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Subject:	Recommendation for a COUNCIL RECOMMENDATION on the 2023 National Reform Programme of Ireland and delivering a Council opinion on the 2023 Stability Programme of Ireland

Delegations will find attached the above mentioned draft Council Recommendation, as revised and agreed by various Council committees, based on the Commission Proposal COM(2023) 607 final.

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Recommendation for a

COUNCIL RECOMMENDATION

on the 2023 National Reform Programme of Ireland and delivering a Council opinion on the 2023 Stability Programme of Ireland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[1], and in particular Article 5(2) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

1 OJ L 209, 2.8.1997, p. 1.

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(1) Regulation (EU) 2021/241 of the European Parliament and of the Council[2], which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support to the Member States for the implementation of reforms and investments, entailing a fiscal impulse financed by the EU. In line with the European Semester priorities, it contributes to economic and inclusive recovery and to the implementation of sustainable and growth-enhancing reforms and investments, in particular to promote the green and digital transition and make the Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the EU and support the continued implementation of the European Pillar of Social Rights. The maximum financial contribution per Member State under the Recovery and Resilience Facility was updated on 30 June 2022, in accordance with Article 11(2) of Regulation (EU) 2021/241.

[2] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

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(2) On 22 November 2022, the Commission adopted the 2023 Annual Sustainable Growth Survey[3], marking the start of the 2023 European Semester for economic policy coordination. The European Council endorsed the priorities of the survey around the four dimensions of competitive sustainability on 23 March 2023. On 22 November 2022, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the 2023 Alert Mechanism Report, in which it did not identify Ireland as one of the Member States that may be affected or may be at risk of being affected by imbalances. As such, an in-depth review would not be needed. On the same date, the Commission also adopted an opinion on Ireland's 2023 draft budgetary plan. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, which the Council adopted on 16 May 2023, as well as the proposal for the 2023 Joint Employment Report analysing the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights, which the Council adopted on 13 March 2023.

(3) While the EU economies are showing remarkable resilience, the geopolitical context continues to have a negative impact. As the EU stands firmly with Ukraine, the EU economic and social policy agenda is focused on reducing the negative impact of energy shocks on both vulnerable households and companies in the short term, and on keeping up efforts to deliver on the green and digital transition, support sustainable and inclusive growth, safeguard macroeconomic stability and increase resilience in the medium term. It also focuses heavily on increasing the EU's competitiveness and productivity.

[3] COM(2022) 780 final.

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(4) On 1 February 2023, the Commission issued the Communication *A Green Deal Industrial Plan for the Net-Zero Age*[4] to boost the competitiveness of the EU's net-zero industry and support the fast transition to climate neutrality. The plan complements ongoing efforts under the European Green Deal and REPowerEU. It aims to provide a more supportive environment for scaling up the EU's manufacturing capacity for the net-zero technologies and products required to meet the EU's ambitious climate targets, as well as ensuring access to relevant critical raw materials, including by diversifying sourcing, properly exploiting geological resources in Member States and maximising the recycling of raw materials. The plan is based on four pillars: a predictable and simplified regulatory environment, speeding up access to finance, enhancing skills, and open trade for resilient supply chains. On 16 March 2023, the Commission also issued the Communication *Long-term competitiveness of the EU: looking beyond 2030*[5], structured along nine mutually reinforcing drivers with the objective to work towards a growth enhancing regulatory framework. It sets policy priorities aimed at actively ensuring structural improvements, well focused investments and regulatory measures for the long-term competitiveness of the EU and its Member States. The recommendations below help address those priorities.

4 COM(2023) 62 final.
5 COM(2023) 168 final.

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(5) In 2023, the European Semester for economic policy coordination continues to evolve in line with the implementation of the Recovery and Resilience Facility. Fully implementing the recovery and resilience plans remains essential for delivering the policy priorities under the European Semester, as the plans address all or a significant subset of the relevant country-specific recommendations issued in recent years. The 2019, 2020 and 2022 country-specific recommendations remain equally relevant also for recovery and resilience plans revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241.

(6) The REPowerEU Regulation[6] adopted on 27 February 2023 aims to rapidly phase out the EU's dependence on Russian fossil fuel imports. This will contribute towards energy security and the diversification of the EU's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. The Regulation enables Member States to add a new REPowerEU chapter to their national recovery and resilience plans in order to finance key reforms and investments that will help achieve the REPowerEU objectives. They will also help boost the competitiveness of the EU's net-zero industry as outlined in the Green Deal Industrial Plan for the Net-Zero Age and address the energy-related country-specific recommendations issued to the Member States in 2022 and, where applicable, in 2023. The REPowerEU Regulation introduces a new category of non-repayable financial support, made available to Member States to finance new energy-related reforms and investments under their recovery and resilience plans.

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6 Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1).

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(7) On 8 March 2023, the Commission adopted a communication providing fiscal policy guidance for 2024. It aims to support the preparation of Member States' stability and convergence programmes and thereby strengthen policy coordination[7]. The Commission recalled that the general escape clause of the Stability and Growth Pact will be deactivated at the end of 2023. It called for fiscal policies in 2023-2024 that ensure medium-term debt sustainability as well as raise potential growth in a sustainable manner. Member States were invited to set out in their 2023 stability and convergence programmes how their fiscal plans will ensure that the 3% of GDP deficit reference value is adhered to as well as plausible and continuous debt reduction, or for debt to be kept at prudent levels in the medium term. The Commission invited Member States to phase out national fiscal measures introduced to protect households and firms from the energy price shock, starting with the least targeted ones. It indicated that, if support measures needed to be extended because of renewed energy price pressures, Member States should target such measures much better than in the past towards vulnerable households and firms. The Commission proposed that the fiscal recommendations would be quantified and differentiated.Moreover, as proposed in its Communication on orientations for a reform of the EU economic governance framework[8], the fiscal recommendations would be formulated on the basis of net primary expenditure. It recommended that all Member States should continue to protect nationally financed investment and ensure the effective use of the Recovery and Resilience Facility and other EU funds, in particular in light of the green and digital transition and resilience objectives. The Commission indicated that it will propose to the Council to open deficit-based excessive deficit procedures in spring 2024 on the basis of the outturn data for 2023, in line with existing legal provisions.

[7] COM(2023) 141 final.
[8] COM(2022) 583 final.

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(8) On 26 April 2023, the Commission presented legislative proposals to implement a comprehensive reform of the EU's economic governance rules. The central objective of the proposals is to strengthen public debt sustainability and promote sustainable and inclusive growth in all Member States through reforms and investments. In its proposals, the Commission aims at improving national ownership, simplifying the framework and moving towards a greater medium-term focus, combined with effective and more coherent enforcement. According to the Council Conclusions adopted on 14 March 2023, the objective is to conclude the legislative work in 2023.

(9) On 28 May 2021, Ireland submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation. On 8 September 2021, the Council adopted its Decision on the approval of the assessment of the recovery and resilience plan for Ireland[9]. The release of instalments is conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Ireland has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

[9] Council Implementing Decision of 8 September 2021 on the approval of the assessment of the recovery and resilience plan for Ireland (ST 11046/21; ST 11046/21 ADD 1).

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(10) On 4 May 2023, Ireland submitted its 2023 National Reform Programme and, on 2 May 2023, its 2023 Stability Programme, in line with Article 4(1) of Regulation (EC) No 1466/97. To take account of their interlinkages, the two programmes have been assessed together. In accordance with Article 27 of Regulation (EU) 2021/241, the 2023 National Reform Programme also reflects Ireland's biannual reporting on the progress made in achieving its recovery and resilience plan.

(11) The Commission published the 2023 country report for Ireland[10] on 24 May 2023. It assessed Ireland's progress in addressing the relevant country-specific recommendations adopted by the Council between 2019 and 2022, and took stock of Ireland's implementation of the recovery and resilience plan. Based on this analysis, the country report identified gaps with respect to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges. It also assessed Ireland's progress on implementing the European Pillar of Social Rights and on achieving the EU headline targets on employment, skills and poverty reduction, as well as progress in achieving the UN's Sustainable Development Goals.

(12) Based on data validated by Eurostat,[11] Ireland's general government balance turned from a deficit of 1.6% of GDP in 2021 to a surplus of 1.6% in 2022, while general government debt fell from 55.4% of GDP at the end of 2021 to 44.7% at the end of 2022.

10 SWD(2023) 607 final.
11 Eurostat-Euro Indicators, 47/2023, 21.4.2023

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(13) The general government balance has been impacted by the fiscal policy measures adopted to mitigate the economic and social impact of the increase in energy prices. In 2022, such revenue-decreasing measures included a reduction in excise duty on fuels and VAT cuts on gas and electricity; while expenditure measures included payments to all domestic electricity accounts and a range of social transfers. The Commission estimates the net budgetary cost of these measures at 0.5% of GDP in 2022. The general government balance has also been impacted by the budgetary cost of temporary protection to displaced persons from Ukraine, which is estimated at 0.1% of GDP in 2022. At the same time, the estimated cost of COVID-19 temporary emergency measures dropped to 0.7% of GDP in 2022, from 2.8% in 2021.

(14) On 18 June 2021, the Council recommended that in 2022 Ireland[12] pursue a supportive fiscal stance, including from the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment.

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12 Council Recommendation of 18 June 2021 delivering a Council opinion on the 2021 Stability Programme of Ireland, OJ C 304, 29.7.2021, p. 28.

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(15) According to the Commission estimates, the fiscal stance[13] in 2022 was broadly neutral, at -0.2% of GDP, which was appropriate in a context of high inflation. As recommended by the Council, Ireland continued to support the recovery with investments to be financed by the Recovery and Resilience Facility. Expenditure financed by Recovery and Resilience Facility grants and other EU funds amounted to 0.04% of GDP in 2022 (0.1 % of GDP in 2021). Nationally financed investment provided an expansionary contribution of 0.1 percentage points to the fiscal stance.[14] Ireland therefore preserved nationally financed investment, as recommended by the Council. At the same time, the growth in nationally financed primary current expenditure (net of new revenue measures) provided a broadly neutral contribution of -0.2 percentage points to the fiscal stance. Ireland therefore sufficiently limited the growth in nationally financed current expenditure.

(16) The macroeconomic scenario underpinning the budgetary projections in the Stability Programme is in line with the Commission 2023 Spring Forecast for 2023 and cautious thereafter. The government projects real GDP to grow by 5.6% in 2023 and 4.1% in 2024. By comparison, the Commission 2023 spring forecast projects a lower real GDP growth of 5.5% in 2023 and higher of 5.0% in 2024. The Commission's comparatively higher growth rate in 2024 is mainly due to a more sustained pace of growth in net exports. However, in the case of Ireland this variable is subject to large fluctuations as it is driven by a small number of large multinational companies, which have been commercially very successful in recent years.

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13 The fiscal stance is measured as the change in primary expenditure (net of discretionary revenue measures), excluding Covid-19 crisis-related temporary emergency measures but including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to medium-term potential growth. For more details see Box 1 in the Fiscal Statistical Tables.

14 Other nationally financed capital expenditure provided a neutral contribution of 0.0 percentage points of GDP.

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(17) In its 2023 Stability Programme, the government expects that the general government surplus will increase to 1.8% of GDP in 2023. The increase in 2023 mainly reflects buoyant revenue growth. According to the Programme, the general government debt-to-GDP ratio is expected to decrease from 44.7% at the end of 2022 to 40.5% at the end of 2023. The Commission 2023 spring forecast projects a government surplus of 1.7% of GDP for 2023. This is in line with the surplus projected in the Stability Programme. The Commission 2023 spring forecast projects a similar general government debt-to-GDP ratio, of 40.4% at the end of 2023.

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(18) The government balance in 2023 is expected to continue to be impacted by the fiscal measures adopted to mitigate the economic and social impact of the increase in energy prices. They consist of measures extended from 2022, in particular a second round of two payments to all domestic electricity accounts, as well as a new set of social transfers. The cost of these measures is envisaged to be partly offset by taxes on windfall profits of energy suppliers, namely a cap on revenues from the production of electricity. Taking these revenues into account, the net budgetary cost of the support measures is projected in the Commission 2023 spring forecast at 0.3% of GDP in 2023[15]. Most measures in 2023 do not appear targeted to the most vulnerable households or firms, but do preserve the price signal to reduce energy demand and increase energy efficiency. As a result, the amount of targeted support measures, to be taken into account in the assessment of compliance with the fiscal recommendation for 2023, is estimated in the Commission 2023 spring forecast at 0.1% of GDP in 2023 (compared to 0.2% of GDP in 2022). The budgetary cost of temporary protection to displaced persons from Ukraine is projected to increase by 0.1 percentage point of GDP compared to 2022. Finally, the 2023 government balance is expected to benefit from the phasing out of COVID-19 temporary emergency measures of 0.7% of GDP.

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15 The figure represents the level of annual budgetary cost of those measures, including current revenue and expenditure as well as – where relevant – capital expenditure measures.

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(19) On 12 July 2022, the Council recommended[16] that Ireland take action to ensure in 2023 that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance[17], taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Ireland should stand ready to adjust current spending to the evolving situation. Ireland was also recommended to expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds.

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16 Council Recommendation on the 2022 National Reform Programme of Ireland and delivering a Council opinion on the 2022 Stability Programme of Ireland OJ C 334, 1.9.2022, p. 52.

17 Based on the Commission spring 2023 forecast, the medium-term (10-year average) potential output growth of Ireland, which is used to measure the fiscal stance, is estimated at 12.3% in nominal terms.

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(20) In 2023, the fiscal stance is projected in the Commission 2023 spring forecast to be broadly neutral (0.2% of GDP), in a context of high inflation. This follows broadly neutral fiscal stance in 2022 (- 0.2% of GDP). The growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2023 is projected to provide a contractionary contribution of 0.3 % of GDP to the fiscal stance. This includes the reduced cost of the targeted support measures to households and firms most vulnerable to energy price hikes by 0.1% of GDP. This also includes higher costs to offer temporary protection to displaced persons from Ukraine (by 0.1% of GDP). In sum, the projected growth of nationally financed primary current expenditure is in line with the Council recommendation. Expenditure financed by Recovery and Resilience Facility grants and other EU funds is projected to amount to 0.1% of GDP in 2023, while nationally financed investment is projected to provide a neutral contribution to the fiscal stance of 0.0 percentage points[18]. Therefore, Ireland plans to finance additional investment through the Recovery and Resilience Facility and other EU funds, and it is projected to preserve nationally financed investment. It plans to finance public investment for the green and digital transitions, and for energy security, such as facilitating a deployment of renewables, as well as enabling the electrification of other technologies, which are partly funded by the Recovery and Resilience Facility and other EU funds.

[18] Other nationally financed capital expenditure is projected to provide an expansionary contribution of 0.1 percentage points of GDP.

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(21) According to the Stability Programme the general government surplus is expected to increase to 2.8% of GDP in 2024. The increase in 2024 mainly reflects the reduction of expenditure as temporary spending measures are discontinued. The programme expects the general government debt-to-GDP ratio to decrease to 38.2% at the end of 2024. Based on policy measures known at the cut-off date of the forecast, the Commission 2023 spring forecast projects a government surplus of 2.2% of GDP in 2024. This is lower than the surplus projected in the programme, mainly due to higher expenditure in the Commission 2023 spring forecast. The Commission 2023 spring forecast projects a similar general government debt-to-GDP ratio, of 38.3% at the end of 2024.

(22) The Stability Programme envisages the phasing out of all of the energy support measures in 2024. The Commission also assumes the full phasing out of energy support measures in 2024. This hinges upon the assumption of no renewed energy price increases.

(23) In the programme, Ireland plans to meet the medium-term budgetary objective - a structural budget balance of -0.5% of GDP[19] - in 2023 and 2024 and to maintain it throughout the rest of the programme period. Based on the Commission 2023 spring forecast, the structural balance is forecast at a deficit of 0.1% of GDP in 2023 and a surplus of 1.0% of GDP in 2024, above the medium-term budgetary objective.

(24) Assuming unchanged policies, the Commission 2023 spring forecast projects net nationally financed primary expenditure[20] to grow at 1.9% in 2024.

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19 The structural balance (cyclically-adjusted balance net of one-off and temporary measures) recalculated by the Commission using the commonly agreed methodology points to a structural deficit of 0.9% of GDP in 2023 and a surplus of 0.1% in 2024.

20 Net primary expenditure is defined as nationally financed expenditure net of discretionary revenues measures and excluding interest expenditure as well as cyclical unemployment expenditure.

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(25) According to the programme, government investment is expected to increase from 2.0% of GDP in 2023 to 2.1% in 2024. The higher investment reflects higher nationally financed investment and investment financed by the EU, namely through the Recovery and Resilience Facility. The programme refers to reforms and investments, that are expected to contribute to fiscal sustainability and sustainable and inclusive growth. These include an update of the climate action plan and the building of a data centre facility, which are also part of the Recovery and Resilience Plan.

(26) The Stability Programme outlines a medium-term fiscal path until 2026. According to the programme, the general government surplus is expected to increase to 2.9% of GDP in 2025 and to 3.1% by 2026. The general government balance is therefore planned to meet the relevant Treaty reference value over the programme horizon. According to the programme, the general government debt-to-GDP ratio is expected to decrease from 38.2% at the end of 2024 to 32.0% by the end of 2026.

(27) The share of the population older than 64 relative to that of the working age population (20-64) is projected to more than double by 2070, when there would be fewer than two potential contributors for every retiree compared to nearly four contributors in 2022. This ageing of the population requires the pension system to be protected against rising costs. The pension reform announced in September 2022 keeps the pension age at 66. The government therefore intends to address the sustainability of the pension system on the contributions side. In 2023, the government is expected to present a roadmap for a gradual increase in social insurance contributions between 2024 and 2034. This would add clarity to how it plans to set out the financing arrangements of the state pension system.

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(28) In accordance with Article 19(3), point (b) and Annex V, criterion 2.2 of Regulation (EU) 2021/241, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. The implementation of Ireland's recovery and resilience plan is underway, however with significant delays. Limited resources and insufficient prioritisation have led Ireland to fall behind in the implementation process. Ireland submitted an amendment of its plan in May 2023. Ireland has yet to submit its first payment request. Preparation of a REPowerEU chapter is ongoing. The swift inclusion of the new REPowerEU chapter in the recovery and resilience plan will allow additional reforms and investments to be financed in support of Ireland's strategic objectives in the field of energy and the green transition. The systematic and effective involvement of local and regional authorities, social partners and other relevant stakeholders remains important for the successful implementation of the recovery and resilience plan, as well as other economic and employment policies going beyond the plan, to ensure broad ownership of the overall policy agenda.

(29) The Commission approved all of Ireland's cohesion policy programming documents in 2022. Proceeding with the swift implementation of the cohesion policy programmes in complementarity and synergy with the recovery and resilience plan, including the REPowerEU chapter, is key to achieving the green and digital transition, increasing economic and social resilience as well as achieving balanced territorial development in Ireland.

(30) Beyond the economic and social challenges addressed by the recovery and resilience plan and cohesion policy programmes, Ireland faces a number of additional challenges related to the circular economy, drinking water supply and wastewater treatment, as well as to the electricity system, energy infrastructure and smart grid technologies, permitting framework, energy efficiency, sustainable transport and green skills.

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(31) Ireland's waste generation continues to rise and remains significantly above the EU average. Its recycling performance has been stagnating for several years. The circular use of materials slightly increased to 2% in 2021, but remains well below the EU average of 11.7%. While improvements in waste management are being made, the impact of the 2020 waste action plan for a circular economy and the whole-of-government circular economy strategy published in December 2021 has yet to be felt. More investments are needed to reach the EU's circular economy objectives. This involves improving separate waste collection and treatment infrastructure to divert waste from landfilling and incineration, with a particular focus on plastic and biowaste. On water management and quality, Ireland is confronted with an ageing and outdated infrastructure, resulting in one of the highest pipe leakage rates in the EU. The quality of drinking water also remains a problem in certain areas. Degradation of water quality from agricultural expansion is not sufficiently addressed. Infrastructure investment is also needed in river restoration as well as a more comprehensive approach to controlling water contamination from agricultural activities.

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(32) Ireland's power system showed signs of vulnerability in 2022 as electricity supply issues required emergency support measures. Its climate action plan includes the ambitious goal of transforming the country's energy system by 2030 with the aim of achieving 80% renewable electricity. This will result in large volumes of variable generation. Current flexibility in the system and its integration are insufficient to cope with such large volumes of variable generation and with the growing energy demand, in particular from data centres, which could make it difficult to achieve the renewables target. Demand-side flexibility and major upgrades to the transmission, distribution and storage infrastructure will be key elements in reducing Ireland's dependence on fossil fuel imports and in facilitating and accelerating its transition towards a climate-neutral energy system. The key challenges in the development of demand-side flexibility include the lack of a coordinated strategy covering the whole energy system, including heating and cooling, as well as the lack of smart metering infrastructure. Improving the efficiency of the planning and permitting system for renewables, storage and grid connectors by ensuring that appropriate staffing with adequate skills is available at all stages of planning processes and by streamlining the overall framework could speed up large-scale developments, thereby accelerating the green transition.

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(33) Ireland's consumption of natural gas has dropped by 0.2% in the period between August 2022 and March 2023, compared with the average gas consumption over the same period in the preceding 5 years, well below the 15% reduction target. Despite the exemption granted to Ireland, Ireland is encouraged to enhance efforts to temporarily reduce gas demand until 31 March 2024[21]. Energy efficiency measures will play a key role in reducing energy consumption and helping achieve the EU-wide target of reducing net greenhouse gas emissions by at least 55%. Residential energy upgrades, retrofitting and the fast deployment of renewable heating will be key to achieving climate objectives. Despite ambitious targets to retrofit the equivalent of 500 000 homes so they achieve a Building Energy Rating (BER) of B2, as well as installing 400 000 heat pumps in existing homes to replace older, less efficient heating systems by the end of 2030, challenges remain, largely due to the shortage of skilled labour. The number of zero-emission vehicles in the Irish fleet is growing rapidly from a very low base, but the density of public charging points struggles to keep pace. Only around 100 kilometres of railway lines are electrified, making Ireland the EU country with the lowest share of electrified railways. In addition, road congestion puts a high burden on air quality and commuters' time.

[21] Council Regulation (EU) 2022/1369 and Council Regulation (EU) 2023/706.

(34) Labour and skills shortages in sectors and occupations key for the green transition, including manufacturing, deployment and maintenance of net-zero technologies, are creating bottlenecks in the transition to a net-zero economy. High-quality education and training systems that respond to changing labour market needs and targeted upskilling and reskilling measures are key to reducing skills shortages and promoting labour inclusion and reallocation. To unlock untapped labour supply, these measures need to be accessible, in particular for individuals and in sectors and regions most affected by the green transition. In 2022, labour shortages were reported in Ireland for 12 occupations that required specific skills or knowledge for the green transition, including environmental protection professionals, engineering professionals and electrical engineers. In addition, labour shortages were reported as a factor that constrained production in industry (46.8% of firms) and construction (60.3% of firms).

(35) In light of the Commission's assessment, the Council has examined the 2023 Stability Programme and its opinion[22] is reflected in recommendation (1) below.

22 Under Articles 5(2) and 9(2) of Council Regulation (EC) No 1466/97.

(36) In view of the close interlinkages between the economies of euro area Member States and their collective contribution to the functioning of the Economic and Monetary Union, the Council recommended that euro area Member States take action, including through their recovery and resilience plans, to (i) preserve debt sustainability and refrain from broad-based support to aggregate demand in 2023, better target fiscal measures taken to mitigate the impact of high energy prices and reflect on appropriate ways to wind down support as energy price pressures diminish; (ii) sustain high public investment and promote private investment to support the green and digital transition; (iii) support wage developments that mitigate the loss in purchasing power while limiting second-round effects on inflation, further improve active labour market policies and address skills shortages; (iv) improve the business environment and ensure that energy support to companies is cost-effective, temporary, targeted to viable firms and that it maintains incentives for the green transition; and (v) preserve macro-financial stability and monitor risks while continuing to work on completing the Banking Union. For Ireland, recommendations (1) (2), (3) and (4) contribute to the implementation of the first, second, and third euro area recommendations.

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HEREBY RECOMMENDS that Ireland take action in 2023 and 2024 to:

1. Wind down the emergency energy support measures in force in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings. While maintaining a sound fiscal position in 2024, preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.

   For the period beyond 2024, continue to pursue investment and reforms conducive to higher sustainable growth and preserve a prudent medium-term fiscal position.

   Ensure the fiscal sustainability of the state pension system by specifying its financing arrangements.

2. Significantly accelerate the implementation of its recovery and resilience plan, also by ensuring sufficient resources, and swiftly finalise the addendum and the REPowerEU chapter with a view to rapidly starting its implementation. Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.

3. Accelerate investments to speed up the circular economy. Further develop both waste treatment infrastructure associated with the higher steps of the waste hierarchy and economic instruments to prevent waste and increase reused, remanufactured and recycled content. Develop a more effective system for the separate collection of recyclable waste, including biodegradable waste. Divert waste from landfilling and incineration, with a particular focus on plastic and biowaste. Increase efforts to accelerate investments in the drinking water and wastewater infrastructure.

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4. Reduce overall reliance on fossil fuels. Focus efforts on improving flexibility in the electricity system and improving energy system integration. Design and implement a dedicated strategy for the development of demand-side response and accelerate the roll-out of smart metering infrastructure and smart grid technologies. Streamline the planning and permitting framework for renewables, storage and grid connectors. Implement additional measures that support energy efficiency in private and public buildings to reduce energy bills and energy system costs. Accelerate the installation of public charging points for zero-emission vehicles. Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.

Done at Brussels,

For the Council

The President

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