

DÁIL ÉIREANN

AN ROGHCHOISTE UM FHORMHAOIRSIÚ BUISÉID

COMMITTEE ON BUDGETARY OVERSIGHT

Déardaoin, 17 Meitheamh 2021

Thursday, 17 June 2021

Tháinig an Roghchoiste le chéile ag 9.30 a.m.

The Select Committee met at 9.30 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	
Seán Canney,	
Bernard J. Durkan,	
Mairéad Farrell,	
Michael Healy-Rae,	
John Lahart,	
Brian Leddin,	
Aindrias Moynihan.	

Teachta / Deputy Neasa Hourigan sa Chathaoir / in the Chair.

The Cost of Climate Action: Discussion

Chairman: Apologies have been received from Deputy Patricia Ryan. Today, the committee will be engaging with representatives from the OECD and the Think-tank for Action on Social Change, TASC, to discuss the cost of climate action as part of the committee's pre-budget 2022 scrutiny. The witnesses have already joined the meeting. I welcome Dr. Ivana Capozza, senior policy analyst-programme manager in environmental performance reviews, and Ms Tatiana Samsonova, policy analyst for the International Transport Forum, from the OECD and Mr. Seán McCabe, executive manager at climate justice centre from TASC.

Before beginning, I wish to explain some limitations to parliamentary privilege and the practice of the Houses as regards references witnesses may make to other persons in their evidence. The evidence of witnesses physically present or who give evidence from within the parliamentary precincts is protected pursuant to both the Constitution and statute by absolute privilege. However, the witnesses are giving evidence remotely and from a place outside the parliamentary precincts, and as such may not benefit from the same level of immunity from legal proceedings as a witness physically present would do. Witnesses are reminded of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable, or otherwise engage in speech that may be regarded as damaging to the good name of the person or entity. Therefore, if the witnesses statements are potentially defamatory in relation to an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative that they comply with any such direction.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable. I remind members of the constitutional requirements that members must be physically present within the confines of the place in which Parliament has chosen to sit, namely, Leinster House and or the Convention Centre Dublin, to participate in public meetings. I will not permit a member to participate where he or she is not adhering to this constitutional requirement. Therefore, any member who attempts to participate from outside the precincts will be asked to leave the meeting.

I now ask Dr. Copozza to give her opening statement. After her contribution, we will hear from Mr. McCabe.

Dr. Ivana Capozza: I thank the Chair and members of the committee for the opportunity to speak about the cost of climate action in Ireland. I also thank the committee for its interest in the OECD's work and, particularly, in the recently released Environmental Performance Review, EPR, of Ireland.

As our report indicates, Ireland's emissions of greenhouse gases have broadly followed the economic cycle over the past decade. They declined during the recession of 2007-2012, but rose by 3% with the fast economic growth in the second half of the decade until the Covid-19 pandemic hit the world economy, and the Irish economy as well. Significant underinvestment in the wake of the recession affected the quality of infrastructure and slowed down environmental progress. Environmental pressures, including greenhouse gas emissions, are likely to intensify with population growth and increasing urban sprawl, road traffic and livestock. The positive environmental effects of the Covid-19 crisis are expected to be temporary.

This is why more determined action is needed to tackle emissions from buildings, transport and agriculture. We welcome the Government commitment to phase out coal and peat electricity generation during this decade. While the share of renewables in the energy mix has more than doubled since 2010, fossil fuels still dominate the energy mix. In particular, coal, peat and oil provide approximately half of home heating. Hence, our review suggests that Ireland needs to phase out residential fossil fuel boilers more rapidly, while considering fuel-poverty risks. Ireland should focus support for energy efficiency on deep building renovations. Decarbonising transport is also crucial and it was a focus of our report. Ireland's dispersed settlement pattern and low population density imply that road transport is by far the dominant transport mode.

The EPR welcomes the climate action plan of Ireland as a major step towards bringing emissions down and meeting the European cap-and-trade system target by 2030 which requires the cutting of emissions by 30% compared to 2005. This plan would also put Ireland on the path to the net-zero emissions goal by 2050. However, we also highlighted that the plan's implementation requires considerable investment and financial resources, but these resources are not been sufficiently assessed. Given public finance constraints, engaging the private sector and financial markets is crucial. For example, the climate action plan contains actions such as massive home retrofitting and expansion of the use of electric vehicles and these actions call for households' willingness to invest.

This brings me to talk about climate change and transport. The target of almost 1 million electric vehicles by 2030 is the main pillar of Ireland's strategy to decarbonise transport. Generous subsidies have supported sales of electric vehicles but their share in the fleet remains negligible. Our report notes that these grants are a costly way to decarbonise mobility. Ireland should consider complementing these subsidies for electric vehicles with travel demand management, which would include road pricing, and also higher taxation of conventional vehicles and a more extensive charging network. The planned increase in the share of electric vehicles will also contribute to a significant loss of public revenue from motor fuel taxes and motor vehicle purchase taxes, which are linked to the CO₂ emissions of vehicles. Therefore, there is a need to shift the focus of road transport taxation from fuel use to road use over the medium term. Such road pricing would help raising revenue on the one hand and better address congestion on the other.

More generally, better incentives are needed to manage travel demand. Reducing reliance on private vehicles and providing credible alternatives remains a challenge. Congestion and the costs relating to it have grown and are expected to increase further, especially in the greater Dublin area. Except for the Dublin Port tunnel, Ireland does not use road-use charges to manage travel demand. Hidden car-use subsidies, such as free parking at a workplace, provide implicit incentives to commute by car. Our report recommends that Ireland consider congestion charges alongside investment and policies to enhance travel conditions for pedestrians, cyclists and public transport users. Revenue from charges of this kind could fund such investment and provide income support to vulnerable households.

As I touched upon revenue, I will now talk about taxes and revenue. A credible trajectory of carbon prices is essential to encourage low-carbon consumption, investment and innovation. It is welcome that the Government has committed to continuing to increase the carbon tax to reach €100 per tonne by the end of the decade. There are doubts, however, as to whether this would be sufficient to achieve the target of a 51% reduction in greenhouse gas emissions by 2030.

We welcome the fact that the carbon tax receipts are to be used to prevent fuel poverty, en-

sure a just transition of displaced workers and fund climate-related investment. The allocation of part of the carbon tax revenue to enhance some social welfare schemes this year is expected to mitigate the impact of the carbon tax on vulnerable households and even contribute to reducing poverty. Such earmarking of revenue can help create political support for tax increases but, on the other side, it may limit the flexibility to adapt public spending to changing needs.

It is very positive that Ireland extended the carbon tax to coal and peat in 2013 and, more recently, discontinued support to peat-fired electricity generation. In general, to maintain a consistent signal, Ireland should gradually remove remaining tax exemptions and rebates that encourage wasteful fuel use in agriculture, fisheries, heating and transport. For example, there is a cap on diesel prices for all hauliers. This limits operators' incentives to shift to more fuel-efficient vehicles, driving habits and logistics systems. Diesel is taxed at a lower rate than petrol, which is in common with many other countries, but this continues to give an incentive for using diesel vehicles, which can have negative consequences for local air quality and animal health.

There is a fuel allowance to help vulnerable households with heating expenses. This tends to support the use of fossil fuels, which are the main source of residential heating. We are aware that the allowance is a means-tested lump sum that is not required to be spent on heating. Nonetheless, its name is unfortunate and may have some undesirable behavioural effects. This is why we recommended the rebranding of the allowance and spreading it throughout the year, as opposed to just paying it in winter.

Let me move now to the need to steer the recovery towards the green transition. Our report highlights that, as part of its response to the crisis, the Irish Government provided sizeable funding to accelerate investment in sustainable transport, energy efficiency, water infrastructure and peatland rehabilitation. The EPR notes positively that in 2020, the Government's climate-related capital and current expenditure increased by 23% from the previous year to reach 3% of total budget expenditure. The report also notes, positively, that the national development plan allocates around €30 billion, or more than a quarter of its total outlay, to the climate and energy transition. We see that the in-depth review of the national development plan, to be completed this year, provides an opportunity to further align investment priorities with climate mitigation goals.

The OECD welcomes Ireland's ambition in transitioning towards a low-carbon economy. However, we have some concerns about its effective capacity to deliver. The scale of the investment needs is remarkable, while additional sizeable fiscal spending is required to support the economic recovery from the effect of the pandemic. There is a need to mobilise the private sector and financial markets, increase efforts on eco-innovation, provide stronger price signals and remove harmful subsidies to encourage businesses and households to take action. At the same time, there is a need to take into account affordability, the employment impact and regional disparities. This is not at all easy.

I thank the members for their attention. My colleague, Ms Samsonova, and I will be happy to answer members' questions.

Chairman: I thank Dr. Capozza. I invite Mr. McCabe to make his opening statement.

Mr. Seán McCabe: I thank the committee for giving TASC the opportunity to address it this morning. I echo Dr. Capozza's point in that what lies ahead of us will not be easy, but it may not necessarily be as difficult as we believe. It could be very beneficial. This statement

is intended to complement a briefing document I circulated, whose points we can pick up on in discussion afterwards.

The message I would like to deliver today is quite simple: climate action should not be considered a budgetary burden. It is quite the opposite. Climate action should be viewed as an unparalleled opportunity to build shared prosperity across the Island of Ireland. If we get this right and if we plan a successful post-pandemic recovery built upon shared and inclusive climate action, we will allow communities all over the country to unlock their potential and uplift their horizons. New opportunities for work will allow communities to hold on to young people who have returned home over the past year. The clubs and facilities closed long before the pandemic due to outward migration and a lack of numbers will reopen. Local businesses will prosper while issues of connectivity and substandard rural transport will be swept aside.

If we get it right, the workers and the farmers, those of us who are understandably most worried that climate action will be bad for their livelihood, community or way of life, will have their fears allayed. They will see that their perspectives and knowledge are valued in designing the transition. With their leadership, existing systems that are causing genuine harm will be dismantled in favour of a fairer, shared and sustainable prosperity.

None of this will happen by accident, however. It will need to be carefully planned and State led. Significant resources will be required. In the first instance, it will be expensive, but the cost of inaction is incalculable. Inaction, or insufficient or poorly planned action, will lead to catastrophe. It is hard to overstate the precarity of our situation. Inaction will devastate our communities. It will claw at the fabric of our democracy, and it will bring hunger. This is already happening in that there are already men and women around the world who are warning us that they no longer know when to plant and harvest their crops because of the chaos of seasons fundamentally altered by a warming planet.

The fodder crisis of 2018 gave us some sense of what is ahead. That harsh winter and wet summer cost Irish farmers more than €500 million in feed costs, not to mention the damage done to mental health and the well-being of families due to the stress of that crisis. Potentially, we are only two decades, maybe less, away from such a crisis recurring every year or so. This does not have to be our fate. There exists a remarkable opportunity to undertake transformative climate action in the wake of the Covid-19 pandemic. While the pandemic response has brought with it rising public indebtedness due to the response measures, borrowing costs remain exceptionally low. We should recognise this as the opportunity that it is. We should use favourable financing conditions to finance debt for climate action at rates close to zero. There is no evidence that borrowing at a rate of zero is a drag on the economy. On the contrary, evidence shows that borrowings can generate growth if invested well. The need for meaningful climate action gives us plenty to invest in.

The most recent stability programme update shows the burden of servicing our debt is set to fall in the coming years. Despite the fallout from Covid, service payments are set to fall to 1.3% of GNI* by 2025, lower than at any other period in the history of the State. The current global financing conditions provide an unprecedented opportunity to address long-standing environmental challenges. The climate crisis is one of those challenges. It requires State-led green industrial and innovation policy supported by unprecedented capital investment. Given the scale of the climate crisis, a State-led investment approach should now be prioritised over any efforts to reduce or eliminate the current deficit. This State-led approach should design a just transition, predicated on putting the productive assets of climate action and its supply chains into the control of communities so they can lead their own development. This would

be truly transformative. It can be done by adopting a community wealth-building approach to climate action. Now is the time to give communities ownership of the new climate economy, to give them windmills and solar farms so that they can use the substantial returns to develop community centres and sports clubs and to create new co-operatives for retrofitting or the roll-out of agroforestry so that the jobs become more than a pay cheque. Climate co-operatives will build a new identity and become a new chapter in the story of place across the island. It is time to use climate action to democratise local economies and distribute power more fairly between the local and the national, the producer, the consumer and the middleman, and to allow communities to meaningfully access the benefits of climate action and then witness the social value it will return.

We must use climate action to tackle poverty. This starts by ensuring that climate action does not further impoverish people or widen the gap between the haves and the have-nots. The cost of climate action, including the cost of retrofitting, and the cost of the switch to renewable energy or a carbon tax should not fall on those who can least afford it. It is essential that we poverty-proof all climate policies.

While the burden of payment for climate action should not fall on those who can least afford it, the conversation about whether the State can afford to take climate action needs to end. Across the world, multinational corporations are transforming their business models as they recognise that the benefits of climate action are greater than ever before. As they mobilise, the cost of inaction continues to mount. That cost is more than the cost of the damage done by climate action. It is also a cost of missed opportunity. If we delay or get bogged down in quarrelling about minor expenses, we will miss the bigger transformative picture. The potential for climate action to tackle inequality and bring prosperity to communities across the island will be sold off to a primed private sector and we will be paying a premium to buy back the wind and sunlight.

I thank committee members for their time and look forward to answering their questions.

Deputy John Lahart: I thank Mr. McCabe and Ms Capozza for their contributions. The OECD report contained some thought-provoking and policy-provoking suggestions, many of which I have articulated over time. I will make a general point on this and get the OECD response. Almost all the significant initiatives in Ireland, whether in relation to retrofitting, the purchase of electric vehicles or the extension of the bike to work scheme to e-bikes, require the purchaser to have a lot of cash upfront or significant savings. They can be described in a general way as middle class incentives.

There has been an exponential rise in the sale of e-bikes. A good e-bike costs between €2,500 and €3,000. Applicants to the scheme must pay that money upfront before availing of the tax benefits. People need between €35,000 and €40,000 to get a decent fully electric vehicle before availing of the incentives. Those who do not have savings or are not on large incomes may have to take out significant loans to cover the cost. Over time, they can reap the benefits and rewards of reduced running costs but they have to borrow or have the money upfront. That precludes a significant proportion of people from investing or taking advantage of the incentives.

Similarly with house retrofits, people need significant cash on hand or savings. The incentives are considerable. I will give an example. I put a good boiler in my house a year and a half ago. I had to have €3,500 to get the substantial benefits. If I had not had that money, I would have had to borrow it. Not an awful lot of people have that amount of cash on hand. I had to

save for a few months to get it. All the schemes are all front-loaded towards people of means. That is restrictive and precludes many people. I would like to get the OECD representatives' views on that.

Transport formed a major focal point of Ms Capozza's presentation. We have included e-bikes in our bike to work scheme. People have to shell out between €2,500 and €3,000 to get one of these e-bikes, which are game-changers for shorter distances. I know many people who have taken them and say anecdotally they no longer drive to the local village for coffee because they get there more accessibly with an e-bike, and it is much easier than the push bike. This has been transformative. In Belgium, which I think is the leader in this area, any money employers spend on electric bike infrastructure is subject to tax relief of up to 125%. If an employer buys an e-bike for an employee and ensures the employee is not arriving to work in a car or if an employer invests in electric bike infrastructure, such as bike lockers, showers or charging facilities, the cost can be written off in full. This comes at very little cost to the State and means the bike is free or close to free for the employee. The scheme here is exclusive as it applies to those who have money. The tax incentive in the bike to work scheme is considerable but people must have the money upfront to purchase the bike, which makes the scheme restrictive.

The witnesses are brave to come here and talk about this subject. Any person who thinks about it for any length of time realises that the more people move to electric or hybrid cars, the less tax they pay. Transport taxes are high in Ireland, as are excise duties. The witnesses rightly point out that these costs will have to be moved over to tolls - no, thank you - or more road taxes to decarbonise society.

I and many other members were local authority members for many years. The State has a database of fuel users who benefit from the fuel allowance. Why does the State not bulk purchase either gas or electricity for these fuel allowance recipients and get a much more significant deal for them? Most of it goes on carbon. Given the significant stock of social housing - my local authority has 10,000 social housing units - I do not see why those local authorities have not bulk bought energy for their social housing tenants since energy was deregulated. What are the OECD representatives' views on those matters? The question on fuel and State engagement in bulk purchasing is directed at the representatives of TASC as well. It would be laborious, as I was told by council officials, but imagine the savings a local authority could secure for its tenants if it bulk purchased their gas and electricity.

Chairman: I will open the discussion to all three speakers. Does Mr. McCabe from TASC wish to respond on the issue of energy?

Mr. Seán McCabe: Yes. I am sure there would be savings but I would go further and ask committee members to imagine the savings that would be achieved from the bulk purchasing of retrofits. Imagine what that could do in terms of creating jobs as well. If we were to divide up the procurement of retrofits by county we could have a retrofitting co-operative in every county, which would allow for bulk purchase and for homeowners to pay back based on their savings. Insofar as possible, the effort should be to start with social housing. However, I caution that because of the use of HAP we have to be careful of unintended consequences. Once we start retrofitting houses, there is a risk that the value of that property goes up in rental value, which could result in tenants being moved in favour of higher paying tenants.

Deputy John Lahart: I will interject on that last point. It is a curiosity that there are many tenants who would like to do their bit for climate action but they are utterly in the hands of their landlords and completely powerless as a consequence. Does Mr. McCabe have any sugges-

tions in that regard?

Mr. Seán McCabe: I am one of those people. I am a tenant. It is a very challenging situation. This is where we get into the issue of the interdependence between action on the housing crisis and action on climate action. The challenges are interrelated. In terms of the tenancy, it should be a do-no-harm approach first. We need to make sure that we do not inadvertently gentrify areas through retrofitting and push marginal groups further to the peripheries of our society. If we could ensure security of tenure in a more robust way, we could then look to specialised grants or targeted measures to allow the retrofitting of rented properties.

Chairman: The Deputy is out of time, but I allow Dr. Capozza to make a brief response on the issues of front-loading of financing for ebikes.

Deputy John Lahart: I thank the Chairman.

Dr. Ivana Capozza: I will leave the question on transport to Ms Samsonova. On energy efficiency, I agree with the remarks made by Mr. McCabe. We believe that priority should be given to the social housing stock. We also agree that the State, as well as local authorities, should take the lead and reap the benefits of this type of incentive.

On the fuel allowance, we understand that it is means tested, that is, only vulnerable people get it. At the same time, it is a lump sum that people can use to buy food or heat. As such, it is not entirely a fossil fuel subsidy. We believe that if it were disconnected, even in name, from the purchase of fuel it would be better. It could be changed to a welfare scheme, with the same amount in payment spread throughout the year, but there would be no link with heating and the use of fossil fuels for heating. In terms of cost, the budget would be the same. We believe the term “fuel allowance” may have a behavioural effect. It may prevent people from even thinking about investing in energy efficiency measures. I am speaking not necessarily about monetary investment, but behavioural measures at home such as not opening the window when the heating is on.

I agree with Mr. McCabe’s remarks on bulk-buying energy and retrofitting. We also highlighted in our report that subsidies for EVs can be regressive in a sense rather than progressive in that, as stated, they benefit the middle class. I will hand over to Ms Samsonova on this point.

Ms Tatiana Samsonova: On ebikes and EVs, it is true that this measure is limiting in that vulnerable households are not capable of saving money for the upfront cost of ebikes or EVs. This needs to be examined from the perspective of what happens in other countries and to what extent Ireland wants to directly subsidise the purchase of EVs or ebikes in particular. For instance, in Paris a €500 cashback is offered to everyone who buys an ebike. That is the programme set by Paris between 2019 and 2020. In other cases, the subsidy is designed to target low-income households. People submit a statement of income and then they receive a specific subsidy for the purchase of an ebike. That is another way of doing it. I understand that is one of the limitations of the incentive structure that is currently being set up in Ireland. We agree on that.

Deputy John Lahart: I have to depart at this point to chair a session of the Dáil.

Chairman: I thank the Deputy. The next speaker is Deputy Farrell.

Deputy Mairéad Farrell: I understand I have nine minutes. I also need to attend the Chamber shortly so I will be quick and to the point with my questions. I probably have too

many questions, but I will get through what I can.

My first question is to the witnesses from the OECD and TASC. It is anticipated that in the upcoming review of the EU fiscal rules there will be changes to the current rules. One proposal relates to the exemption of green capital investment from debt and deficit considerations. I am interested in hearing from both witnesses if they believe such a reform would help to support the EU's Green New Deal.

Mr. Seán McCabe: I will give my two cents worth first. The cost of capital will be important in realising the transition. It is a capital intensive process. It would be a no-brainer for the new fiscal rules to exempt investment in green infrastructure. I would go one step further. How we use capital that we borrow for these purposes and the extent to which we can put the productive assets of climate action into the hands of communities, or community control, will be enormous. To illustrate this point - this is important because numbers help - in Fintry, Scotland, following a protracted negotiation the community was given one turbine out of 15 that were being built locally. This is ownership. It is not a once-off payment; it is ownership. The community is currently earning between £30,000 and £50,000 per annum from that turbine. Once the loan for the turbine is paid off, which loan was given to the community by the private contractor, the earning for the community will increase to £400,000 per annum. In terms of an asset for local development, that is phenomenal. If we borrow to invest, which we should, it should work in a way that will enhance local development as well as our climate action, otherwise, as Ms Samsonova said earlier, we will never realise the social approval necessary to drive this over the line. We need communities to see tangible benefits.

Dr. Ivana Capozza: I agree with Mr. McCabe that it is important. There is a bit of risk. How is green carbon investment categorised so that it is not just green-washing and using the opportunity with the fiscal rules to bring in something which is not at all green? There is a need for rigour with this. It is good but difficult to implement, so in principle, I agree.

Deputy Mairéad Farrell: I have a question for TASC and another for the OECD which I will try to get through before the time is up. I acknowledge what Mr. McCabe said about community wealth-building. I am on the same page as him. I was delighted to hear him mention the need for a green industrial strategy. I have tried to raise it as much as possible. As part of any green industrial strategy, the State will need to lead from the front. How can the State best go about doing this? Is it through procuring private sector providers or does he see a role for a State body in trying to co-ordinate it?

Mr. Seán McCabe: It would be a foolish move on the part of the State to contract out all of this work. It is an enormously significant development opportunity. Consider it as the biggest stimulus package to ever enter the country. What we are good at, especially in rural Ireland, is co-operatives. We should intentionally distribute the jobs and opportunities from climate action and the supply chains. Retrofitting requires materials. Silvopasture on farmland will produce a lot of lumber and opportunities. If we consider the role of co-owned renewable energy services, what else could that generate? Large seaweed plantations can be co-located with offshore wind turbines. There is significant job potential for all sorts of diverse industries. If we want to be serious about rural development, we should borrow, invest heavily, lean into this crisis and distribute the opportunities intentionally using progressive procurement and other methods such as community land trusts.

Deputy Mairéad Farrell: I wholeheartedly agree with Mr. McCabe. It shows what an exciting opportunity this is and how exciting the future will hopefully be. I will move on to

the OECD for my last question. This State has been a laggard when it comes to green investment and a just transition. We have followed a market-based approach which seeks to unlock private investment and nudge households in a different direction. I am concerned that that will not be sufficient. I think that private providers will not have the scale, capacity or risk appetite required to facilitate this transition within the required time. I feel that the State will need to take a more interventionist approach by becoming a large-scale investor in green technologies and a major purchaser of clean energy. An important historical comparative experience is the Internet, where the United States, through large-scale funding, guaranteed the market for 35 years. This helped to incubate the technology while giving private investors time to develop their own commercialisation strategies. What are the views of the OECD on the role that State-owned enterprises can play in a green and just transition?

Dr. Ivana Capozza: They can and should play an important role in a green and just transition. The State can do a lot, for example by promoting eco-innovation. We noted that research and development funding from the State has increased but it is not enough. There is significant capacity for eco-innovation and adoption of new technology by both large multinationals and local firms. For example, the support for research and development, and for innovation more generally, should be better targeted towards small and medium enterprises. This is something that the State could do. The Deputy mentioned the State as a purchaser of green products and services, while there is significant room for manoeuvre. There is a green public procurement policy in Ireland but it is not mandatory, so one of our recommendations is to make this policy mandatory, because this would increase demand for green products and services and encourage not only publicly-owned enterprises but also privately-owned enterprises to produce more green services and products.

Deputy Mairéad Farrell: My time is up. Unfortunately I too have to leave because I have questions in the Chamber. I thank the witnesses. It has been interesting.

Deputy Bernard J. Durkan: I welcome our witnesses and thank them for their informative dissertation. Anecdotally, about ten years ago, my household was totally dependent on oil for home heating. We bought a wood-burning stove which cost €1,500 and changed over to that. We reduced our home heating cost by something like 60%. I think that is a good achievement in a short time for a relatively reasonable investment but, as Deputy Lahart said earlier, not everybody can raise that themselves and they need help.

I strongly support the growth of wind energy. I know that people will always say that we should have wind turbines offshore. In other words, they would be out of sight and out of mind where we do not have to see them. I do not understand why we have that position in this country. People do not seem to have any problem with them in other countries and live in the middle of them and so on.

The problem that I see in this country is the agrifood sector and the extent to which it is likely to be impacted. It is the one sector which held up after the economic crash and stood its ground in delivering to the economy. Interference in that has to be reduced to a minimum. People talk loosely about cutting the national herd by 10% and so on but that will not work. It will not work because it will not be accepted by the industry and the farming community, which knows full well how to be green insofar as their enterprise is concerned.

Here are my comments, for what they are worth. We can use more electric cars. I travel about 45,000 km per annum. The experts will say that it is not safe to invest in an electric car because of the limited range and that much time will be spent charging it.

The agrifood sector can do a great deal of carbon sequestration but it is not encouraged to do it. People always say that it can be done but then somebody else comes along to say that it cannot. In another committee yesterday, somebody said that wood-burning is all right but it emits particulates which are dangerous from the point of view of respiratory illnesses and so on. He said that all wood-burning should stop. If we want to sell something, we should improve the situation before we start telling people to stop everything. There is no gain at all for the country and the economy if we slow everything down. This needs to be understood. The size of our economy has doubled since the 1980s. There are twice as many people in work now as there were in the 1980s, regardless of Covid. Covid may be with us for a while but we have to think beyond that. The population of the country has more than doubled since the 1950s. That has not affected other countries and economies as much.

The agrifood sector effectively, sustainably and efficiently produces food. It is better at it than any other country in the world. We are a leader in the area of sustainability, milk from grass, beef from grass and so on. Nobody else can compete with that. We produce enough food to feed almost 50 million people. No other country across the globe that I am aware of does that without damaging the environment around it, such as the large-scale deforestation taking place in Latin America and so on. I am a supporter of alternative energy and the green agenda but as long as we create obstacles as we go along, we will not get the kind of support that is needed to achieve the success that is needed without damaging our economy.

I am not asking any questions. The Chair will be glad to know I am only making a comment. I live in a constituency that is a big agrifood producer. Before somebody says I have to say that because it is where my support base is, I would point out that it is not. The majority of my support base is in urban areas. We have to look at the ability of an economy to deliver and meet sustainability guidelines at the same time.

We can do that but we need help, understanding and for people to say that we can grow more trees, for example. Incidentally, I am an amateur tree enthusiast. If we want to, we can grow spruce trees and do a great deal of carbon sequestration. They do four times what is done by native and deciduous species, yet everybody says we must plant native and deciduous species. Why contradict the situation before it gets off the ground at all? If we are going to be serious about this then let us identify to what extent the agrifood sector can get involved in carbon sequestration, such as growing trees in corners of fields, for example. A certain number of trees will sequester a certain amount of carbon. We should make it understandable and easy for people to take on board what they can do in order to make a contribution and to what extent it will make a major contribution.

I want to be supportive of the move to reliance on sustainable energy and the reduction of emissions and it is possible. However, if the agenda is to scrap the industry we have in order to achieve that then it will not work, there will be no support for it and there will be considerable agitation, plus the fact that we will not achieve what needs to be achieved in the time available.

Those are my meanderings. I have lots more to impart at some later stage but I will simply say that we can and need to progress. We need to do it quickly, effectively, efficiently and sustainably. There is a notion nowadays that we can live without high-protein food but we cannot do so and we cannot live without food either. A large portion of the world's population is on the edge of starvation all the time so we have to produce food and it has to be made available. As the population of the world grows, we have to make more food available in a sustainable way. There are many challenges that we can overcome but we will not do so if we turn on ourselves and decide that we can abolish part of our economy in order to achieve a target. If we do so,

soon after that our dependability will be on forces outside of our control and we will have to buy our food from different areas.

Chairman: I might allow our witnesses to respond if they would like to do so. The Deputy raised an interesting point about the interaction with our discussion today and our agrifood sector. Would anybody from TASC or the OECD like to respond

Mr. Seán McCabe: I would love to come in on that. Does Deputy Michael Healy-Rae want to come in?

Deputy Michael Healy-Rae: I wanted to make a contribution but I have to leave. I thought the Chair might have been able to get to me but I just want to thank the witnesses for being here and giving their presentation. I would have liked to have said something. I thank the witnesses and I am sorry that I have to leave.

Mr. Seán McCabe: The agriculture question is critical. I hear what Deputy Durkan is saying but I would also say that the specific words he used were “the agri industry”. I fully understand the value the agri industry contributed post-recession but I also know that in terms of income, farming is the most unequal sector in our country and that is inexcusable. We have some bad faith actors operating in the sector who are making it sound like farming is on the chopping board if we take climate action. It is the complete opposite.

I travelled around this country in a van, slept in it and met as many farmers and fishermen as I could over a six-week period back in autumn 2019 when the fodder crisis was still fresh in people’s memories and the farmers knew that this would bring back the hunger in the long run. We have to be on the side of the farm and we have to act in such a way that we recognise the power imbalance that exists between the farmers, the middlemen and the multiples that are putting inordinate pressure on our farmers to produce at remarkably low value. The Deputy is right that it is incredibly high quality produce but they are being paid nothing for it and instead we are importing vegetables. We have growers in north County Dublin going out of business and we are importing vegetables that are grown by what are basically indentured servants in the south of Spain. That is unacceptable.

We have to consider our food system and model. The idea that we are going to persist over the next 15 years in exporting powdered milk to Vietnam is insane. That business is not going to be viable in the long run. If we pin our farmer’s hopes on that, it is they who will suffer.

Deputy Bernard J. Durkan: May I interrupt for a moment? Exporting powdered milk may well be less sustainable than other methods but there will be a market for it. If people who receive that powdered milk now cannot get it in the future, they will have other problems such as the starvation I mentioned. I can see that we are not going to agree on this but I do not intend on letting any dog run off with a bone on this. I grew up on a farm. I was born and reared on the land and I lived and worked on the land for a good part of my life. I have a fair idea of what it takes to exist in most situations. I always resented it when people who claimed to be experts began to lecture me on how I should and could do the job better and more effectively than they could by living on their criteria.

I do not agree. We should meddle to the least possible degree with the productive sectors that we have because we have proven to be experts in those area. I repeat that we can produce more effectively and sustainably than anybody else and we continue to do that.

Mr. Seán McCabe: I share the Deputy’s experience on bones and running off with them.

With the greatest of respect, I also grew up in rural Ireland and laboured on a farm, although I did not grow up on one. I understand the enormous contribution farmers have made to this country and it is on their backs that much of our prosperity has been built, particularly during the era of co-operatives and when those co-operative abattoirs or creameries created ten or 15 jobs in communities across rural Ireland. The resounding point I heard over and over again was that the closure of the co-operatives was the mistake that was made in the history of development.

I am not trying to lecture the Deputy as an expert but I am trying to express what I heard from farmers when I carried out an intentional listening exercise in going around this country. They are the experts and if we centre their opinions we will reach a good and better solution to this that pays farmers well, allows rural Ireland to prosper and diversifies income where necessary. It is a real win-win. The only people who may not win are the people currently profiting massively from the system as it is. We have to ask ourselves how many people are profiting massively from the system as it is. Is it the majority of farmers? It is not. I am not lecturing the Deputy. I am just saying what I have heard. I have heard farmers struggling. I have heard people say they are concerned that they will have to leave their farms and move away from traditional farming. One then sees conglomeration, the concentration of land into the hands of individuals. That will soon be the concentration of land into the hands of corporations and we will have Nestlé farms and Danone farms in Ireland. We need to take clear stock of where we are at, listen to farmers and the situation they are facing. We must ensure that climate action improves their lot, and it can do, but we need to stop the myths about how it will destroy Irish farming. It will not. It may provide a new lease of life for farming.

Deputy Bernard J. Durkan: Unfortunately, I have to leave the meeting.

Chairman: I will allow Deputy Durkan back in.

Deputy Bernard J. Durkan: I am one of the people who want to do the things that are necessary but I need to hear encouraging sounds from people such as our guests. If that does not happen, we will have a problem. During a recent election, I stood my ground when there was total opposition to wind turbines. There were meetings of 500 and 600 people who were abusing left, right and centre. I stood my ground and held that ground all the time without shift or change. It was not easy to do that when the amount of abuse was colossal. I expect that there will be an understanding on the part of the wider community that what can be done should and will be done with the co-operation, help and encouragement of the agrifood producing sector. We excel in that regard. We are the best in that business although many people would try to tell us otherwise. That is my view.

Mr. Seán McCabe: The Deputy and I agree wholeheartedly on that point.

Deputy Bernard J. Durkan: I get ignited on this subject.

Chairman: I must move to the next speaker. We will return in a second round if the Deputy wants to continue the conversation.

Deputy Brian Leddin: I have been following the debate with interest. It is an important debate and I do not think we get into enough of the detail. Fundamentally, everybody here should want to protect livelihoods across rural Ireland and farmers will be doing a lot of the work we need to address climate change.

I want to speak mostly about transport but I will pick up Deputy Durkan's point about the

efficiency of our agrifood sector. He is absolutely right. I say this with absolute respect for the Deputy, who I admire greatly, but it is not true to say that our agricultural practices do not harm our environment because they absolutely do. They do so very much at a local level and we must manage and mitigate that as best we can. They certainly do on a global level. Our experts from the OECD will perhaps speak about global and greenhouse gas emissions that are associated with agriculture. We must change how we are doing agriculture. We must be clever about it and figure out a way that actually works for farmers in particular and keeps them working the land and turns them towards doing things in the right way.

I will move on to speak about transport. I have not yet welcomed our guests from the OECD and TASC. I do so now. Ms Samsonova will probably speak about transport. Her colleague in the International Transport Forum, Dr. Elisabeth Windisch, was before the Joint Committee on Climate Action a few months ago. She was excellent and informed a report that committee did on emissions in the transport sector. That report makes 47 recommendations to the Government so I hope when the OECD is doing its next report on Ireland's performance, many of those recommendations will have been taken on board and a serious shift in transport policy in Ireland can be identified, one that it is helping to reduce our greenhouse gas emissions, which are 40% of energy-related emissions and 58% of non-emissions trading system, ETS, emissions. It is hugely significant in terms of our emissions profile.

Perhaps the overarching theme of our transport emissions sessions was the avoid, shift and improve approach. The idea is that demand must be managed and the need for journeys must be reduced. Everything that can be done in that space must be done. The second priority is to switch to modes that are more sustainable and only after the possibilities have been exhausted should one start looking at efficiency such as electrification. Our target is to have 1 million electric vehicles on our roads by 2030. That was the target of the old climate action plan and, in my view, it is neither achievable nor desirable, considering that we sell between 100,000 and 120,000 new vehicles every year. It would mean that every new vehicle manufactured between now and 2030 would have to be an electric vehicle and I do not see how we can reach that target without throwing considerable subsidy at the purchase of electric vehicles. It is also not desirable because electric vehicles are still vehicles and still give us a lot of problems, including emissions problems. They do not give us the greenhouse gas emissions but particular emissions are associated with electric vehicles and those are significant. They do not solve many of our problems. It is a costly way to decarbonise mobility and a crude way of reducing emissions. It does not take into account the value of the additionalities, or improvement to air quality, public health and liveability in our towns, villages and cities by reducing space for vehicles. I would like it if our guests could go further in these areas than they have in their statements. It is timely that our guests are before us because a climate action plan will be coming out in the next few months. If our guests could tell us what the State needs to do in transport, it could have a major influence on our policy direction in the next few years.

Chairman: Does the Deputy wish to direct his questions to both sets of witnesses or to somebody in particular?

Deputy Brian Leddin: That was directed in particular to Ms Samsonova because she is the transport author of the OECD report but I am happy for Mr. McCabe or Ms Capozza to come in on it.

Ms Tatiana Samsonova: I thank the Deputy. I can only concur with his comments and with the statement my colleague, Dr. Windisch, made previously. We tried to highlight in the report that it is indeed very important that only focusing on improved types of measures and on

electrification is an extremely costly way to decarbonise the transport system in Ireland. It will drain budgets and is still going in the direction of car ownership, which is the opposite direction in which we want to be moving if we are thinking in terms of improving well-being and quality of life. Improving well-being and quality of life is about reducing reliance on private cars which occupy a lot of space, in urban areas in particular. They occupy both parking and road space. That is why for the International Transport Forum, in particular, one of the key points is to focus on avoid and shift types of measures. Those include managing travel demand and that is why one of the recommendations in the report is to think about considering congestion charges, which are a way to spread demand throughout the day. We should not think about it as a financial burden or a price we are putting on all private vehicles. The idea is, rather, to make drivers pay for all the negative externalities they are producing, including noise, congestion, the use of public space and so on and so forth.

We also highlight many positive shifts that are happening in Ireland, in particular the shift of investment budgets from road construction, that is quite counterproductive and only induces demand to public transport, to specifically having 15% or 20% of the budget dedicated to improving cycling and walking conditions. That is extremely important. We see in other countries, for instance, and I will give this example from here in Paris, that a huge strategy to reallocate road space to cycling and walking actually brought an increase in and modal shift to cycling and walking. Many people now cycle, walk or use public transport go to work, especially given the situation with Covid-19 where people still feel a little bit wary when it comes to using public transport. We do not really want that demand to be consumed by people using cars but rather shaped to sustainable modes. Reallocation of road space, in particular, is one of the key things Ireland can consider and hence improve conditions for walking and cycling.

I feel from the discussions we have had that some positive shifts are happening but a lot of thoughts and hopes are still put on subsidising electric vehicles. I believe this needs to be reassessed. It may not bring Ireland towards the targets and in the direction it actually wants to go.

Chairman: Would Mr. McCabe like to answer that question on behalf of TASC?

Mr. Seán McCabe: I echo what Ms Samsonova said and highlight some of the other externalities that cannot be dealt with, such as the use of child labour in the production of batteries, in some instances. We have very serious human rights issues in the supply chains that we need to be very much aware of and be working to change.

Chairman: I thank Mr. McCabe. I call Deputy Canney.

Deputy Seán Canney: I have been listening and I find this debate, if I might call it that, very interesting and informative. I thank both organisations for their presentations. I will not go back over old ground but I want to touch initially on public transport. Coming from a rural constituency, I know the vagaries of transport and the hit-and-miss efforts that can be made in trying to provide it. The reality is that in rural Ireland, in many cases, there is no other mode of transport except for the car. If, therefore, we are to shift the mode of transport to public transport, we need to be serious about how we are going to do it. A project that Deputy Leddin will know well, for instance, is the western rail corridor, which could do an awful lot to improve connectivity along the west coast. If there is going to be a signal that public transport infrastructure will be dealt with in a serious way, this is one sure way of doing it in a very quick manner to make sure we have transport we can use. It is very important that we do that.

I spoke in the Dáil last night on climate action. I cited the case of Bus Éireann, which right

now is cutting some of its services because it cannot afford to run them. The reality is that is what is happening. The reality is that the carbon tax, while necessary, penalises people who have no other choice but to use a car that burns fossil fuel at the moment. They do not have the infrastructure in terms of the charging points and the cost of electric vehicles is prohibitive.

To touch on farming, I believe that farmers are very much of the opinion that they are doing an awful lot right. They feel in general that they are being targeted. One of the reasons I feel they are being targeted is because we are not an industrialised country and therefore the emissions, when one measures them, are in a higher bracket. We are first in class in dairy production in Europe. We are fifth in class in beef production. We must build on that. We must take the carbon emissions from agriculture, ring-fence them and deal with them in isolation rather than putting them into the global pot.

Having been a member of a local authority since 2004, I find that planning can be a huge problem, whether it be for a wind farm, solar farm or someone doing something that fits in with the green agenda and climate action, with which I agree. Our planning situation, however, is such that in certain places, especially in Connemara, people cannot build. Some of the places are designated in the west of Ireland. We might say we have a vision, which is great, but at the same time, we cannot realise that vision unless we actually change policies to make sure that we give preference. We might have to make some hard decisions about where we would locate things such as wind farms.

The other issue I will touch on is this area of just transition. Deputy Durkan gave the example of changing his heating system. The reality is that if a person wants to put air to water heating into a standard type house in this country, it will cost €25,000, with approximately €3,500 of a grant. Unfortunately, therefore, a person has a lot of work to do to raise the rest of the money to do that. I know because I have just done it. I do not know whether it will benefit me yet because I will have to see it running for a year or two to get the cost right. I was lucky enough that I could get access to a loan to do that.

At the moment, we are rolling out the better energy homes schemes for people on fuel allowance to try to improve energy efficiency in their houses. The problem is that people wait for two years for an engineer to come to the site to tell them what they are entitled to or what can be done to improve the house. In the past, we did schemes where the building energy rating, BER, never improved. Works were carried out but the BER was not included.

What galls me about much of what we spoke about is that sometimes people make decisions and say they are right decisions. One of the most fundamental decisions we made, which was a wrong decision to make, was closing our sugar industry in this country. That actually removed a huge part of the treatment of tillage farming in the west of Ireland and right across the country. That is now painfully missed. Not alone did we close it but we rushed to demolish the factories as quickly as we could afterwards in case anybody would ever attempt to produce sugar again.

When we run with these ideas, we must also listen. This is the biggest issue arising from yesterday and from talking about climate action the last couple of weeks. Mr. McCabe mentioned that he went around in a van for six weeks speaking to farmers. I have spoken to them. They have been talking to the powers that be but feel they are not being listened to and that what they are saying is not being acted upon. That is creating a divide we do not need; the notion that somebody is out to get them. Listening is one thing. Taking in what is being said is the second and the third is then to react in a way that everybody is brought along and we are all in this together, like we have been during the Covid pandemic.

Having said that, this is the only thing I want to know. We are here in our capacity as the Committee on Budgetary Oversight. We are going to have to find the money in this country to fund this climate action. Does anybody know how much it will cost, where we will get the money and how we will pay it back? The payback will be there for young people, the country and whatever else.

The co-operative movements are fine but not compared to what they were in the past. They are now full up with paperwork, compliance and all those types of things. Nobody will touch them because they are too cumbersome. People will run away from this type of stuff, such as procurement. It is concerning that we are passing a Bill and we do not know what will be the cost.

Mr. Seán McCabe: I will jump in quickly on this. I take all the Deputy's points, which are all very well made. They are all interrelated, which is surprising, and it all ties in with his final question. I have an answer to that but I will start by running through a couple of responses.

On transport, it does not make sense to privatise or offer private services on the more profitable routes in the country and then not have the revenues to run routes where they are not profitable. The idea of a State-led intervention in all this would be that we would take the profits from where we make the money - the busier areas - and we would open radically different public transport in rural areas. That is the point.

Deputy Seán Canney: Public transport does not make money. All public transport in the country is subsidised.

Mr. Seán McCabe: It is making money for some private operators in the business.

Deputy Seán Canney: If private operators are making money and we take it from them, we will end up with no private operators. What I am saying is that currently we are subsidising the DART, the Luas and everything that people take for a journey. It is all being subsidised. Let us not kid ourselves. If we are to give rural transport the same chance as urban transport, we will have to subsidise it even more.

Mr. Seán McCabe: I take the point. That is how I understand we tax people and pay for public services that help us grow as a country. That is my thinking.

I have two other points. On the question of agriculture, I take the points made by Deputies Canney and Durkan. Farmers feel as if they are not being listened to, and that relates to Deputy Canney's final question. They definitely do not feel their needs and priorities are being acted on. There are also very concerning dynamics, with farmers taking on massive levels of debt to lock themselves into the current model, which is building larger parlours and sheds, renting or buying land. These are huge levels of debt and because there is no cash flow through the farm and farmers are doing all the work themselves. They cannot afford to pay for labour and they are doing longer days and working harder than ever before. It is unsustainable on a human level, aside from the economic level. We must really interrogate that.

We must also interrogate the consumer side, as consumers must shop in multiples that offer goods for nothing because they work two jobs on minimum wage just to get by. We can solve both sides of that equation by giving people real opportunities to shop locally and buy local produce. I know this does not fit in with the larger dairy model we have kind of become wedded to in this country. There is room for both in the first instance and then we must consider what is very sustainable in the long run for the farming community.

On the just transition, what has not come up here at all is Bord na Móna. We cannot forget that there has been an effort of merit to enable the transition of the workers of Bord na Móna. It is a very serious matter. It is already too late to get on that but we really must ensure the just transition funding coming from Europe and us creates a transformative environment for the midlands.

On the sugar industry, I completely agree that co-ops are difficult now and absolutely laden. That is the enabling environment for them. That is a policy position. When we closed the co-operative dairies and abattoirs and moved everything to this hybrid plc model, we also changed the environment to better favour the hybrid plc model. We can go back and there is no problem creating that environment.

The Deputy's final point concerned funding. If I were in members' shoes, I would take €100 million per year and put it into nothing else but listening and allowing people to participate in a meaningful way, listening to farmers, fishermen and the people in rural communities who feel they have been left behind. I would do that every year with €100 million just to facilitate this dialogue.

Looking at a participation fund like that, there are 1,087 parishes in Ireland and I would do this at that level. I would give every parish approximately €65,000 per year to fund a facilitator to help the community through this transition. That might sound like a lot but we are in a massive crisis. On the co-operative piece, we would need to put in more than €200 million into the process. Once communities have come up with their own solutions, how do we give them the resources to activate those solutions? The communities will come up with solutions. Any of us who have spent time in the community know their ingenuity. I am working on two projects right now, with one in Phibsborough in Dublin and one in Ardara in Donegal and we are trying to work with the community to unlock potential in the climate crisis and identify their own solutions.

We will get this to a stage where the community will have a costed plan and we need resources to flow in behind that. The solution is borrowing. There was mention of debt falling on our children and grandchildren but countries are not households so we should not view debt in the same way as we do household debt. There are two figures to bear in mind, which are the deficit and the denominator, which is the size of our economy. If we act the way we are talking about here and distribute opportunity across the country, our economy will grow rapidly and our debt, which is not, by and large, indexed to inflation, will stay the same size and what we repay will shrink relative to the size of our economy. We cannot think about debt as something that will somehow land on our children or grandchildren. What will land on our children and grandchildren is food insecurity, flooding and the potential of an entire societal breakdown as a result of the chaos the climate crisis could bring. We must act in a robust way now.

The final piece is critical as it must happen in the next three or four months. We have had the LEADER programme in Ireland and it was very successful. I could give some figures but they are in the document I sent to the committee. It has not been as successful in recent years, partly because the amount of money going to it has been reduced and there are some issues around the independence of local action groups etc. We will not go into that now.

LEADER has evolved in the European Union and it has become the community-led local development multifund approach. This means that rather than just coming through the Common Agricultural Policy, community-led local development funding can come through all the Structural Funds. As we negotiate our plans with the EU over the next six months to arrive at

our plans for the next six years, we should insist that the money we take in from each of these funds, including the just transition fund, is ring-fenced for the bottom-up processes that are enabled by a LEADER-type approach. We can then work on improving a LEADER model. If we really want to unleash the potential of communities, that is absolutely critical and time sensitive. We must move on it soon.

I hope this goes some way to answering the Deputy's questions. There should be €100 million per year on participation and more than €200 million per year to enable the outcomes of that participation and co-operative approaches. We must also look at how community-led local development multifund approaches, if adopted in Ireland, could put resources at a community's disposal.

Chairman: Do the witnesses from the OECD wish to comment on Deputy Canney's question on where we will get the money?

Ms Tatiana Samsonova: I will come in on the transport side. We agree that on many peripheral and rural routes, private cars are indispensable. That is for sure. There is a need to invest more in rural programmes and I know there is Local Link. The Deputy also stated that in urban areas, public transport is heavily subsidised and asked where we can get that money. There are ways of diversifying funding sources, especially if we consider land value capture mechanisms. The UK levies a specific amount on new developments that benefit from Crossrail, for example. Those that benefit more pay more and those that benefit less pay less, but they still pay a levy, and that has helped to fund the project. The same applies to business rates supplements in respect of the rates applied to commercial businesses that benefit from the construction of new infrastructure. The mass transit railway, MTR, in Hong Kong is another example.

This is one of the approaches that could liberate funds and cross-fund rural areas and necessary services, in particular demand-responsive transport. It is difficult to make public transport more competitive than cars in an environment where there is low density, but that brings us to the point that there is a need to promote more compact developments. Some shifts are already being made on that front. Ireland is no exception - environments with low-density developments and rural areas are problematic in this context everywhere. We argue that there is a need for additional investment, especially if one of the directions Ireland wants to go in is towards substituting car trips, in particular for local journeys, with public transport.

Chairman: I will now open up the session to a second round of questions. Those Deputies who would like to ask a second question should please raise their hands.

While people are organising themselves, I might ask a question. We have spoken a great deal about expenditure and green investment, but in terms of the cost of climate change, we have not spoken much about fines levied on Ireland for failing to meet its climate targets. In its submission, TASC puts the fines somewhere in the region of €7 billion by 2030. I am interested in the OECD's outlook. In the past year or two, I have had opportunities to discuss with various Members of the Oireachtas the likelihood of fines being levied. There does not seem to be a great deal of concern about it. Are we likely to see that level of fine levied on Ireland if we fail to meet our targets? How would we go about addressing that issue through a medium or long-term budget strategy?

Dr. Ivana Capozza: I thank the Chair for her question. We have not quantified the fines that Ireland could pay as TASC has done, but there is a risk of not meeting the 2030 targets under the

EU policy framework, namely, emissions that are outside the emissions trading system, ETS. We understand from the Environmental Protection Agency's simulations and projections that there is a need to implement all measures outlined in the Climate Action Plan just to achieve some of the targets. There would still be a need to use the international carbon market. That would be a cost, albeit possibly not as much as paying the fine. There is a need to implement in a timely and thorough way all of the measures that have been outlined. In fact, more than those measures must be implemented, given the increased ambition of going beyond the targets set at EU level, but the fines would only relate to the targets set at EU level.

There is a risk of being penalised. That should be considered as part of the overall cost of inaction. The main cost of inaction is not the fine, though, but the consequences for the Irish economy and Irish people. That cost can be quantified, of course, and the quantification to date has outlined a huge cost to people's quality of life.

Mr. Seán McCabe: The fines are an important consideration, but to echo Dr. Capozza, the opportunity cost will be much more critical. It is also worth noting that the Paris Agreement has within it a ratchet mechanism, which I hope will come into play at the Conference of the Parties, COP, this year and again in 2026 more or less. Under the mechanism, every country or, in Ireland's case, the EU will have to increase its nationally determined contribution to the Paris Agreement. Not only are we not hitting our current targets, but those targets will increase rapidly. By the middle of this decade, the infeasibility of the 2050 targets will be realised. We cannot set targets for 2050, as it will be far too late. According to global equity, Ireland should be hitting 0% emissions by approximately 2025. That shows just how far behind we are in trying to achieve our targets.

The fines are one matter, but if we seize the opportunity and lean into this challenge, we will see the creation of jobs and livelihoods and a distribution of opportunity across the country. That is what we are missing out on currently. A fine of €7 billion would be a hefty sum - I took the figure from the carbon brief - but it pales in comparison to the opportunity cost.

Deputy Brian Leddin: I am mindful that there are just over 20 minutes left, so I will be brief. Previously, we spoke about the cost-benefit analyses of infrastructural projects. On the Joint Committee on Environment and Climate Action, which I Chair, a theme that surfaced repeatedly was that our methodologies for appraising major infrastructural projects were inappropriate for the challenges facing us. The time horizon is generally set to 30 years and the discount rate is 4%. It is almost as if the infrastructure will disappear after 30 years and have no value beyond that. As Deputy Canney rightly pointed out, if we invested the €150 million or €200 million now that it might cost to get the western rail corridor back up and running, the corridor would be there for 100 years or, with the right maintenance approach, 200 years. On the other hand, other types of infrastructure can induce driving, and even electric vehicles, EVs, have a significant fossil energy cost depending on from where the source energy comes. I would like to hear the witnesses' thoughts on these points. Are there examples of countries that have changed their appraisal mechanisms for major infrastructural projects such that they actually factor in the projects' low-carbon or high-carbon intensities? There are other additionalities. For example, we spoke about opportunity cost and not factoring in other considerations. It is not just about carbon cost. There are other reasons. For example, we do not want a car-dependent society because of the inequalities and serious knock-on effects for our population.

Ms Tatiana Samsonova: I thank the Deputy for his intervention. To be honest, I am not familiar with the cost-benefit analysis, CBA, process. I assume it is mostly based on value of time because that is how a country goes about CBA. When there is a CBA process, at the ITF

we consider it very important to have an additional process that takes into account accessibility, as well as the extent to which this particular project is improving access for everyone, by other means. Accessibility is something that is very hard, and almost impossible, to quantify, but there are qualitative ways of doing so, especially if you look at examples in the UK. It has a standard CBA process based on value of time, costs and benefits but, additionally, each project is evaluated, using this accessibility indicator, to see what extent a particular project will improve access by car or public transport and how many people will benefit from it.

The ITF has done a lot of work at round tables we have organised on the topic. The problem is that it is hard to put a number on those aspects related to improving quality of life or well-being of people. That is why it is hard to present to someone saying we are going to improve people's quality of life by X or Y; it does not work like that. One of the ways of going about it is having this qualitative, not quantitative, aspect that is related to CBA, which is also included in the decision-making process.

Deputy Brian Leddin: Ms Samsonova mentioned the UK but are there other countries we should look to, perhaps in Europe, that have those qualitative methods built into their appraisal approach?

Ms Tatiana Samsonova: I am not going to lie. Off the top of my head, there are none but if there is any way I can share this information, I will be happy to do so.

Mr. Seán McCabe: We have a public spending code that specifies societal outcomes and shadow costs. It exists but is a kind of box-ticking exercise. We need to make it meaningful. Consider, for example, the impact were we to manage to keep open GAA clubs around the country that have suffered outward migration and closure. Na Fianna in Phibsborough did a social value assessment of its operations and for every euro invested, €50 was returned. We have to consider these intangible co-benefits of climate action. If we distribute opportunities across the country and if a GAA club is kept open, that is astounding. It is very important and I hope we can find proper measures.

Another key point to make is that Nicholas Stern, a conservative economist from the UK, has previously indicated that the tail risk associated with climate action is so enormous and contains such negative social outcomes that we also need to factor that into the cost-benefit analysis.

Deputy Seán Canney: It is very interesting. I concur with the sentiments Deputy Leddin expressed on cost-benefit analysis. We are talking about having to invest while money is cheap but where do the fiscal spending rules lie as a result? Can we ignore them in order to save our society for the future? If we are getting money at zero interest rate should we just go for it and ignore the fiscal rules that may apply in order to make sure we save our planet?

The other side of it all is that we are looking at ourselves as a small country, how the world will benefit from what we do and how we will benefit from what the rest of the world will do, especially China and the US, in trying to get us all to an equal state. To go back to farming, when you think about the methods we use compared to some of these other countries, it is very questionable as to whether the impact of our actions alone will stop flooding in Ireland. Maybe we have to show by example.

I thank the three participants again. This has been a great exercise. We could meet all day and still learn from them.

Mr. Seán McCabe: I am happy to jump in. I totally get the Deputy's point about larger countries. I will tell a little anecdote. I spent two years working in a hospice in Calcutta in India and I saw the effects of energy poverty there. In fact, one of the communities where the hospice was built burnt to the ground, due to someone trying to link their shanty to an overhead power cable in some rudimentary manner. It caught fire and burnt 200 people out of their homes. While we can look at the enormous collective carbon footprints of these places, as individuals their footprints are much lower than ours. Our personal footprints are much larger than anyone in China or India, though much lower than people in the US, so we have to keep that under consideration, but it is a key point.

On the Deputy's first point, personally, I would absolutely borrow to save the planet but it is not really the planet that is in trouble; it is us. The planet will be grand but we cannot be held back by human constructions when the laws of thermodynamics are what we will actually be held to account on in this crisis. We cannot continue the way we are going. We need to radically change course. All signals from Europe seem to be that a green recovery will be supported. As the Deputy mentioned earlier, even the concept of excluding green infrastructure from the fiscal rules bodes very well. It comes back to the points made on transport earlier. We should be dreaming as big as we can in terms of transport. A railway network across the whole country, and linking villages big and small with light rail, will transform the country in a decade. It would be unbelievable and would be great for all of us. It is possible. The money would be accessible to us if we went about it the right way. That is my perspective.

Chairman: Would somebody from the OECD like to speak to Deputy Canney's points, particularly around the interplay of larger countries and smaller economies? That is a particular issue for us.

Dr. Ivana Capozza: I echo what Mr. McCabe has just said. It was mentioned during a previous intervention that, to be fair on a global level, Ireland should reach the target even earlier than indicated. All countries have their own responsibilities. The fact that China, the US or India are not doing their jobs is not an excuse not to act.

It would be very hard for the OECD to say not to consider fiscal spending rules. Of course, this is not OECD wisdom so I will not say that. However, it is true that the EU is opening up many opportunities and these should be used as much as possible. Ireland has a recovery and resilience plan, which will use at least 37% of the fund for the green transition. Ireland could be even more ambitious in that respect. Opportunities are also there in negotiating EU funds for the next multi-annual six-year programme. There are opportunities there, even meeting the fiscal standing rules. Each crisis can be an opportunity to put aside the fiscal rules. The OECD would say that that is a dangerous path, but *voilà*.

Chairman: I thank Dr. Capozza and call Deputy Durkan.

Deputy Bernard J. Durkan: I thank the Chair. I listened with interest to this particular subject. It is very close to my heart. I want to make it work. However, I want to eliminate contradictions. Again, for example, Mr. McCabe referred to the midlands and the Bord na Móna shutdown. When one shuts down first, one then creates a problem for selling the argument or the case that one wants to sell. Therefore, a replacement needs to come first, or the replacement needs to be in place. For example, we stopped the use and production of peat. I understand all that. However, we replaced it then by importing a replacement from Germany for the horticultural sector, of which we have a huge amount in my own constituency, right across the midlands, across north County Dublin, and all the other places. It is very difficult to make the

farming community understand or even to make me understand the logic of that. I would have thought that we would have first done one part of the job and reduced by a gradual process the dependence on peat in the horticultural sector, before cutting it off and going in the other direction. The danger is that we will never get away from dependence on imports.

My last point is simply that there is a huge amount to be gained from a clean environment. The agrifood business has much to offer. However, it does not any credit for what it already does. For instance, it does not get any credit for the benefit of hedgerows or for the growing of trees. We hear about the re-wetting of the countryside. Those who live in the countryside quickly point out to us that a large proportion of the countryside has been re-wetted often enough, particularly in the last six months or so. It does not need any help in that direction. It is a natural thing.

I would love to see a situation where the experts can engage with the agrifood productive sector, which is the backbone of our economy, when it comes to working our way out of a difficulty. They should engage with those in the sector to try to understand the position they come from, and the position we have to achieve. The agrifood businesses will do that, are capable of doing it and want to do it. Let us not forget that they have been managing the rural environment for centuries, for millennia. The longer that this debate goes on, the more important it is that we understand each other. I speak as a person who lives in and works for both the urban and rural communities. We cannot get by without both. We need a mixed and balanced economy.

As the Chair knows, during the economic crash, I spent most of my time apologising to economists. I do not disrespect to anybody. Many of the economic theories did not work. They all told us what we should do and what would be best. They were all wrong. That is the sad part about it. We had to, therefore, do it the hard way in this country. We dragged ourselves up by our bootlaces through the medium of the agrifood sector, in particular.

I disagree entirely with the notion that we do not make a contribution. Given our methodology in the agrifood business, we already do what they cannot do in other parts of the globe. They are saying that if we make all the sacrifices that we are going to make a major contribution. We can make all the sacrifices we need, but unless there is global co-operation in this area, with India, China, the United States, and so on, we are not going to make any major impact on what we need to do-----

Chairman: I thank Deputy Durkan. I might let our-----

Deputy Bernard J. Durkan: As far I am concerned, we need to clean up our own house, do what has to be done, and achieve the targets. We have to achieve this ourselves. We should not become sacrificial lambs to the entire world-wide community.

Chairman: I thank Deputy Durkan. We are coming to the end of the session. I might allow our witnesses to quickly respond to the points made. The Deputy raised some interesting issues around supply chains, as we phase certain products out. Would the OECD or TASC like to comment on any of those issues?

Mr. Seán McCabe: I am happy to come in. I agree completely with the Deputy on his first point about the transition and the need to not do contradictory things that confuse people. We need, in all instances, a subsidy-first approach. We need to help people before we hurt them. The carbon tax is a good example of that. We need to make sure that we manage the carbon tax in such a way that people are not put into fuel poverty. On the Deputy's last point, where

he mentioned sacrifice, I do not think this is a sacrifice. It comes down to how we view it. As I said previously, it is the most unparalleled opportunity for stimulus across the entire island, if we get it right. The financial conditions are right to do it. We can do it. It does not have to be on the back of the farmers. In fact, if we do it right, the farmers will prosper from it.

Chairman: Would the OECD like to add to that?

Dr. Ivana Capozza: It is not necessary that this should be on the back of the farmers. That is for sure. The rest of society can contribute. I do not think the OECD report has ever even mentioned that. That is clear.

Chairman: We are at the end of our session. I thank Dr. Capozza, Ms Samsonova, and Mr. McCabe for their attendance today, and for their assistance to the committee. I commend them on the submissions we received from both of their groups today. They were full of incredibly important information, so I thank them for that. The committee's next meeting is in public session at 9.30 a.m. on Thursday, 24 June 2021. The committee will meet with representatives from the Economic and Social Research Institute, ESRI, and Dr. Michael Collins to discuss tax expenditures.

The select committee adjourned at 11.27 a.m. until 9.30 a.m. on Thursday, 24 June 2021.