

ireland
electrified

MAKING ELECTRIFICATION ATTRACTIVE

How Ireland Can Accelerate the Transition
to a Cleaner Energy Future

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Introduction

Ireland spends an estimated one million euro every single hour paying for imported fossil fuels. The electrification of our energy system offers an enormous opportunity – a more efficient, more competitive and more resilient economy. Electrification is a pathway to lower emissions, reduced fossil fuel dependency and a more affordable and stable supply of energy. It is how we achieve energy independence.

Heat pumps and electric vehicles use energy much more efficiently than their fossil fuel equivalents so they can reduce our reliance on imported energy and increase the use of homegrown, clean, energy.

However, Ireland's energy system is still dominated by imported fossil fuels with heat and transport together making up more than 80 per cent of our final energy demand. Fossil fuels such as oil and gas currently supply most of the energy for these sectors making Irish families and businesses vulnerable.¹

Our problem – The Spark Gap

Even if a heat pump is three times more efficient than a gas boiler, consumers may still find it difficult to make the switch if electricity costs three times as much per unit as gas.

This is the 'spark gap,' the ratio between the cost of electricity and the cost of fossil fuels.

Compared with many European countries, Ireland's spark gap is too big to make electrification affordable for many users. The latest figures from the SEAI suggest a unit of electricity is 2.84 times more expensive than a unit of gas despite being cleaner, locally produced and far more efficient.² Even where electric technologies are technically viable, high electricity prices or upfront capital costs substantially lengthen payback periods.

The EU's recently published Electrification Action Plan sets an objective for member states to bring national electricity-to-gas price ratios for households down to a maximum 2.5 and for industry to a maximum 2.0 by 2030.³

The current crisis in the Middle East shows, for the second time in five years, the risks from Ireland's dependency on imported fossil fuels. The fuel protests earlier this year

¹ [Energy in Ireland \(SEAI, 2026\)](#)

² [Update on energy prices \(SEAI, 2025\)](#)

³ [EU Electrification Action Plan \(2026\)](#)

underscored the danger to our economy of relying on a fundamentally unreliable energy system.

This is why electrification must become a central pillar of national energy and economic policy with practical measures that support consumers, businesses and communities to make the switch. Targeted strategic measures can help lower electricity costs, support investment in electrification technologies and reduce the spark gap.

While Ireland has made significant progress in renewable electricity generation, particularly in wind energy, the full benefits of this will only be realised if electricity becomes the primary energy source across transport and heating systems.

This paper proposes several practical measures which can make electrification more attractive now.

Ireland Electrified Recommendations

1. Move Electricity Costs into General Taxation

The Irish Government provided a €3.5 billion equity injection supporting Ireland's Price Review Six (PR6), which is a very welcome initiative. A measure that should be explored by Government is the potential to move specific energy policy costs from electricity bills into general taxation to make electricity cheaper and accelerate the electrification of heat and transport.

As infrastructure cost recovery is spread out over a long period of between 40-50 years, a more effective measure could be to move certain DSO/TSO operational costs into general taxation e.g. security of supply measures, network maintenance, low carbon technology integration etc. General taxation is progressive and is paid according to income so families on low incomes would benefit most.

Countries like Germany already support electricity consumers by shifting costs into taxation and a similar approach is being rolled out in the UK where electricity levies related to environmental and social schemes are being moved out of electricity bills into general taxation. It is estimated this will save consumers an average of £150 per year.⁴

⁴ [Changes to energy price cap \(Ofgem, 2026\)](#)

2. Reform Network Charges

Network charges refer to use-of-system costs that homes and businesses pay for access to, and use of, the electricity grid. These charges typically make up the second largest element of the electricity bill after wholesale energy costs. The methodologies for setting these charges by the CRU have largely remained unchanged for decades. With the advent of electric vehicles, smart devices and other clean technologies it is well past time to review how these charges operate.

Reforming network charges can support the rollout of electrification technologies and incentivize flexible consumption of our renewable energy resources. This can support the operation of the electricity grid, minimize waste in renewable energy and provide long-term benefits to homes and businesses.

While the CRU is at the early stages of conducting a broad network charging review, we understand reforms will be introduced in stages and there are certain measures that could be introduced now to support electrification:

1. **A Flexibility Bonus** for consumers switching from fossil fuels to electric heat or transport. For example, the German regulator has introduced a specific regulated network charge for heat pump users, EV chargers and batteries which offers consumers either a flat network fee reduction or a percentage discount on their network charge if they install one of or a combination of these technologies. The flat network fee reduction can range from €110 to €190 per year but consumers may instead choose a percentage network charge reduction per kWh consumed if their electricity use is particularly high.⁵

In return the network operator may curtail the use of the heat pump, EV charger or battery at certain times to manage congestion on the grid. A similar option could be applied to EV charging depots which would benefit from reduced network fees in return for the charging flexibility they can provide.

2. **A Flexible Connection Network Charge** for businesses who pay less for their electricity in exchange for accepting their power supply might be reduced at certain times by the system operators. Traditional grid connections are designed to provide firm capacity at all times. This type of connection guarantees that a customer will have 24/7 access to the grid. However, this approach can require significant network reinforcement and long lead times which often adds substantial costs for commercial and industrial customers looking to electrify or increase their electricity demand.

⁵ [Information on the Energy Industry Act \(EVM, 2026\)](#)

Flexible grid connections (otherwise known as non-firm or interruptible connections) offer an alternative solution by allowing customers to connect earlier while accepting certain operational constraints on their grid access during periods of congestion. These arrangements are becoming an important tool for enabling faster electrification while optimising the use of existing network infrastructure.

The EU requirement for a flexible connection framework has been transposed into Irish law under S.I. No. 319 (2026). Ireland Electrified is advocating for a fair and transparent charging methodology for flexible connection users with reduced fees reflecting their dynamic access to the grid. While ESB Networks have begun trialling flexible connections for industrial users there is no clear connection fee or charging regime yet for these types of connections. The CRU, as the body responsible for connection costs and network charges, should establish clear and equitable policies covering how charges apply to the flexible element of a connection. Without this, customers face commercial uncertainty, accepting curtailment risk alongside connection costs that may not be cost reflective, undermining confidence in flexible arrangements.⁶

Ultimately the CRU's network charging review should seek to remove flat volumetric charges which disincentivise electrification. Instead, a new system should be designed that encourages and promotes flexibility services and move to more tailored time of use charges. This would also help reduce renewable dispatch down, maximise effective use of the grid and lower overall system costs. The same can be said of other electricity charges such as imperfections which should move to more dynamic charging mechanisms. We are conscious this is an all-island regulatory matter

3. Reduce Taxes & Levies on Electricity

Reducing the VAT rate on electricity is one of the quickest measures the Government can take to reduce the cost of electricity relative to fossil fuel alternatives.

EU rules allow Member States to apply two reduced VAT rates, with the second reduced rate being as low as 5%. While Ireland's current reduced rates are 13.5% and 9% (for electricity), the Government should announce its intention in Budget 2027 to seek EU approval to set VAT rates for electricity in Ireland to 5 per cent which is the lowest amount currently allowed under EU VAT law. The forthcoming EU Electrification Action Plan should provide additional flexibility for member states to lower cost barriers to electrification. This would help reduce the price ratio between electricity and gas and,

⁶ [Position paper on flexible connections \(Ireland Electrified, 2026\)](#)

combined with other measures outlined below, will help make electrification a more attractive proposition for energy consumers.

The rate should be further set to zero for installation of electrification technologies such as heat pumps, batteries, smart chargers and vehicle-to-grid chargers which would help reduce upfront investment costs.

In addition, we are proposing that taxes and levies applied to commercial and industrial consumers of electricity should be reduced where consumers have signed PPAs with renewable producers. It does not appear to be equitable that a corporate engaging in a CPPA with a renewable generator would also have to pay the full PSO Levy for the electricity consumption, given that that it is clearly reducing PSO cost by engaging in the CPPA. It is proposed that any demand site engaged in a CPPA will see a reduction in their PSO charge in proportion to their total MWh of CPPA generation over their overall demand. This could be tracked by a special Levy Exemption Certificate (LEC) similar to the scheme run by the Northern Ireland Utility Regulator in recent years.

3. Accelerated Capital Allowance Scheme

In Ireland, the Accelerated Capital Allowance (ACA) Scheme is a tax incentive designed to encourage businesses to invest in energy-efficient equipment.

Many Irish businesses remain heavily dependent on imported fossil fuels for heat, manufacturing, refrigeration and transport and onsite energy generation.

While electrified alternatives increasingly exist – including industrial heat pumps, electric boilers, smart energy management systems and battery storage – high upfront capital costs are still a barrier.

Supporting Irish businesses to switch to a more secure and cleaner energy supply would particularly benefit Irish small and medium enterprises and would send a strong signal that this Government is committed to industrial electrification.

Ireland Electrified is calling for the Accelerated Capital Allowance Scheme to be targeted for electrical equipment, as well as energy efficient equipment, and amended to provide for a 150 per cent tax deduction over eight years.

4. Flexibility Support Schemes

Heat pumps, thermal storage, electric boilers and electric vehicles can offer flexibility services to the grid by shifting demand to periods of high renewable output or reducing load during periods of grid congestion.

This lowers overall system costs by reducing dispatch down and balancing costs on the system. The value that these technologies can offer should be incentivised through the use of flexibility payment schemes that allow users to make a return on their investment.

For example, Great Britain has rolled out the Demand Flexibility Service with the national network operator rewarding households and businesses for reducing or shifting their electricity consumption at peak hours. Over two million homes have taken part and are rewarded through credits on their electricity bills for each event they respond to. This has saved an estimated 7,000MWh of electricity at peak times – enough to power the lighting in 54,000 homes for a year ⁷

Germany has introduced a “use instead of curtail” scheme which incentivises industrial customers to shift their load to times of high renewable output and they are rewarded through reduced energy prices and tariffs for capturing the excess production that would otherwise be wasted. Under this mechanism the system operators provide forecasts of available excess renewable power one day in advance and industrial customers can bid to access this available power. The electricity consumed is paid for by the industrial consumers at the bid price and related electricity network charges and levies are not levied on this portion of their demand. This scheme was initially piloted for two years starting in 2024 and participants received a fixed electricity price, set by the Regulator, before moving to a competitive auction mechanism in 2026. This fixed price mechanism may be easier to implement as a trial here in Ireland to incentivise take up.⁸

Germany has also introduced a Contracts for Difference (CCfD) programme for industrial users seeking to electrify. Germany’s Federal Ministry for Economic Affairs and Energy recently launched its 2026 CCfD bidding process, with up to €5 billion expected to be allocated this year to support decarbonisation investments in energy-intensive industries. The programme was designed to address the high costs and investment risks associated with low-carbon manufacturing by helping to offset the operating cost differential between decarbonised and conventional fossil-based production. This provides companies with greater certainty while they undertake the required capital investments.⁹

⁷ [Demand Flexibility Service Blog \(Energy Saving Trust, 2026\)](#)

⁸ [Reducing Curtailment of Renewable Energy \(Frontier Economics, 2024\)](#)

⁹ [Five billion German State aid scheme to support decarbonisation of industry \(European Commission, 2026\)](#)

5. Increased Grants

Ireland Electrified is proposing changes to the grant scheme administered by the SEAI for electric vehicles that will prioritise lower-income households, businesses and rural motorists and support upfront capital costs for electrification equipment.

1. First, extend the existing grant of €3,500 to second-hand EVs.
2. Second, extend the scrappage scheme for diesel or petrol vehicles that are ten years old or more, providing a higher grant to someone who gets rid of their older, and much less efficient, fossil fuel vehicle and replaces it with a battery electric vehicle. The first rollout of this scheme has seen very high take-up and should be extended.
3. Establish a five-year capital investment fund of €50 million per annum in Budget 2027 to provide grants to support the installation of shovel ready public EV charging points in rural Ireland.
4. Introduce grants for battery energy storage systems for residential and commercial & industrial consumers.
5. Increased grants for rural heat electrification. While additional grants have been introduced for heat pump users in recent Budgets, the adoption of these technologies is still slower than needed, particularly in rural locations where cost barriers are higher. We would propose an additional grant top up to support rural heat electrification.

Conclusion

The measures listed above are not intended to be exhaustive. Rather, they are a set of practical measures which can make electrification more attractive now. These are targeted strategic measures to help lower electricity costs, support investment in electrification technologies and reduce the spark gap.

Electrification must become a central pillar of national energy and economic policy with practical measures that support consumers, businesses and communities to make the switch.