



Opening Statement

Regarding the

Commission on Taxation and Welfare Report

by Marie Donnelly, Climate Change Advisory Council Chairperson

to the

Budget Oversight Committee March 1st 2023

Opening Remarks

- 1) Thank you to the Budget Oversight Committee for the opportunity to attend today and speak on how the taxation system can help Ireland move to a low-carbon economy. My name is Marie Donnelly, chairperson of the Climate Change Advisory Council. I am joined by Prof. John Fitzgerald, fellow Council member and former chair. I welcome this opportunity to have a conversation on how we can use the taxation system and other measures to take urgent action in response to the climate crisis and indeed, to meet our legislative requirements.¹
- 2) We welcome the report of the Commission on Taxation and Welfare. Since its establishment, the Climate Change Advisory Council has made recommendations in respect of the tax system and these are broadly in line with the recommendations we find within the Commission's recent report.
- 3) The Climate Change Advisory Council has called for swift and decisive action to meet our legally binding targets, and support people and communities by addressing Ireland's dependence on harmful fossil fuels, which is a root cause of high energy costs, supply instability and high levels of carbon dioxide emissions.
- 4) The Council has been consistent in its support to Government for the carbon tax and the planned gradual increase to €100 by 2030, as also supported by the Commission. In 2022 the government collected a total of €430 million in carbon tax revenue which is ring fenced for the continuation and enhancement of retrofit supports, welfare transfers to protect the most vulnerable households and investment in sustainable agriculture. The certainty of the carbon tax increments is key to encouraging investment decisions and meeting decarbonisation targets. However, the Government needs to start to consider its approach to the carbon tax and other measures post 2030 to support low carbon investments, especially in light of recent developments at EU level. Ireland has an exemption from the recently agreed Buildings and Roads Emissions Trading System up to 2030 but we will have to consider what approach will work post 2030.

¹ Ireland has set legally binding carbon budgets under the Climate Action and Low Carbon Development (Amendment) Act 2021 to limit total Greenhouse Gas emissions in the five years from 2021 to 2025 to 295Mt CO₂ eq and to 200Mt CO₂ eq in the five years from 2026 – 2030. The objective is to reduce greenhouse gas emissions by 51% by 2030 from 2018 levels and to reach climate neutrality by 2050.



- 5) The intervention of the tax system is most visible in the transport sector where motor tax and fuel excise duties apply. Despite the imposition of these taxes, emissions in the transport sector increased more than two-fold since 1990. This illustrates the reality that taxes alone will not deliver sufficient change to meet our targets. Ultimately, emissions reduction will only be seen in the transport sector when we have both reduction in transport demand and decarbonisation of remaining journeys. This can only happen with good spatial planning and with sufficient active and public transport options available. Therefore, we need to ensure that funding for active and public transport options are maintained and even increased and that remaining motorised private transport is decarbonised.
- 6) In 2022, Ireland spent over €1 million every hour i.e. €8.7 billion importing fossil fuels such as oil and gas into the State² – money that leaves the country. On average, about €4.1 billion in tax revenue is raised through motor tax, VRT, and fuel excise duties annually. According to the CSO, the total budgetary cost of fossil fuel subsidies in Ireland in 2019 was €2.8 billion (CSO, 2022). This includes tax exemptions, reduced excise rates, and welfare payments. The imbalance is clear.³ Ireland needs to channel much greater resources towards reducing our dependence on imported fossil fuels, otherwise we cannot achieve our climate goals.

Closing Remarks

- 1) We are now in Year 3 of the first Carbon Budget. Increased ambition and accelerated action are needed if we are to stay within our carbon budgets. The Commission's report echoes many of the same recommendations previously proposed by the Climate Change Advisory Council. The necessary actions are clear – we now need urgent implementation.
- 2) The Council is happy to assist this Committee in its deliberations and we look forward to our discussions today.

² Deane, Paul (2022) Online. "How should Ireland go about protecting its energy supplies?" 11th Oct 2022. <https://www.ucc.ie/en/eri/news/how-should-ireland-go-about-protecting-its-energy-supplies.html>

³ EnvEcon (2023), Analysis on Reform of Fossil Fuel Subsidies 2022, Dublin: EnvEcon. Available at: <https://www.climatecouncil.ie/councilpublications/councilworkingpaperseries/>