Friends of the Earth

PRE-BUDGET SUBMISSION 2027

The Cost of Delay Is Rising

Budget 2027 Must Be an Energy Budget

More than 80% of people in Ireland are worried about the impacts of climate change on Ireland and the people who live here. Similarly strong majorities support practical climate action, including warmer and more efficient buildings and investment in public transport and helping communities adapt to climate impacts.

These attitudes are consistent across the country and the public mandate is clear. Budget 2027 must respond with sustained investment that reduces Ireland's dependence on fossil fuels, lowers household energy costs and accelerates climate action.

Budget 2027 must be an energy budget, with two overriding priorities:

1. Accelerate Ireland's transition away from fossil fuels.

2. Rapidly reduce energy poverty and permanently lower household energy costs.

Ireland's energy affordability crisis is not separate from the climate crisis. Continued dependence on fossil fuels exposes households to volatile international energy markets, increases emissions and undermines energy security. In 2024, **84% of energy consumed in Ireland came from non-renewable sources**, while Ireland spent **almost €8 billion on imported energy in 2025** - equivalent to nearly €1 million every hour, according to the Fiscal Advisory Council.

Government must move beyond repeated short-term responses to fossil fuel price shocks and invest in measures that permanently reduce household exposure to energy costs. Fuel tax cuts and universal energy credits may provide immediate relief, but they do not address the underlying causes of energy insecurity.

The objective must not simply be to help people pay the next energy bill. It must be to permanently reduce the bills they face.

That means accelerating targeted retrofitting for lower-income households, improving the energy efficiency of Ireland's housing stock, making clean heating affordable, expanding access to renewable energy and ensuring that rural as well as urban communities benefit from the transition.

A fair climate and energy transition must put households and communities at the centre of Ireland's changing energy system. The costs and benefits of that transition must be shared fairly. Rapid growth in electricity demand from large energy users, particularly data centres, must not undermine the affordability or availability of energy for households and communities.

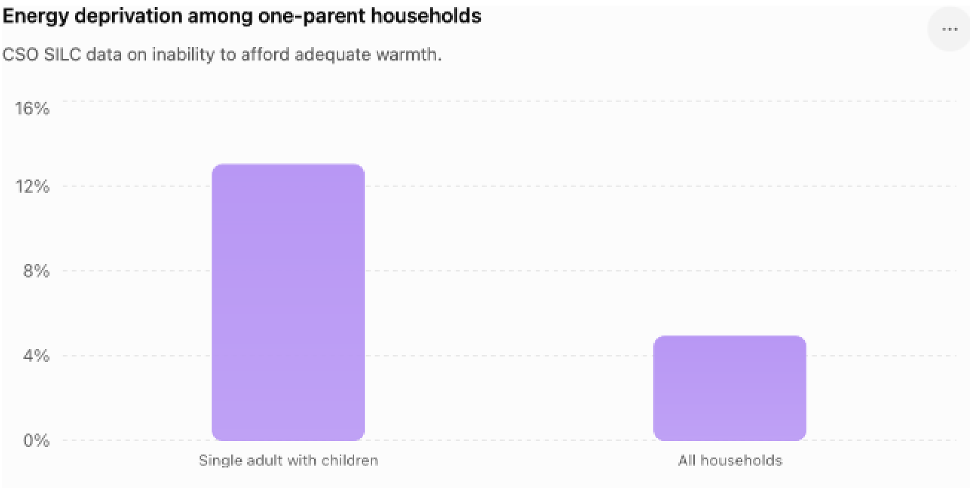
Budget 2027 should therefore shift public support away from measures that prolong fossil-fuel dependence and towards investment in warmer homes, clean heating, renewable energy and a resilient electricity system.

Budget 2027 can mark a shift from managing an expensive fossil-fuel dependency to building an affordable, secure and renewable energy future in which households and communities are protected and no one is left behind.

Recommendation 1: Immediate Energy Supports

Energy arrears in Ireland remain at historically high levels. Data from the Commission for Regulation for Utilities (CRU) indicates 27% of gas-dependent households are in arrears, while 14% of all households in the country are in arrears on electricity bills as of May 2026.

High energy costs are also forcing households to go without heating. Data from the Central Statistics Office (CSO) indicates that 7.5% of people went without heating at some stage in the previous 12 months through lack of money and 4.5% were unable to afford to keep their home adequately warm. [1] This risk is most acute for one-parent families: in 2024, 13% of people living in single-adult households with children under 18 were unable to afford to keep their home adequately warm.



SEAI analysis shows that **even in summer, over 25% of participants still met energy poverty thresholds (spending over 10% of income on energy)** or reported affordability distress. In practice this means that households are struggling to afford the energy needed for basic everyday life - including hot water, cooking, lighting and essential appliances - even when heating demand is at its lowest. **For households already living on tight budgets, energy costs can therefore compete with other essential**

[1] https://www.cso.ie/en/releasesandpublications/ep/p-silced/surveyonincomeandlivingconditionssilcenforceddeprivation2025/deprivationitems/

spending throughout the year. This undermines any suggestion that short-term seasonal credits should be a permanent solution.[2]

The ESRI's 2026 analysis finds that energy poverty is closely linked to **insufficient disposable income, energy costs and housing quality**, meaning that households with limited financial resources can be particularly exposed where they also live in energy-inefficient homes. Many of the households least able to absorb rising energy costs are therefore also those most exposed to high energy demand and poor housing efficiency, creating a cycle of high bills and increased vulnerability.

Previous universal energy credits and broad fossil fuel subsidies may have provided temporary relief for certain households but were a much less effective use of public resources than targeted supports. The ESRI finds that households experiencing energy poverty would need around €480 per year on average to exit energy poverty, at an estimated aggregate cost of around €370 million. This compares with €550-575 million spent on universal electricity credits in 2024; the ESRI estimates that well-targeted measures could provide similar protection at around 40% lower cost.

Friends of the Earth recommends that Budget 2027 shifts from broad, temporary subsidies towards targeted measures that protect households most exposed to energy poverty while reducing long-term dependence on volatile fossil fuel markets.

[2] https://www.seai.ie/sites/default/files/publications/bett-energy-poverty-in-ireland.pdf

Budget 2027 Recommednations

- Immediately launch a **Warm Homes for Winter programme** focused on the worst-performing homes first, including:
    - Fully funded **attic and cavity wall insulation;**
    - **Increase funding for the Warmer Homes Scheme from €340m to €400m**, enabling more low-income households to receive fully funded whole-home upgrades;
    - **Double the social housing retrofit programme allocation for local authorities from €140m to €280m**, prioritising the poorest-performing homes, ensuring a multi-annual funding strategy is set out to enable local authorities to plan, and going beyond the 36,500 (25%) homes target by 2030;
    - introduce **new insulation and solar PV grant schemes for renters**, designed to overcome landlord/tenant split incentives.
- Introduce a **Cost of Disability payment** to recognise higher energy needs among disabled people and reduce their disproportionate exposure to energy poverty.
- Establish a **targeted emergency energy payment** for low-income households dependent on heating oil and LPG to support increased winter fuel costs.
- **Expand and reform the Fuel Allowance** by:
    - increasing the payment by €5 per week and maintaining the 32 week period;
    - removing restrictive qualifying conditions, including the Jobseekers waiting period;
    - introducing a partial-rate payment for households marginally above existing thresholds.
- **Establish a pilot Social Energy Tariff** or **Energy Guarantee** for households in energy poverty, with automatic eligibility based on income and household energy efficiency. This would provide targeted protection from high energy costs for low-income households taking account of additional energy needs and costs associated with living in inefficient homes.

Recommendation 2: Make Clean Heating Affordable and Accessible to Every Irish Household

Almost 90% of Irish homes derive their heat from fossil fuels. In this respect Ireland is an EU outlier on renewable home heating. This leaves Irish households particularly exposed to volatile international energy prices and undermines progress towards climate targets.

Reducing the amount of energy homes require through energy efficiency improvements is an essential part of protecting households from future energy price shocks. However, the households and communities most exposed to high energy costs often face the greatest barriers to accessing energy efficiency and renewable technologies. Renters, rural households and lower-income households can face particular barriers related to upfront costs, tenure, housing quality and access to clean energy technology.

Pobal research demonstrates the scale of this inequality: **household renewable energy adoption is just 9.9% in the most disadvantaged areas, compared with 45.6% in the most affluent areas.** This means that the households and communities that could benefit most from lower energy costs and greater energy security are currently least likely to benefit from Ireland's transition to renewable energy.

The Programme for Government already commits to **ramping up B2-equivalent home retrofits, with a focus on lower-income households; improving grants and financing models; supporting group retrofitting projects; and targeting older homes still using oil to switch to renewable heating systems.** Budget 2027 should turn these commitments through dedicated support for rural and lower-income households and area-based and group retrofit approaches.

The cost of electricity will become increasingly important as households move from fossil-fuel heating to heat pumps. **Ireland currently has the highest household electricity prices in the EU** in euro terms, at €0.4042/kWh in the second half of 2025 - around 40% above the EU average. High electricity costs are therefore a significant barrier to making heat pumps an affordable alternative to fossil-fuel heating. As investment is made in expanding and modernising the electricity system to support electrification, households should not be expected to carry a disproportionate share of these costs through their energy bills. Budget 2027 should ensure that electricity pricing and network cost allocation support, rather than undermine, affordable electrification, and that the benefits of Ireland's renewable electricity resources are reflected in lower costs for households.

Friends of the Earth recommends that **both the upfront and ongoing costs of electrification and energy efficiency must be reduced**, and to achieve a fair energy transition, clean heating and renewable energy solutions are accessible to households regardless of tenure, income or location.

Budget 2027 Recommendations

- Reduce the **upfront costs** of electrification by:
    - **Reducing VAT** on energy efficiency upgrades and heat pumps to 0%.
    - Develop a pilot programme to **bundle heat pump and solar grants.**
    - Introduce a new pilot **renewable heating scheme for rural households dependent on oil and solid fuels,** supporting the transition to heat pumps, and ensuring false climate solutions like HVO are excluded.
    - Introduce a means-tested **sliding-scale SEAI retrofit and heat pump grant system**, providing additional financial support to households who cannot currently afford deep retrofit costs, in line with Climate Change Advisory Council recommendations.
    - Expand **free solar PV supports** beyond medically vulnerable households to include households experiencing financial vulnerability.
- Reduce the **running costs** of electrification by:
    - **Reviewing electricity pricing for households** to reduce the operational costs of heat pumps relative to fossil fuel heating.
    - **Reforming electricity network cost allocation** to ensure that households are not disproportionately burdened by the costs of expanding and modernising the electricity system, particularly as demand grows.
    - **Preventing further increases in standing charges** and establishing a process for reducing standing charges where they are demonstrably excessive.
- **Expand the Warmer Homes Scheme** to:
    - include HAP and RAS tenants where long-term tenancies are in place;
    - provide renewable heating and solar PV alongside insulation measures;
    - require collaboration with trusted community organisations to deliver outreach and target support to those in-need.
- Establish a national **Community Energy Advice Service** providing independent, trusted, face-to-face advice to households experiencing energy poverty, supporting access to retrofit schemes, energy efficiency measures and renewable heating.
- Fully **subsidise BER assessments** for low-income households to remove upfront barriers.

Recommendation 3: Protect Households from Data Centre Impacts

Context:

Ireland's electricity transition must put households and communities at its centre. New electricity demand from data centres must not undermine affordability, delay decarbonisation or result in households carrying the costs of system expansion. Research published this year by Friends of the Earth and authored by Dr. Seán Fearon shows a definitive link between rising data centre demand and increases to household bills, totalling a cumulative loss of €715 million from the Irish economy over the past decade. This research shows that **if data centre demand is not limited, this price effect could increase to upwards of €1.4 billion over the coming 8 years.**

Government policy must protect other customers from cross-subsidising speculative data centre development which may not materialise. The CRU has forecast medium-term growth in data centre demand of up to 5.8GW, which, if realised, would double peak electricity demand on the island. Government departments must clarify the likelihood of this demand and weigh future growth against energy affordability for other customers. **The core policy question is not simply whether data centres comply with current CRU tariff structures, but whether those methodologies appropriately identify and allocate the full long-term system costs arising from rapid growth in data centre demand.** Investment in the grid, generation capacity and security of supply should reflect the principle that those creating additional system costs should bear a fair share of them, rather than households carrying a disproportionate burden. This should include carrying out a cost-benefit analysis of placing energy caps on data centre growth and limiting further expansion rather than relying solely on renewable matching requirements to manage its impacts.

Ireland's clean electricity transition should reduce bills, strengthen energy security and ensure that the benefits of renewable energy are shared fairly. The State should avoid expanding gas infrastructure to accommodate rising electricity demand from data centres, which could expose households and businesses to the costs and risks of stranded infrastructure. In particular, **the Government should not legislate for, or allow GNI to progress, a Strategic Gas Emergency Reserve in the form of a floating LNG terminal while its costs, benefits and cost-allocation arrangements remain unresolved.** Government has previously confirmed that the cost-recovery model would inform the final investment decision. Gas security concerns do not justify creating a de facto commitment to an FSRU before its value for money and costs to consumers have been established. An FSRU would also depend on LNG shipments being available when required, further underscoring the need to resolve these questions before proceeding.

Friends of the Earth believes that any further incentivisation of continued unchecked data centre growth in Ireland should be categorically excluded from Budget 2027. Furthermore, we recommend that any fiscal measures warm to data centre growth should be abolished until a moratorium is in place, to enable clear democratic regulation of the industry.

Budget 2027 Recommendations:

- **Ensure that data centres fairly contribute to the costs of expanding and maintaining Ireland's electricity system,** proportionate to the cost of servicing their growth to date, including the significant additional investment in electricity infrastructure:
    - Introduce a **windfall tax on profits of data centre companies** ringfenced for the Warmer Homes Scheme.
    - Require new data centres which would be classed as "very large" as per EED guidelines (i.e. over 10MW) to fund 100% of their transmission costs upfront.
    - Introduce a moratorium on large data centre developments on the basis of energy affordability and prevention of public monies being diverted away from Climate Action Plan targets.
- **Ensure Budget 2027 does not provide subsidies, tax advantages or preferential treatment for data centres** that increase pressure on electricity infrastructure without clear public benefit.
- **Reject the development of the Strategic Gas Emergency Reserve/FSRU and any further LNG infrastructure in Ireland.** Budget 2027 should provide no Exchequer funding, tax support or other fiscal support for LNG infrastructure. Households must not be required to finance new gas infrastructure or bear the costs and risks of fossil-fuel infrastructure developed to accommodate rising demand, including demand from data centres.

Recommendation 4: Don't Leave Renters and Social Housing Tenants Out in the Cold

Context:

Tenants are among those most exposed to energy poverty, often living in inefficient homes while having limited ability to make improvements or access cleaner, cheaper energy solutions. The scale of the challenge in the private rental sector is significant: ESRI estimates that **240,000-260,000 rented properties have a BER below B2**, including approximately **45,000 homes rated E1 or below**. Bringing the rental sector up to B1-B2 would require an estimated **€7-8 billion in investment**, while upgrading only the worst-performing homes would cost an estimated €1.7-2.3 billion. There is an immediate need for Government-led regulation, finance, and supports to drive investment in rental sector retrofitting. For tenants, bringing these homes up to a decent standard would mean warmer, more comfortable homes, lower energy bills and greater protection from energy poverty.

Social housing also requires increased and sustained investment. The Climate Change Advisory Council has warned that local authorities will need to retrofit around **twice as many homes each year as were delivered in 2025** to meet the 2030 target.

In September 2025, councils in **Meath, South Dublin, Wexford, Dún Laoghaire-Rathdown and Waterford** passed motions calling for stronger Government funding and commitments to retrofit local authority housing. The cross-party support highlighted the need for significant, multi-annual funding that prioritises the worst-performing social housing stock and enables local authorities to accelerate delivery.

A fair transition must ensure that people's ability to access affordable clean energy is not determined by whether they own their home. Friends of the Earth recommends that tenants in private rental and social housing should have meaningful opportunities to reduce their energy costs, improve comfort and benefit from the clean energy transition.

Budget 2027 Recommendations:

- Set out a **multi-annual funding strategy to retrofit all social housing and install renewable heating systems and solar PV by 2030,** prioritising the worst-performing homes and covering all necessary costs, including enabling works such as mechanical ventilation and scaffolding for apartment blocks.
- Establish a regulatory framework and support scheme for **plug-in ("balcony") solar PV systems** to enable renters and apartment dwellers to participate in the clean energy transition. This should include simplified connection procedures, clear safety standards and tenant rights to install approved systems without unnecessary barriers.
- Fund a dedicated **Private Rental Retrofit Programme** with:
    - clear annual targets;
    - landlord supports and obligations;
    - tenant protections against renovation-related displacement.
- Introduce phased **minimum energy performance standards for rental properties**, beginning with the worst-performing homes. Provide enforcement resources to ensure compliance and prevent landlords passing retrofit costs onto tenants through excessive rent increases.

Recommendation 5: Align Taxation and Public Spending with Energy Security and a Fair Fossil Fuel Phaseout

Context:

Ireland's continued dependence on imported fossil fuels exposes households and businesses to international energy price shocks while sending billions of euro out of the Irish economy each year. Public spending and taxation policies continue to support a fossil fuel-based energy system that increases exposure to future price shocks. CSO data indicates that **€4.7 billion in fossil fuel subsidies were in place in 2024**, including significant revenue foregone through tax exemptions and reduced tax rates on fossil fuels. These include €720 million in revenue foregone from the excise exemption for jet kerosene and €370 million from the lower excise rate on road diesel.

This is particularly significant as the Government has continued to reduce or defer elements of fossil fuel taxation in 2026. **At a time when Ireland needs to reduce its dependence on fossil fuels, the tax system should not continue to provide preferential treatment for fossil fuel use.**

The Climate Change Advisory Council has called for Government to **stop subsidising fossil fuel use** and increase financial supports to protect vulnerable households and communities while accelerating the uptake of low-carbon technologies. **It has also recommended maintaining planned carbon tax increases while ring-fencing revenues for climate action and a just transition**, alongside targeted supports for people most exposed to fossil fuel costs.

The Fiscal Advisory Council and Climate Change Advisory Council have also both highlighted the economic and fiscal case for accelerating climate action. Their joint analysis found that failure to meet Ireland's climate targets could result in **€8-26 billion in potential EU fines to the State.**

Friends of the Earth believes that Ireland's fiscal system should support rather than undermine the transition away from fossil fuels. Revenue generated from climate and energy policies should be directed towards reducing household energy costs, improving energy security and ensuring that the benefits of the clean energy transition are shared fairly.

Budget 2027 Recommendations:

- **End preferential tax treatment for fossil fuel use and reject further cuts to fossil fuel taxation.** Budget 2027 should not reduce excise duties or other taxes on petrol, diesel or other fossil fuels. The Government should instead restore fossil fuel tax rates and maintain planned carbon tax increases, and instead focus on reducing tax on electricity to incentivise renewable uptake.

- Introduce a **windfall tax on fossil fuel profits** during periods of energy price volatility and invest revenues directly and transparently to reducing household exposure to future shocks.

- Develop a roadmap to **phase out fossil fuel subsidies** and environmentally harmful tax expenditure, in line with Climate Change Advisory Council recommendations. Ensure savings from fossil fuel subsidy reform are redirected towards targeted energy affordability supports; deep retrofit and renewable heat programmes; renewable energy access; community energy; public transport

- Ensure energy and carbon taxes are **transparent** and entirely invested in just transition measures.

- Urgently finalise Ireland's **Social Climate Plan** to access up to €640 million in available EU Social Climate Fund resources and ensure that funding intended to support vulnerable households is deployed without further delay.

Conclusion

Budget 2027 must mark a decisive shift from managing the consequences of fossil fuel dependence to investing in lasting solutions. By reducing reliance on fossil fuels, tackling energy poverty and investing in warmer homes and clean, secure energy, Government can lower costs for households while accelerating climate action.

The cost of delay is rising. Budget 2027 is an opportunity to invest now in a fairer, more affordable and secure energy future that delivers for people, communities and our climate.