressure on struggling firms.

The coalition will also implement an SME test for all government decisions going forward. The move comes as Peter Burke, the enterprise minister, is this weekend putting the final touches to a support package of ramped-up grants and changes to employers’ PRSI that’s set to go to cabinet on Tuesday.

The supports are expected to include an increase to the threshold for the higher rate of employers’ PRSI to €12.70 an hour, or €495 for a 39-hour week, at a cost of about €60 million. The current threshold is set at €441 a week.

The package will be funded by redirecting money from other parts of Burke’s department, or by using existing funds more efficiently with less red tape.

The view within government is that while employment rights are important, they aren’t worth anything if people don’t have jobs in viable businesses.

As a result, all forthcoming changes to employment rights are to be looked at carefully, and if the businesses cannot absorb them, they will be paused, sources said.

The government will inform the Low Pay Commission of the cost pressures on SMEs, which it expects to be taken into account when the commission makes its next recommendation on the minimum wage. The commission currently has the power to recommend a delay to the ultimate implementation date of the living wage.

The minimum wage increased to €12.70 this year following a recommendation from the commission, but the living wage is intended to be pegged at 60 per cent of the national median wage, which this year would make it €13.82 per hour.

This year, sick leave entitlements increased to five days, and next year they are meant to increase to seven days, and 10 days in 2026.

Additionally, the energy efficiency grant for businesses, which has already been increased from €5,000 to €8,000, will rise further to around €10,000.

The government will also be able to cover up to 70 per cent of the capital costs of energy equipment compared to the current 50 per cent limit, thereby reducing the money that has to be put up by businesses.

Officials at the Department of Enterprise are also examining how they redeploy the Increased Cost of Business Scheme, which offers rebates on commercial rates to SMEs but has attracted minimal interest from businesses.

Officials are keen to deploy the leftover funds and reform the scheme to reduce the administration burden but are meeting resistance from the Department of Public Expenditure.

Paschal Donohoe, the public expenditure minister, has warned that certain initiatives, like the deployment of the €1.3 billion National Training Fund surplus, will not be possible in advance of the next budget.

9 770791 261270 19

Donal MacNamee

The €1.6bn plan involves building a pipeline from the Shannon at Parteen Basin to a reservoir in Dublin
Will O'Connor/EcoFact

Creaking water system doing drip-drip damage to economy

A debate is raging about proposed Shannon to Dublin pipeline but businesses warn foreign investment will dry up without new water supply for the capital

Campaigners, businesses and state bodies all agree that Ireland faces major water shortages within a decade, and that urgent action is required to prevent an all-out crisis.

The problem? They clash – often virulently – about pretty much everything else.

Now the country is nearing a choice that, depending on who you listen to, is either vital to keeping the taps on for millions of people or a total waste of money that will make a serious problem even worse.

The Water Supply Project for the eastern and midlands region – a €1.6 billion plan involving a 170km pipeline from the River Shannon to a Dublin reservoir – is currently awaiting government approval.

The strategy, which was first conceived of more than 25 years ago, proposes to abstract 2 per cent of the average flow of the Shannon at Parteen Basin downstream of Lough Derg.

Uisce Éireann, the state body in charge of overseeing the project, wants to submit a planning application by early next year as part of a pitch to have the pipeline in place by 2032 at the latest.

It says that unless this timeline is met, very hard decisions will have to be made – decisions that could imperil the country's housing targets and stymie its ability to cater to water-intensive projects from multinational companies.

Last week, the *Business Post* revealed that the heavyweight Housing Commission has added its voice to those imploring the government to make sure the project is delivered on schedule. Businesses, through the lobby group Ibec, have made the same plea.

Yet some question Uisce Éireann's approach to managing Dublin's water supply, and have asked probing questions about its rationale for the pipeline – a gigantic capital project, which will require major investment and may cause significant environmental problems.

Emma Kennedy is the most vocal, and the most well-versed, of the campaigners arguing against the pipeline. After nearly 10 years of fighting, she has little time for those opining on the issue without having read the thousands of pages of reports that underpin it.

"I am fighting this because the project is quite simply wrong," Kennedy, a former lawyer and financial analyst who now runs a consultancy, told the Business Post.

"From a moral position, I just feel I can't stand back and not fight something when I know that I'm capable of doing that, because I'm able to read this stuff."

Kennedy doesn't disagree that Dublin has a water problem. Like Uisce Éireann, she thinks it's extremely worrying that the Liffey now supplies 85 per cent of the water used by 1.7 million people.

But she thinks the pipeline won't make things better and, in the long run, could exacerbate the problem. Instead, she wants Uisce Éireann to start a major mains replacement programme, and to look again at other sources of water.

"We've never disagreed with that," Kennedy said of the idea that Ireland's capital is too dependent on the Liffey.

> **Saying that replacing the pipes is inconvenient is a bit like saying keeping my car fixed is inconvenient**

"Our point there is Dublin needs several things. It needs resilience and that means it needs pipes that don't explode all the time. That requires a mains replacement programme."

Kennedy doesn't accept Uisce Éireann's figures on leakage – it says about 33 per cent of water is lost through the capital's network of pipes – because, she says, they only include the network and not customer supply pipes or household leakage. She wants a much more ambitious programme to replace the capital's pipes, even if it represents an inconvenient option.

"Saying that replacing the pipes is inconvenient is a bit like saying keeping my car fixed is inconvenient," she said.

"Of course it's inconvenient. But having your pipes burst three or four times a month is inconvenient. Having businesses shut down because pipe bursts have become so frequent . . . it's pretty inconvenient for them if they're shutting their businesses down."

Kennedy's analysis suggests that Uisce Éireann is fixing its pipes – some of which are more than 160 years old – at a rate of 0.3 per cent a year. She thinks it needs to be more like 2 to 3 per cent.

Uisce Éireann, in making the case for the Shannon pipeline, has said it represents the only viable option to meet the water demands of the rapidly growing greater Dublin area which currently comprises 40 per cent of the population.

The agency says it has a fully funded leakage programme, as part of which it is trying to reduce the amount of lost water. But it says this won't be enough to solve the problem, given the projected increase in demand over the next 10 years.

Uisce Éireann also says that things are incredibly tight right now.

"We're using more water than we can really produce," Angela Ryan, a water resource specialist at the agency, told the Business Post.

She said Dublin currently requires 620 million litres of water every day to meet its needs. She said the water treatment plants that service the capital can "sustainably" produce 608 million litres a day.

"Our main water treatment plants are literally running 24/7, 365 days a year right now. But not only that – we're pushing through quantities of water through those plants that we historically have not done. It's creating particular issues for us."

Those works include upgrades, maintenance and cleaning work. Right now, those aren't happening – Uisce Éireann has cancelled them since last November.

The numbers

€1.6bn

plan involving a 170km pipeline from Shannon to Dublin awaiting approval

99%

of Dublin's water comes from rivers

"That's a critical resilience issue," Ryan said. "Because if anything happens at any one of the three largest treatment plants, really what we're talking about if we had an incident at one of the plants, we'd probably be talking about very large outages for people on the public water supply."

Ryan said that while supply is straitened, Uisce Éireann has put in place interim plans that will "just about" keep the taps on in the coming years. But that, she said, is only on the proviso that the government delivers the Water Supply Project by 2032.

"We have to have that project arriving in and around then," she said. "And any delays to that project obviously means we have to look at the reserves of water that we're using now."

Ryan was suggesting, diplomatically, that if the project is delayed, Uisce Éireann won't be able to give water connections to new housing developments, or to major foreign direct investment projects.

That's an obvious cause for concern for a country that desperately needs to build houses, and that has constructed its economic model around multinational companies, many of whom locate large plants and data centres here.

IDA Ireland said it was concerned about the security of the country's water supply, and its impact on the ability to attract overseas investors.

"Available and affordable utility provision, including water, is a core requirement when companies are considering where to invest," a spokesman told the Business Post. "Without these fundamentals in place, Ireland cannot credibly compete for investment."

Kennedy, and others who support her, rejects Uisce Éireann's claim that only a pipeline can fix its problems. She wants it to look away from rivers, and towards other sources of water.

"Dublin gets 99 per cent of its water from rivers. That is simply not normal or prudent," she said.

Based on huge quantities of data on Ireland's water supply, Kennedy believes Uisce Éireann has failed to grasp the potential of groundwater – primarily wells – as an option to tackle supply shortages.

Geological Survey Ireland (GSI), the state body in charge of earth science, has made similar arguments in recent years.

During a 2021 consultation held by Uisce Éireann, it said the agency had depicted groundwater as a "constrained, vulnerable, and difficult to understand water resource".

GSI, according to a consultation document, "stated that this was not the case as in Ireland, groundwater represents an important, naturally good quality and resilient source of water".

Kennedy said Uisce Éireann should look to groundwater, coupled with a mains replacement programme, to solve its water problems.

"Paris now gets 50 per cent of its water from the ground and only 50 per cent from the Seine," she said. "It's one of the best water supplies on the planet. And the Paris water suppliers made it clear that the strength of its supply lies in its diversification."

'Future is electric': ESB chief on powering Ireland's energy plans

DANIEL MURRAY

Paddy Hayes has one of the most challenging jobs in the energy industry. As chief executive of ESB, he is charged with leading one of the most important companies in Ireland's energy transition. ESB is also investing €1 billion in its network to facilitate national climate ambitions, and to reach its own goal of being net zero by 2040.

"The future is electric and a lot of the decarbonisation solutions are around electrification. So when you look at the purpose of our organisation, there is a real opportunity to make a difference," Hayes told the *Business Post* in a sit-down interview.

The first step in achieving that goal will be bringing online a large volume of new renewables, such as offshore wind and solar.

One of the most ambitious projects it is investigating is a floating wind farm off the coast of its Moneypoint site in Clare, which if successful could be a model for a revolutionary industry.

"The benefits are the amount of wind in the Atlantic. And we already have electricity infrastructure there," Hayes said. "The challenges are that the water depths are very high off the west coast, and the weather is much stronger too."

Much further on in development is its 375 megawatt joint Oriel Wind Farm development with Parkwind, in shallower waters off the coast of County Louth.

Disappointment

But Hayes admitted there was disappointment last year when the project was unsuccessful in bidding for a state capacity contract in the first offshore wind auction.

"It is a really good project. Its challenge is that it is a relatively small project, so you don't get the same economies of scale," he said.

"I know the consortium of people working on it are absolutely determined to get this built and find another route to market other than the auction. So it's all hands to the pump in terms of making the commercial case for Oriel."

But while renewables are well understood ways of decarbonising the electricity system, Hayes and the team at ESB are working on more complex services and technologies that will be just as important.

Chief amongst those are grid-scale batteries, with ESB launching the largest commercial battery project in Ireland at Poolbeg in Dublin last month

Paddy Hayes, chief executive of ESB: goal of net zero by 2040 Fergal Phillips

"Batteries support the electricity system during the hours of peak demand," he said. "We can discharge electricity from the battery that will have been stored when the system demand was low and when wind energy was high, so that power should also be relatively low-carbon."

But battery technology will only take ESB so far, and at best will offer a number of hours worth of electricity.

So if the company is to reach net-zero by 2040, how will it ensure it has a stable baseload of low-carbon and instantaneous power, which is currently done by gas turbines?

"We don't fully know the answer to that. But there has to be an answer. It is something we have to solve now so we can implement it in the 2030s so we can get to net zero by 2040. That isn't just a challenge for us, it is a challenge for all systems," he said.

While more electricity interconnection, greater demand side flexibility, and even using the power storage capacity of plugged-in electric cars will all play a role in reducing the need for stable gas power, ultimately a replacement for gas is needed. "Hydrogen or ammonia or some way of capturing clean electricity in some kind of low carbon chemical energy form and offering back into the system is another option. We are exploring hydrogen in particular," Hayes said.

"We have these big gas turbines in Carrington outside Manchester. They are doing some really innovative stuff around hydrogen. We haven't yet put the hydrogen through the machine, but we are actively working on all the engineering of how it will work, including for the gas pipeline and the turbine itself."

When you take this research, combined with plans to use the Moneypoint site to make hydrogen out of excess offshore wind, ESB's grand strategy begins to come into view.

In the meantime, more gas turbines will have to be built, as power demand increases. But as the amount of renewables on the grid also increases, the hope is those gas turbines will run less over time. ESB has three new "jet engine" type gas turbines in Dublin and another large open cycle gas turbine at Poolbeg in development, all of which will expand the country's electricity baseload.

"The economics of those are based on the expectation that they will be running increasingly less. They will actually run very little even from the start, but then we are expecting it to drop off even more considerably," he said.

"We are not expecting to make any money out of the market. We also aren't really expecting to make a huge amount of money on the system services side of things. In a funny way, success is that they will run less and less and less, until they are running on hydrogen."