

Joint Committee on Climate Action

Meeting on Carbon Tax

25th September 2019

Opening Comments by the Department of Finance

My name is Gerry Kenny. I'm a Principal Officer with responsibility for Indirect Tax Policy in the Department of Finance.

I am joined this afternoon by my colleague Matt McGann, Principal Officer, who leads the Economic Fiscal Analysis Unit within the Department.

On behalf of the Department of Finance I would like to take this opportunity to thank the Committee for your invitation today to discuss the *review of the public consultation on the uses of carbon tax revenues*.

Members of the Committee will be aware that with the Budget less than a fortnight away, there is little we can say in terms of what the Minister may or may not do in the taxation space in the forthcoming Budget. Minister Donohoe told the Budget Oversight Committee last week that he was still considering his options. He did say, however, that if changes are to be made in carbon tax, the revenue from such a change should be treated in a different way from other tax changes that have been carried out. Separately, the Taoiseach stated earlier this week that "all new revenues raised from carbon tax will be ring-fenced to fund climate action and just transition - just

transition to protect those most exposed to higher fuel and energy costs and for whom new jobs must be found.”

In its Report – *Climate Change: A Cross Party Consensus for Action*, this Committee recommended that the Department of Finance conduct a public consultation examining the options for use of revenue raised from increases in carbon tax. In line with this recommendation, the Department launched a public consultation asking respondents to select from a list of options. A report of the responses received is set out in “The Climate Action and Tax” paper presented to the Tax Strategy Group in July.

The consultation was conducted between 30 May and 28 June 2019. A total of 66 submissions were received, broken down along the following lines: 19 private individuals, 28 businesses or business representative organisations, 13 Social, Voluntary and Community (SVC) Bodies and 6 other (political or public administration bodies and academics or academic organisations).

The predominant view from the public consultation is that the additional carbon tax revenues should be ring-fenced for the purposes of enhancing the current SEAI grant scheme for household energy efficiency improvements and to fund sustainable transport infrastructure. The majority of respondents favoured these two options while most

respondents were against the use of revenue for general government expenditure or to pay EU fines arising from failure to meet targets.

Increasing the national fuel allowance to support those at risk of fuel poverty, received a mixed response among all respondents. The option of returning the proceeds by way of dividend to citizens or households through the social welfare and/or tax system received a negative response overall, being one of the least supported and most opposed options.

The option to use additional carbon tax revenues for broad Climate Action purposes (e.g. Climate Action Fund or similar) received a slightly negative response overall (most respondents stating their preference for transparent and visible use of revenue arising for measures related to climate change). The option to incentivise businesses to switch to more sustainable production measures garnered support among industry respondents and limited support from other respondents.

The results were published in the Climate Action paper presented to the Tax Strategy Group in July of this year.

Thank you.