Committee of Public Accounts 5th November 2019
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Fossil Fuel Subsidies

Opening Statement

I thank the Chairman for giving the CSO the opportunity to address the committee.

The CSO operates under the terms of the Statistics Act 1993, which sets out the mandate of the office and the standards by which we must conduct our business. Independent, objective, trusted and high quality official statistics are the cornerstone of any developed democratic society. A key element in ensuring trust and quality is the legal guarantee in relation to the confidentiality of statistical returns made to the CSO. Accordingly, we cannot discuss any issues relating to any individual person or entity. Due to the nature of our work, the CSO is entrusted with a large quantity of extremely sensitive information by our respondents, both businesses and persons. The legal guarantee we provide to these respondents is central to our ability to collect information and to the compilation of all the official statistics we publish.

The CSO operates in a dynamic global environment, driven not only by a shift in focus towards greater levels of scrutiny but also by the unprecedented growth in the volume and nature of data. The CSO embraces the opportunities for official statistics provided by these changing trends. We are engaged in a programme of modernisation and innovation and we are respected contributors on the international stage. The CSO is the main producer of official statistics in Ireland but there is also a significant international dimension to our work. Meeting EU legislative requirements, which have a considerable overlap with national requirements, accounts for almost 90% of our work programme and has been the single most important factor shaping the development of the CSO since joining the EU.

We have been invited here today to discuss the research paper on Fossil Fuel and Similar Subsidies but it is part of a wider international and Irish context for environmental statistics. I will briefly describe this context before describing the research paper in some detail. The United Nations System of Environmental-Economic Accounting (SEEA) is a statistical system that brings together economic and environmental information into a common framework to measure:

- the condition of the environment;
- the contribution of the environment to the economy; and
- the impact of the economy on the environment.

The SEEA contains an internationally agreed set of standard concepts, definitions, classifications, accounting rules, and tables to produce internationally comparable statistics.

The Statistical Office of the European Commission, Eurostat, has developed a series of mandatory and voluntary environmental accounts modules based on the SEEA. The CSO publishes a broad range of statistical releases on the Eurostat SEEA modules and on other areas of environment statistics. The releases that are most relevant to the Committee’s recent discussions in addition to the research paper on Fossil Fuel and Similar Subsidies are:

- Environmental Taxes;
- Environmental Subsidies and Similar Transfers;
• Environmental Accounts Air Emissions (using EPA inventory data); and
• Domestic Building Energy Ratings (using SEAI data).

The following sections provide a brief summary of the research paper and the relevant official CSO Environment releases.

**Fossil Fuel and Similar Subsidies Research Paper**

Fossil fuel subsidies are a Sustainable Development Goal indicator. The rationale behind the SDG indicator 12.c is to reduce inefficient fossil-fuel subsidies that encourage wasteful consumption by restructuring taxation to reflect environmental impacts. A UN Environment report recommended that data for the SDG indicator should be compiled using a combination of direct transfers, price supports, and tax expenditures which is consistent with the approach followed by the CSO in the research paper.

Data on direct supports was mainly obtained from government appropriation accounts, the annual accounts of government departments and agencies, and through direct request to the government department or organisation. Indirect supports are also known as tax expenditures. A tax expenditure is defined under Irish legislation as a transfer of public resources that is achieved by:

- Reducing obligations with respect to a benchmark tax;
- Provisions of tax legislation that reduce or postpone revenue for a comparatively narrow population of taxpayers relative to the tax base.

Tax expenditures are defined relative to a system of benchmark taxes e.g. the reduced excise duty on autodiesel compared with petrol. Data on tax expenditures was obtained from Revenue or estimated using information from Revenue.

The CSO estimated that the total amount of fossil fuel and similar subsidies in 2016 was €4.1 billion comprised of €2.5 billion of fossil fuel supports and €1.6 billion of other supports. The fossil fuel supports comprised €534 million of direct fossil fuel subsidies and €1,971 million in indirect fossil fuel supports in 2016. It is broadly recognised that aside from the environmental impact these supports can have important social and economic purposes while being detrimental to the environment. For example, agricultural subsidies account for €1.5 billion of the €4.1 billion total in 2016, but are recognised as important supports for the rural economy.

Eurostat is developing a new module on potentially environmentally harmful subsidies. The new module is building upon work done by the United Nations, OECD, International Energy Agency, and the International Monetary Fund. The work undertaken by the CSO to date in this particular field of study is very much a “work in progress” and for that reason was published as a research paper. When the methodology for the new Eurostat module has been finalised, the CSO will review the approach taken in the research paper to ensure that our methodology is consistent with the EU requirements being developed by Eurostat in consultation with Member States.

**Environmental Taxes Statistical Release**

Environmental taxes are levied on something that has a proven specific negative impact on the environment. Examples include the plastic bag levy, vehicle registration tax, and the carbon tax. There was €235 million euro collected under the carbon tax in 2010 and this increased to €431 million in 2018. Total environmental taxes in 2018 were just over €5 billion euro and they constituted 7.1% of the total amount collected under all taxes.

The carbon tax and carbon credits are both classified as environmental taxes. The CSO uses various data sources to disaggregate these taxes by the NACE industrial sector classification including households as an additional sector. Over the period 2010-2018, €3.5 billion euro was collected from both carbon taxes with the annual amount increasing from €235 million in 2010 to €441 million in 2018.

The Revenue Commissioners publishes the amount of carbon taxes collected under each fuel. In 2018, 42% of carbon taxes were collected for road transport diesel. Petrol accounted for 11% of the total in 2018. Hence carbon taxes collected on road transport fuels accounted for 53% of the total collected in 2018. Kerosene accounted for a further 14%, marked gas oil for 13%, and natural gas for 12%. Solid fuels accounted for 6% of the total carbon tax.

**Environmental Subsidies and Similar Transfers Statistical Release**

This statistical release is compiled in accordance with Eurostat methodological guidelines. The module has not yet been included in the EU Regulation.

Environmental subsidies are intended to support activities that protect the environment or reduce the use and extraction of natural resources. Examples include the capital investment plan for wastewater treatment and the organic farming scheme. Total environmental subsidies paid in 2017 were €895 million. Production of energy from renewable resources accounted for 32% of the amount paid out in environmental subsidies in 2018. Wastewater management accounted for 26%, protection of biodiversity 23%, and heat and energy saving subsidies for 9%.

**Environmental Accounts Air Emissions Statistical Release**


The CSO obtain the air emissions inventories data from the Environmental Protection Agency and disaggregate them by NACE sector as required by Eurostat. In each of the years 2007 to 2016 households accounted for 22% to 24% of total greenhouse gas emissions. In absolute terms, household emissions decreased from 15.4 million tonnes of carbon dioxide equivalent in 2008 to 12.7 million tonnes in 2014 before increasing to 13.5 million tonnes in 2016.

**Domestic Building Energy Ratings Statistical Release**

The Sustainable Energy Authority of Ireland provide the CSO with a file containing the details of all domestic building energy ratings audits and the CSO publishes them on a quarterly basis. Around half of the total number of dwellings in the State have had a BER audit but the requirements of the scheme mean that some types of dwellings are under-represented e.g. older rural houses that are not being sold or rented.
The BER data show how ratings vary by county, period of construction, type of building (detached house, mid-floor apartment), and type of main space heating fuel. Longford (9%), Offaly (11%), Westmeath (9%), Tipperary (11%), Leitrim (12%), Mayo (10%), Roscommon (12%), Sligo (9%), and Cavan (9%) have the highest proportions of “G” rated dwellings.

An analysis of the BER ratings for households using peat as their main spacing fuel shows that 42% had a “G” rating. The proportion of “G” ratings for other solid fuels were coal (35%), smokeless fuel (38%), wood logs (29%), and solid multi-fuel (35%).