

SEM Committee

SEM-25-070: Options for Decarbonisation of the Existing CRM Design

Electricity Association of Ireland

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A decarbonised future powered by electricity.

Electricity Association of Ireland

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The Electricity Association of Ireland (EAI) is the representative body for the electricity industry and gas retail sector operating within the Single Electricity Market (SEM) on the island of Ireland.

Our membership comprises utilities that represent 90% of generation and retail business activities and 100% of distribution within the market. Our members range in size from single plant operators and independent suppliers to international power utilities. Our members have a significant presence in Ireland, Northern Ireland and Great Britain across the sector value chain. We represent the interests of the all-island market in all relevant jurisdictions, including the EU via our membership of the European electricity representative body Eurelectric.

We believe that electricity has a fundamental role in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating. We believe that this can be achieved, in the overall interest of society, through competitive markets that foster investment and innovation.

We promote this vision through constructive engagement with key policy, regulatory, technology and academic stakeholders both at domestic and EU levels.

Our ambition is to contribute to the realisation of a net-zero GHG emissions economy by 2050 or sooner, in order to limit the impact of rising temperatures. Electricity offers opportunities to decarbonise the Irish economy in a cost-effective manner.



Introduction

The Electricity Association of Ireland (EAI) welcomes the publication of SEM-25-070 and the accompanying AFRY assessment. Our members are supportive of the SEM Committee's objective to examine proportionate and implementable measures that can support decarbonisation of the CRM design. The consultation represents a constructive and necessary step in ensuring alignment with evolving EU policy, while maintaining security of supply, which we strongly welcome.

However, we recognise that the timeline of relevance is narrow. As acknowledged in the consultation and AFRY report, any measure would only apply to auctions held after the 2029/30 T-4 and would therefore affect delivery broadly in the 2030-2033 period. Within this window, while scope for material decarbonisation of existing thermal plants is inherently constrained by technology readiness, infrastructure development, and financing cycles, there is scope for new capacity, which represents opportunity over this timeframe.

EAI welcomes the initiative, and believes that the effectiveness of any measure will depend critically on:

- The clarity and stability of design parameters (particularly emissions thresholds and scalar values);
- The interaction with existing ILC and New Capacity contract structures; and
- The avoidance of unintended consequences for adequacy and auction competitiveness.

Our responses to each consultation question are set out below.

Green Bonus

Q1. Would the Green Bonus create an incentive that market participants can respond to within the timeframe of the remaining auctions under the existing CRM?



Our members are sceptical that a one-year Green Bonus would create a material investment incentive within the remaining lifetime of the current CRM. We note that the addition of one year to the contract duration is equivalent to the Early Delivery Incentive but less valuable given the net-present value impact of an additional year being added at year T-1 versus the contract being extended at year T+10. Using the most recent BNE WACC value of 7.27%, the net-present value of revenues for year 11 is less than half (only 45%) of those in year 1 – supporting a two-year addition vs one-year.

For existing capacity considering refurbishment under a five-year ILC, the incentive effect is similarly uncertain. Efficiency upgrades are already supported through the ILC framework and USPC process. It is not clear that an additional year would materially alter refurbishment decisions, particularly where major decarbonisation technologies (e.g. hydrogen conversion or CCS) are not yet commercially viable at scale within the SEM. More to this point, we wish to highlight that for future auctions, existing capacity considering converting to a decarbonised fuel may require a longer duration than 5 years to carry this out. For example, the AFRY report makes reference to Belgium’s 8-year contract for units that meet a higher specified investment threshold.

Similar comment applies regarding the incentivisation of New Capacity, supporting a two year addition vs one.

Members express concern regarding immediate implementation. Without clarity on the emissions threshold and hydrogen-readiness requirements, it is difficult to assess bankability or respond to the incentive within a short development cycle. EAI would be keen to progress further discussion and consultation on development/consideration of this.

Q2: Where should the CO₂ emissions threshold be set?

EAI does not propose a specific numerical threshold at this stage. We believe that any threshold should be accompanied by modelling demonstrating both feasibility on the part of industry and system-level emissions impact.



Q3. Is one year the appropriate additional contract duration?

Members consider that one year is unlikely to provide a sufficient investment signal.

International precedent indicates that longer additional contract terms are typically required to materially affect financing conditions. Poland, for example, provides two additional years. In relative terms, a one-year extension appended to the end of a ten-year contract has significantly less present value impact than longer-term duration certainty provided upfront. Further detail to this is provided in Q1.

Furthermore, we note that the SEMC has indicated that the availability of contract duration extensions for third-party delays is also uncertain. If these extensions are not available, the value of the Green Bonus is further undermined, as an additional one-year contract duration would only result in ten years of payments in the event that a project was delayed as a result of gas, grid, or planning challenges. EAI strongly recognises the importance of SEM 23-101¹ “*The Supplementary Decision paper on Combined Modifications*”, and urges consideration of how to make its provisions more bankable.

Q4. Is the definition of blended hydrogen-readiness appropriate?

Our members note that hydrogen-readiness remains a developing and evolving concept and that the practicalities of requiring certification for combustion of up to 30% hydrogen are currently unclear. Further to this, Original Equipment Manufacturers (OEMs) are currently working towards the goal of hydrogen capability, meaning this will be dependent upon each OEM to confirm.

We emphasise that any requirement should be carefully aligned with published national hydrogen strategies and transmission network readiness.

¹ [SEM-23-101 Decision on Supplementary Consultation Paper on modified and combined Modifications to Facilitate Delivery of Capacity | The Single Electricity Market Committee](#)



Green Scalar

Q5. Would the Green Scalar create an incentive within the timeframe?

The Green Scalar is conceptually more flexible and potentially more forward-looking than the Green Bonus. However, its effectiveness is similarly dependent on parameter calibration. Without an indicative range for scalar values and emissions bands, our members cannot meaningfully assess likely behavioural response.

Q6. What are the appropriate CO₂ emissions thresholds for the Green Scalar?

As with the Green Bonus, EAI does not propose specific numerical thresholds absent modelling and indicative design parameters.

Q7. Should the Green Scalar be a continuous or stepwise function?

Our members would welcome a more detailed example before expressing a definitive preference. Design simplicity and transparency should be prioritised, particularly given the limited timeframe.

From a higher-level perspective, we believe due consideration needs to be given towards longer term contracts not being put at an unintentional competitive disadvantage. Under this current proposal, 1 year contracts would be recalibrating (improving) their Green Scalar annually, 5 year ILCs would be locked into doing so only every 5 years, and New Capacity would be put at a significant competitive disadvantage by only being able to have their reducing carbon emissions recalibrated after 10 years. EAI would welcome more discussion/engagement on retailing this design issue.



Q8. Which of these two options do respondents consider is likely to be more effective within the timeframe of the remaining auctions under the existing CRM?

Based on current information, members consider the Green Scalar potentially more effective than the Green Bonus due to its ability to scale incentives proportionally rather than relying on a single threshold and fixed duration. Both have their merits, and there may be value in offering the participant the choice between the two options.

However, this slight preference is conditional on sufficient parameter transparency and material incentive strength. In the absence of clear values, neither option can be confidently assessed.

Please note our cautionary comment within Q7 relating to Green Scalar Design regarding the need for due consideration to be given towards longer-term contracts not being put at an unintentional competitive disadvantage – and call for further discussion/engagement on retailing this design issue.

Q9. What technologies could be expected to benefit from the Green Bonus or Green Scalar in the specified timeframe? For each technology referred to, what is the associated scale and or timeframe for investment for an existing or new plant?

EAI has no position at this stage.

Q10. What is the expected commercial running pattern for each technology and are there constraints on its flexibility?

No comment.



Q11. What verification process should apply to ensure compliance with the emissions thresholds for either measure?

EAI has no position at this stage.

Emissions Data Publication

Q12. Do you agree with the proposal to publish the carbon emissions data submitted at qualification by successful units, and where relevant, ex-post data provided by successful units?

EAI has no position at this stage.

Decarbonisation Declaration from Bidders

Q13. How effective do respondents consider the proposed “Decarbonisation Declaration” would be?

We do not believe that it is appropriate for generators across the board to be expected to provide a Director-signed declaration committing to Net Zero by 2050. Directors cannot be expected to sign declarations for aspects outside of their control.

Additionally, a declaration risks placing perceived responsibility for decarbonisation solely on generators, rather than recognising system-wide dependencies.

Q14. Is the proposed content of the “Decarbonisation Declaration” sufficient? Could other elements be included e.g. feasibility study, interim targets?

EAI has no position at this stage as we request clarity on the abovementioned in Q13.



Q15. Do you consider that any of the other measures discussed in the accompanying AFRY Assessment Report, or any measures to achieve decarbonisation not identified by AFRY, should be considered further by the SEMC?

EAI has no position at this stage.

Conclusion

EAI supports the objective of progressing decarbonisation within the CRM and welcomes the consultation's initiatives. We remain committed to constructive engagement with the SEM Committee as proposals are refined. If you require any clarification or have questions, please do not hesitate to contact these offices.

Yours sincerely,

A handwritten signature in black ink that reads 'Alex Murphy'. The signature is written in a cursive style and is positioned above a solid black horizontal line.

Alex Murphy

Alex Murphy

Policy Analyst

Electricity Association of Ireland

