



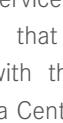
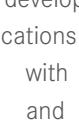
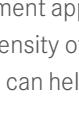
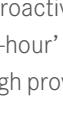
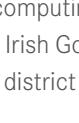
Ireland's New Policies on Data Centres and Hydrogen

Executive Summary

- The Irish Government recently published a policy document in relation to data centre development (the “**Policy Document**”), highlighting that data centres play an “indispensable role” in the Irish economy and society and identified various ‘principles’ to ensure that data centre infrastructure can be accommodated.
- Separately, to support the achievement of Ireland’s emissions reduction targets, the Department of the Environment, Climate and Communications (“**DECC**”) has launched a consultation to gather the views of stakeholders and interested parties to inform the development of a hydrogen strategy for Ireland (the “**Consultation Paper**”).

Digital Infrastructure Developments

Recent media reports and policy statements from EirGrid and the Commission for Regulation of Utilities (the “**CRU**”) have focused upon the future accommodation of data centre development, particularly in the Dublin area pending upgrades to grid infrastructure. The Irish Government recently published principles in the Policy Document which aim to ensure that data centre infrastructure (i) can be accommodated and (ii) contributes positively to Ireland’s climate and digital goals. In summary, these principles are:

 <p>Economic Impact: data centres should generate strong economic activity and employment, with a focus on regional development.</p>	 <p>Grid Capacity and Efficiency: future data centre developments should make efficient use of Ireland’s electricity grid in a manner that maximises available capacity to assist with alleviating constraints.</p>	 <p>Renewables Additionality: data centres should be able to demonstrate the additionality of their renewable energy use in Ireland.</p>
 <p>Co-Location or Proximity with Future-Proof Energy Supply: data centres should have the potential to co-locate a renewable generation facility or advanced energy storage with the data centre.</p>	 <p>Decarbonised Data Centres by Design: priority for data centre developments which demonstrate a clear pathway to decarbonisation and aim for net zero data services (including an expectation that data centres will align with the EU Climate Neutral Data Centre Pact targets in relation to energy efficiency, water use, zero-carbon electricity, transparency and reporting procedures).</p>	 <p>SME Access and Community Benefits: data centres should provide opportunities for community engagement and developments that assist SMEs through all development stages. Regional locations are to be prioritised, with community engagement and collaboration ensuring that value is added to those communities where relocation occurs.</p>

Commentary

The Policy Document principles highlight the positive potential of data centres in achieving emissions reduction targets and in promoting economic activity and employment. It appears that the Irish Government has a clear policy preference for data centre developments that (i) generate strong economic activity and employment, (ii) make efficient use of the electricity grid, and (iii) deliver renewable energy in Ireland. Going forward, we expect that these principles will be reflected in both policy and public body decision making (eg, decisions by the utilities regulator (Commission for Regulation Utilities)).

The Irish Government appears to expect data centres to proactively prepare for the optimisation of computing loads according to the carbon-intensity of available energy on an ‘hour-by-hour’ basis. In addition, interestingly, the Irish Government expects that data centres can help support decarbonisation through providing waste heat (eg, as a feed-in to district heating schemes).

The situation has developed quickly since the publication of the Policy Document. In particular, there has been increased media coverage of possible blackouts on the Irish grid this coming winter and the CRU has proposed a new set of electricity tariffs which are largely targeted at ‘Extra-Large Energy Users’ (or XLEUs), many of which are data centres. It remains to be seen how these developments will affect the future of data centres in Ireland.

Hydrogen Strategy Updates

The publication of the Consultation Paper follows the publication of the **National Energy Security Framework**, which prioritised the development of a hydrogen strategy for Ireland to reduce Ireland’s dependency on imported fossil fuels. The Irish Government has now formally acknowledged the role of green hydrogen in decarbonising transportation, heating (including through decarbonisation of the existing gas network) and power in Ireland and notes that it can be transported and stored relatively easily.

The Consultation Paper focuses on seeking input from the market on the following key feasibility points to ensure that the policy that is ultimately adopted will provide sufficient confidence for stakeholders:

- Hydrogen Demand:** the Consultation Paper acknowledges that a number of sectors will be slower to move to hydrogen as a source of energy and has requested stakeholder views on incentivising these potential users to use both hydrogen and green hydrogen.
- Supply and Connection:** DECC acknowledges that work is needed to identify the appropriate locations for the production of green hydrogen, given that non-green/non-renewable hydrogen use will not align with Ireland’s net zero targets. Stakeholders are encouraged to provide views on cost-effective ways of utilising curtailed renewable energy output for hydrogen production and the optimal locations for green hydrogen production.
- Transportation and Storage:** the Consultation Paper emphasises the importance of the identification of feasible hydrogen transportation and storage methods and seeks the views of stakeholders on hydrogen blends (including how much of the gas network should be repurposed to carry hydrogen).
- Exportation:** while DECC has emphasised the importance of green hydrogen that is produced in Ireland being used primarily for the decarbonisation of the Irish energy system and other Irish industries, the Consultation Paper requests stakeholder views on Ireland’s potential to export green hydrogen and the supports that would be needed to facilitate exports.
- Regulation:** while there is an understanding at EU level that a flexible regulatory framework is initially required to accommodate different hydrogen pathways, clarity regarding the long-term framework is required to create investor certainty. The Consultation Paper states that “dynamic regulation” (where the level of regulation is tailored to the development of the market) would be a key factor in securing investment interest in this space.
- Supports:** the Consultation Paper requests stakeholder views on a range of questions relating to how the deployment of hydrogen would be incentivised and funded / supported.
- Energy Security:** the Consultation Paper acknowledges hydrogen’s use as a mechanism of enhancing energy security by diversifying supply and requests stakeholder views on the specific role hydrogen supply and storage could play in Ireland’s security of supply.

Commentary

This Consultation Paper is likely to open up a wider policy debate around the benefits of hydrogen and how hydrogen project development can be reconciled with Ireland’s emissions reduction targets. While a clear strategy detailing how hydrogen can advance these goals at each stage of the process is essential and eagerly awaited, the Consultation Paper gives an indication of the Irish Government’s ‘direction of travel’ and appears to show that policymakers are open-minded.

Contacts

If you have any questions on the recent developments in the digital infrastructure and / or hydrogen landscape and how it might affect your business, please contact **Garret Farrelly**, **Seán Scally**, **Owen Collins**, **Conor Blennerhassett** or **Chelsey O'Doherty**.

Garret Farrelly

Partner | Head of Energy, Natural Resources and Utilities and Head of Projects

E: garret.farrelly@matheson.com

T: +353 1 232 2676

Seán Scally

Partner

E: sean.scally@matheson.com

T: +353 1 232 2066

Owen Collins

Senior Associate

E: owen.collins@matheson.com

T: +353 1 232 2410

Conor Blennerhassett

Senior Associate

E: conor.blennerhassett@matheson.com

T: +353 1 232 2066

Chelsey O'Doherty

Associate

E: chelsey.odoherty@matheson.com

T: +353 1 232 2582