

Thursday 15<sup>th</sup> February 2024

**Opening Statement by Paschal Donohoe, TD, Minister for Public Expenditure,  
National Development Plan Delivery, and Reform**  
Joint Committee on Environment and Climate Action

A Cathaoirleach,

I would like to begin by thanking you and the Committee for the invitation to speak to you today. I am accompanied by Ken Cleary and Patrick Moran from the Climate Division in the Department of Public Expenditure, National Development Plan Delivery, and Reform. I look forward to engaging with members and discussing the role of my Department in achieving the sustainable transition of society and our economy in line with our national climate objectives.

We face a number of threats to our future prosperity but none more pressing than climate change. There are no longer any serious arguments about the necessity to eliminate greenhouse gas emissions. The only question is how best to do so.

In particular, how can we balance the requirement to act quickly, while also providing for a growing population and maintaining an economy that can support the investments that need to be made? Within this challenge, how we will deal with the inevitable trade-offs, some of which are already rising to the forefront of public debate, is critical.

This Government has, I believe, grasped this nettle by ensuring there has been an approach to incremental and permanent decarbonisation that is both strategic and sustainable. We are seeing the fruits of this policy reflected in outcomes. Last year, 39% of our electricity came from renewable sources, reaching 52% in December. In addition in 2023, almost 40,000 electric vehicles were sold, heat pumps were installed in more than 90% of new homes and nearly 50,000 homes were retrofitted. All of this contributed to a likely fall in emissions of between 4 and 5%.

However, there is much more to do. New policies are needed and we must redouble our efforts to accelerate the implementation of those policies we have already committed to.

In this regard, Cathaoirleach, I am an optimist. We have the technological solutions today to achieve most of the decarbonisation we need by 2050. It is now a matter for policy makers to determine how we can implement the required changes in a manner that is fair, equitable, cost-effective, and brings society with us rather than fostering dissent.

This is easier said than done. The work the Department of Public Expenditure, National Development Plan Delivery, and Reform is engaged in will, I hope, help us in this endeavour. I would like to outline some of our key climate achievements and give you a flavour of my Department's work plan for the coming years.

### **The Climate Act & Climate Action Plan**

Before I do so though, it is worthwhile setting out the legislative framework that we operate under. The Climate Action and Low Carbon Development Act has created a rigorous system for achieving our national climate ambitions. It aligns responsibility for reducing emissions with resources and wider sectoral responsibility. It ensures accountability, with the relevant Ministers required to report to this Committee, and creates independent oversight through the statutory Climate Change Advisory Council.

The Act also obliges Government to achieve the best possible value for money consistent with the sustainable management of the public finances and to maximise, as far as practicable, the net benefits to society taking into account the impact of greenhouse gas emissions.

### **National Development Plan**

Central to the achievement of our climate targets in this manner are our ambitious public investment plans. The €165 billion National Development Plan is the largest and greenest capital plan in the history of the State. It will see capital investment in Ireland reach some of the highest levels in the developed world. The investments planned provide for the decarbonisation of society, while meeting the needs of 1 million additional people by 2040.

In Budget 2024, I announced that it will be supplemented with a further €2.25 billion from windfall corporation tax receipts over 2024 to 2026.

In 2026 and beyond, the Infrastructure, Climate and Nature Fund will see a further €3.15 billion State investment in projects that reduce greenhouse gas emissions, boost biodiversity and improve water quality.

It is the effective implementation of policies that blend regulation, behavioural change and taxation measures with direct Government investment that will lead to the achievement of Ireland's climate objectives in a manner consistent with the Climate Act. This means using Government funds to leverage and drive investment from businesses and households in support of these objectives.

Government policy on energy efficiency is a tangible example of this innovative use of Government funds. A low-cost loan scheme will be launched in the coming weeks that will allow more homeowners to make the investments needed to make their homes warmer, more comfortable, and less exposed to changes in energy prices.

This is complemented by the Warmer Homes Scheme, which offers energy efficiency upgrades free of charge to the homes of those most in need. The Government's policy on energy efficiency has been designed to be comprehensive and socially progressive. It would not be possible without our Carbon Tax regime.

### **Carbon Tax Allocations**

As Minister for Finance, I introduced the legislation which put into effect this Government's commitment to increasing the Carbon Tax, providing certainty to households and businesses and encouraging low-carbon investment decisions to be made today rather than postponed.

Our policy, unlike that of any other EU Member State, provides a legislated schedule of annual Carbon Tax increases, with every additional euro raised recycled to generate the resources we need to decarbonise the economy.

I allocated €788 million of additional Carbon Tax receipts as part of Budget 2024, bringing the total amount funding to support climate action since 2020 to €2.2 billion. This funding is paying for our energy efficiency schemes, for agri-environmental schemes to allow our farmers to reduce their emissions and, critically, will address fuel poverty and support the least well off in society.

Analysis has consistently demonstrated that those households on the lowest incomes are materially better off as a result of the Social Protection measures funded by the increased Carbon Tax than they would otherwise be.

### **Infrastructure Guidelines Reform & Shadow Price of Carbon**

As well as allocating funds, my Department is responsible for setting the framework that the Government uses to consider the costs and benefits of public capital investment decisions. I published the latest version of these Infrastructure Guidelines late last year.

Capital investments give rise to greenhouse gas emissions, both in construction and in the ongoing operation of the asset. Given the enduring impact of greenhouse gas emissions, it is vital that the Infrastructure Guidelines take into account the emissions impact of investment decisions. Every project is required to quantify the greenhouse gas emissions that it may give rise to and a shadow price of carbon is applied to these emissions.

My officials have worked with the Marine and Renewable Energy Institute in UCC to undertake modelling on a range of price scenarios to update the shadow price of carbon to better align with our climate targets. Over the past nine months we have piloted the application of these new values across a range of appraisals, with a range of Departments, including in the low-cost loan scheme I mentioned.

My Department is currently in the final phase of consideration of the new values and I hope to be in a position to make a final decision in the coming weeks. I think it is worth reiterating that improving our economic appraisal tools does not determine policy choices, but better informs them. An accurate shadow price of carbon ensures the cost of emissions are properly considered when evaluating which projects are of overall benefit to society. It also prompts lower carbon choices in project design and ensures that the Government recognises cost effective opportunities to make investments that can reduce emissions.

### **Green Budgeting**

This appraisal applies to new investments. My Department is also working on ‘green budgeting’ methodologies that can provide information to the public and policy makers on the impact of all spending decisions, including those that have already been taken, with a view to improving outcomes.

Since I announced Ireland’s introduction of green budgeting reforms in 2018 we have made significant improvements year-after-year. Ireland is considered to be at the forefront of international developments in this space. This is confirmed in the latest OECD survey which, as of 2022, considers Ireland the second highest performer in green budgeting out of all OECD countries.

My Department also chairs the OECD's Paris Collaborative on Green Budgeting and is chairing the EU Commission's annual green budgeting conference taking place in Brussels next month.

We introduced the latest steps in our Green Budgeting initiative in December 2023. Monitoring of climate and environment related expenditure was extended to include all six of the EU Taxonomy for Sustainable Activities criteria. We now also capture expenditure allocations which may have unfavourable effects on climate and environmental outcomes.

Green budgeting initiatives and the wider performance framework play an important role in enhancing the level of accountability and transparency surrounding Government spending on climate action and the environment. This approach also generates insights that can be used to inform the evolution of climate policy, making sure that climate action is integrated within the budgetary process.

### **Public Sector Decarbonisation**

Alongside my Department's commitments under the Climate Action Plan, I also have a role in supporting emissions reductions in the public sector. While decisions on resource allocation within a sector can only be made by the Minister responsible for the sector in question, my Department plays an active role on the Heat and Built Environment Taskforce, the Implementation Focus Group and Public Sector Working Group of that Taskforce.

## **Government Procurement and the Circular Economy**

No less important is my Department's work, through the Office of Government Procurement, in ensuring our public services operate in line with our climate objectives. This includes work on the Capital Works Management Framework to deliver public sector construction procurement reform, financial appraisal of projects based on total cost of ownership, including environmental considerations, and the promotion of green public procurement. These all seek to ensure goods, services and works with a reduced environmental impact throughout their life cycle are prioritised, and public services can be delivered to meet the needs of a decarbonised society.

## **Concluding Remarks**

In closing, a Cathaoirleach, it bears reflecting on the scale of the decarbonisation challenge that we face, and the concerted efforts needed to address it.

I have described some of what Government is doing to achieve this and, in particular, a few of the steps that my Department is taking. These represent only a portion of the activities we are engaged in.

Fundamentally, we are managing the growth in public expenditure on a sustainable basis, we are improving the evidence and analytical base to allow better informed policy decisions to be taken, and we are setting the frameworks to support investment decisions that incorporate climate considerations.

With many of the critical decisions already taken, our focus must be on implementation. We know the challenge that faces us, but we also know the benefits that meaningful climate action can bring and the implications of a failure to act.



Thank you for your attention. I welcome your questions on the specifics of my role and that of my Department in supporting a sustainable transition and I look forward to an engaging discussion.

**ENDS**