

# DÁIL ÉIREANN

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## AN COMHCHOISTE UM GHNÍOMHÚ AR SON NA HAERÁIDE

### JOINT COMMITTEE ON CLIMATE ACTION

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*Dé Céadaoin, 25 Meán Fómhair 2019*

*Wednesday, 25 September 2019*

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The Joint Committee met at 3 p.m.

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Comhaltaí a bhí i láthair / Members present:

Jack Chambers,	Máire Devine,
Marcella Corcoran Kennedy,	Alice-Mary Higgins,
Pat Deering,	Tim Lombard,
Timmy Dooley,	Ian Marshall,
Tom Neville,	Michelle Mulherin.
Thomas Pringle,	
Eamon Ryan,	
Bríd Smith,	
Brian Stanley.	

I láthair / In attendance: Deputy David Cullinane.

Teachta / Deputy Hildegarde Naughton sa Chathaoir / in the Chair.

*The joint committee met in private session until 3.34 p.m.*

### **Carbon Tax: Discussion**

**Chairman:** I welcome everyone to this fifth session of the committee, including viewers watching our proceedings on Oireachtas TV. We have received apologies from Senator Higgins. At the request of the broadcasting and recording service, members and visitors in the Public Gallery are requested to ensure that their mobile phones are turned off or switched to flight mode. I welcome Dr. Muireann Lynch and Dr. Kelly de Bruin from the Economic and Social Research Institute, ESRI; Dr. Tricia Keilthy from the Society of St. Vincent de Paul; Mr. Matt Collins, Mr. Robert Deegan and Ms Eileen O'Connor from the Department of Communications, Climate Action and Environment; Mr. Gerry Kenny and Mr. Matt McGann from the Department of Finance; and, Mr. Jim Scheer from the Sustainable Energy Authority of Ireland, SEAI.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of the proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, 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.

Members are reminded of the long-standing ruling of the Chair to the effect that they should not comment on, criticise or make charges against any person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

In the light of the number of speakers, I ask delegates to keep their opening statements to three minutes to allow time for members' questions and discussion. I call Dr. Lynch to make her opening statement.

**Dr. Muireann Lynch:** I will find it challenging to complete my presentation within three minutes, but I will try to address the main points.

The appropriate measurement of fuel poverty is not a settled question in the literature. Generally there are three distinct definitions. The first considers a household to be experiencing fuel poverty if it spends more than a certain percentage, typically 10%, of its income net of housing costs on fuel. The second measurement considers modelled rather than actual spend. In other words, it looks at the expenditure on fuel that would be required for a certain level of warmth, taking into account household and dwelling characteristics. The third metric relies on self-reported subjective data and categorises a household as experiencing fuel poverty if it has difficulty in affording adequate heating or fuel. These definitions relate to thermal energy expenditure only and do not consider the cost of private or public transportation.

Choosing an appropriate measurement of fuel poverty from the three definitions to which I have referred is not straightforward for reasons that are, perhaps, best explained by means of a simple example. The figures used in the example are illustrative, rather than indicative of something that may happen. The Murphy household is a low income household that spends slightly less than 10% of its income net of housing costs on fuel. The Murphys live in a poorly

insulated house and have a low efficiency gas boiler for central heating. They cannot afford one of the eleven indicators of basic deprivation - I have provided a full list of the indicators for the committee as an appendix to my statement - meaning that they are not considered to be experiencing basic deprivation. Let us assume carbon taxation is increased by a quantum such that the Murphys' energy bills will increase by €200 per year if they make no changes to their behaviour. The household includes a small baby and an elderly relative. As such, it will not cut back on heating costs but will, rather, continue to heat the house as normal. Instead, the Murphys cut back on social activities and put off replacing worn out furniture. In these circumstances, they would qualify as experiencing energy poverty under the first and second definitions but not the third, although they would qualify as experiencing basic deprivation.

In another scenario, let us assume instead that the Murphy family consist of a couple with teenagers. Instead of continuing to heat their house as normal, they respond to the increase in carbon taxation by switching off the heating in the mornings. They leave the house earlier and eat breakfast at work or school. They would not qualify as experiencing energy poverty under the first definition but would under the second and third. They would be considered to be experiencing basic deprivation because being unable to afford adequate heating is one of the criteria for basic deprivation.

We will assume the Murphys take out a loan of €2,000 from the credit union to invest in a new and more efficient boiler. In order to repay the loan at a rate of €21 per week, they cut back on social expenditure and put off replacing worn out furniture. In that circumstance, they would not qualify as experiencing fuel poverty under the first, second or third definitions but would qualify as experiencing basic deprivation. The point I am trying to make is that whether one is considered to be fuel poor depends on the definition chosen and the household's behaviour, but, no matter what definition is chosen, the household in these scenarios qualifies as being deprived.

I will skip over most of the research I was going to mention, but I draw attention to a paper by Dorothy Watson and Bertrand Maître of the ESRI which considered these indicators of basic deprivation and data from Irish households and found that energy poverty was not a distinct type of deprivation, meaning that if a household is experiencing energy poverty, it is also experiencing poverty. Energy poverty is difficult to measure and the final determination of its extent and degree is highly sensitive to the definition chosen. The research is clear that if one combines carbon taxation with appropriate revenue recycling mechanisms, the entire initiative can become progressive and the poorest households are the greatest beneficiaries. We recommend that the committee try to target poverty, rather than energy poverty, as it is an appropriate metric and would ensure all households that might be affected by increases in carbon taxation would be covered. Recycling these revenues through the taxation and welfare system would, therefore, be an obvious way of protecting low income households.

**Chairman:** I thank Dr. Lynch. I acknowledge that she felt she did not have enough time to deliver her presentation. If there are points she wishes to raise during members' questions, she should indicate this to me and I will let her in.

**Dr. Tricia Keilthy:** The Society of St. Vincent de Paul, SVP, welcomes the opportunity to present to the joint committee on the issue of energy poverty. As the largest charity of social concern in Ireland, working to address energy poverty is a core aspect of our work, the solutions to which are closely related to tackling climate change. Our work across communities demonstrates that energy poverty remains a major issue for a large number of households. According to a survey of income and living conditions in 2017, almost 400,000 people went without heat-

ing owing to cost. Last year SVP spent more than €4 million in helping people with fuel and utility bills. Approximately 70% of this expenditure was on solid fuel and oil.

The combination of increased energy prices, poor quality housing and the persistence of low income impacts significantly on the households SVP assists. Low income households in rural areas, those living in social housing or the private rental sector and one-parent families are particularly exposed to the risk of energy poverty. We are concerned about the impact of carbon tax increases on these households.

As outlined by Dr. Lynch, ESRI research has shown that an increase in the carbon tax, as it is currently designed, would hit low income households harder. Unless there is greater investment in income supports, public transport and energy efficiency schemes, low income households will have to absorb these costs and will be unable to afford to switch to climate friendly alternatives. Energy poverty will increase as a result.

I wish to provide our perspective on how the schemes available to those experiencing energy poverty are working. We are concerned that energy unaffordability persists, in spite of the availability of energy income supports and without accounting for increases in carbon taxes. At current levels, the fuel allowance is insufficient to meet the cost of energy for people on low incomes. An additional week of fuel allowance payments was introduced in budget 2019, bringing the payment to €630 for the winter months. However, in terms of purchasing parity, it is €200 less than the rate in 2010 as a result of cuts to fuel allowance and subsequent energy price increases. Furthermore, fuel allowance is a highly means-tested payment. If carbon taxes are increased and a decision is made to offset them through this scheme, many people experiencing energy poverty will not be compensated.

We note that recent ESRI research suggests recycling revenues via maximum social welfare rates and tax credits for those experiencing working poverty as the most administratively straightforward and equitable option. However, increases in maximum social welfare rates must not be at the expense of broader policy goals of reducing poverty and improving income adequacy for low income households.

On energy efficiency schemes, SVP is supportive of the warmer home scheme which is available to social welfare recipients who own their own home. The scheme may be a good option for older homeowners, but it is more likely that low income households with children live in social housing or the private rental sector. SVP is concerned that the enhancement of grants without examining eligibility criteria or measures to support take-up across tenure type would not be an effective mechanism for protecting households from increases in carbon tax.

On transport, a lack of an integrated public transport system in rural areas has a significant impact on low income households' ability to afford a minimum essential standard of living. The development of the rural transport scheme is welcome but sustained and increased investment is required.

Overall, it is clear that current schemes for addressing energy poverty are limited and that a large proportion of the population continues to experience energy poverty, which is why Ireland needs an ambitious target to eliminate energy poverty by 2030. SVP would support the establishment of a just transition fund in meeting this goal. This would ensure coherence across goal 1 relating - no poverty - and goal 13 - climate action - of the sustainable development goals. If Ireland is to be successful in addressing climate change and energy poverty, the Government needs to see both issues as both sides of the same coin and, critically, of equal importance.

Without addressing energy poverty, it will not be possible to meet our climate obligations as energy-poor households will be unable to change their behaviour in response to measures such as increasing carbon tax. This will lead to longer-term social, health and environmental costs in the future.

Our budget 2020 submission proposals, which are included in appendix 1, include a range of measures that can help address energy poverty. They include the provision of community energy advisers, increased investment in the retrofitting of social housing, measures to support the introduction of minimum efficiency standards in the private rented sector and investment in rural transport. If energy poverty was eliminated, it would not only improve the living standards of low-income households, it would also upgrade the energy efficiency and quality of our housing stock, reduce health-related costs and, more important, help meet our climate change obligations.

**Mr. Matthew Collins:** The Department commissioned a modelling study in 2016 that applied what is called an objective approach to measuring energy poverty. The research found that 28% of Irish households were in fuel poverty. In recent months, the ESRI applied the same methodology and its analysis showed that the rate of households spending more than 10% of their income on heating now stands at 17.4%. A separate ESRI study also noted the strong correlation between energy poverty and basic deprivation so a number of studies have been undertaken by the Department.

To address data challenges relating to energy poverty, the Department and the SEAI are participating in a CSO-led project to develop energy poverty indicators. It is anticipated that this work will provide valuable outputs in informing future national policy and presenting key statistics in the public domain to further our understanding of how to alleviate energy poverty. We are also hopeful that it will also help us to focus energy poverty supports on those most in need. This project is ongoing and the CSO has indicated that it will begin publishing reports in late 2019 or early 2020.

The committee is probably aware of a number of policy responses to address energy poverty. These include income supports, consumer protection, building regulations and efficiency schemes. There is a strong rationale for helping low-income households to heat and light their homes adequately through dedicated energy efficiency support schemes. While improving the energy efficiency of the home may not be sufficient to lift a household out of poverty, it can drastically and permanently reduce its energy needs in a way that income supports cannot. The key role of energy efficiency is reflected in the climate action plan's objective of retrofitting 500,000 homes by 2030. A high-level retrofit task force has been established and a total of €3.7 billion has been provided under Project Ireland 2040 to support the achievement of this target.

The warmer homes scheme is our primary grant support scheme for households in energy poverty. The scheme provides free energy efficiency upgrades to vulnerable households making those homes warmer and more affordable to heat. Recent years have seen a significant increase in the funding provided for the warmer homes scheme. The allocation has increased from €15 million in 2015 to stand at €40 million in 2019. In addition to increased funding, the scheme has also been expanded to include deeper measures such as external wall insulation, heating upgrades and window replacements in the worst-performing homes. The eligibility rules underpinning the scheme have also been extended to encompass greater numbers of people.

The Department also funds the warmth and wellbeing scheme, which is a joint policy initiative with the Department of Health. This pilot scheme aims to investigate the health impacts

of improving the energy efficiency of a home. Since 2016, in excess of €25 million has been invested in improving homes under this scheme. Other schemes administered by the SEAI such as the better energy communities scheme also provided higher rates of grant for lower-income households. These schemes have resulted in more than 140,000 homes receiving free upgrades since 2000.

I understand the committee has the full text of my statement. In conclusion, energy efficiency measures are central to addressing the root causes of energy poverty as opposed to just treating the symptoms. The Department will, therefore, continue to improve how energy poverty schemes target those most in need in line with our climate action plan commitments.

**Mr. Gerry Kenny:** I have responsibility for indirect tax policy in the Department of Finance. I am accompanied by my colleague, Mr. Matt McGann, who leads the economic fiscal analysis unit within the Department. I thank the committee for its invitation to discuss the review of the public consultation on the uses of any carbon tax increase that may occur. Members will be aware that with the budget less than a fortnight away, we are not in a position to comment in any shape or form about what the Minister may or may not do in the taxation space in the next two weeks. He told the Committee on Budgetary Oversight last week that he was still considering his options. He did say, however, that if changes are to be made in carbon tax, the revenue from such a change should be treated in a different way from other tax changes that have been carried out. Separately, the Taoiseach stated earlier this week that all new revenues raised from carbon tax will be ring-fenced to fund climate action and a just transition to protect those most exposed to higher fuel and energy costs and for whom new jobs must be found.

In its report entitled, *Climate Change: A Cross Party Consensus for Action*, this committee recommended that the Department of Finance conduct a public consultation examining the options for use of revenue raised from increases in carbon tax. In line with this recommendation, the Department launched a public consultation asking respondents to select from a list of options. A report of the responses received is set out in the paper, *Climate Action and Tax*, presented to the tax strategy group in July. The consultation was conducted between 30 May and 28 June 2019. A total of 66 submissions were received broken down along the following lines: 19 from private individuals, 28 from businesses or business representative organisations; 13 from social, voluntary and community, SVC, bodies and six from other bodies, including political or public administration bodies, academics or academic organisations, including some members of this committee. The predominant view from the public consultation is that the additional carbon tax revenues should be ring-fenced for the purposes of enhancing the current SEAI grant scheme for household energy efficiency improvements and to fund sustainable transport infrastructure. The majority of respondents favoured these two options while most respondents were against the use of revenue for general Government expenditure or to pay EU fines arising from failure to meet targets.

Increasing the national fuel allowance to support those at risk of fuel poverty received a mixed response among all respondents. The option of returning the proceeds by way of dividend to citizens or households through the social welfare and-or tax system received a negative response overall, being one of the least supported and most opposed options. The option to use additional carbon tax revenues for broad climate action purposes, for example, through the climate action fund or similar, received a slightly negative response overall with most respondents stating their preference for transparent and visible use of revenue arising for measures related to climate change. The option to incentivise businesses to switch to more sustainable production measures garnered support among industry respondents and limited support from

other respondents. The results were published in the climate action paper presented to the tax strategy group in July this year.

**Chairman:** I thank the witnesses for their presentations. I will start with both Departments. It is disappointing from this committee's perspective. We worked well over a number of months to broadly agree a cross-party approach regarding how Ireland will tackle climate change. Regarding the price on carbon, there was a majority consensus with regard to setting that at €80 per tonne by 2030. We requested that a draft policy paper on the outcomes of the public consultation from the Department of Finance and a poverty review be submitted to the committee by the end of July to enable us to make recommendations. It seems that the Departments of Finance and Communications, Climate Action and Environment have given a disjointed representation today. Mr. Kenny spoke about the public consultation regarding how the carbon tax will be used while Mr. Collins spoke about energy efficiency. While this is all very positive, this is a whole-of-Government action plan and I would like to know what the collaboration between the two Departments comprises and when we can expect this policy document. Who would like to respond? Will we get this policy document regarding a poverty review? I very much welcome the input of the ESRI so we have had information but it seems to be disjointed. As this is an whole-of-Government action plan, we need a more co-ordinated response from all the different Departments. Can Mr. Collins explain how his Department is working with the Department of Finance?

**Mr. Matthew Collins:** It is because of the important issue being addressed here in terms of energy poverty. The priority for us was to improve the data to inform policy development. The Department carried out a study through the ESRI and a number of subsequent studies have been carried out. We have worked with the CSO which, as the national statistics office, is best placed to develop the right types of metrics and analysis. It has undertaken to take a much more accelerated approach to making those data available. While we have undertaken studies in the past, which have produced results, and studies have been conducted separately by other bodies, the key for us was to go to the national agency with responsibility for statistics to work with it together with the SEAI to provide the best metrics to inform that policy development.

The challenge is that it is a difficult and complex area. Based on the wide-ranging policies that are already in place and the socio-economic factors that have been referenced by the ESRI today, one can see how complex the area is. If we are to make an intervention in this area, it is important to have the best data available. That is why we are focusing as an initial step on working with the CSO to develop those metrics.

**Chairman:** When can we expect the outcome of that and to have those metrics? We have a budget coming up. We are all expecting an increase in carbon taxes. We are looking at protecting those who are most vulnerable, the fuel poor and those in energy poverty. We were expecting an analysis. What collaboration is taking place between the Department of Finance and the Department of Communications, Climate Action and Environment on protecting the most vulnerable as we increase carbon taxes as agreed by the majority of this committee?

**Mr. Gerry Kenny:** The Department of Finance's primary role is revenue raising. We deal with the tax aspects of it. We complied with the committee's request to hold the public consultation. The normal approach for us with anything that feeds into the budget process is through the tax strategy group and that is why that approach was taken. There is probably a wider collaboration through both Departments' involvement and the use of what our colleagues in the ESRI are producing.

Last year, there may have been an expectation that the Minister would do something on carbon tax in the budget. Afterwards he said he did not feel he had enough information and analysis. In that regard we went back to talk to the ESRI about further studies which are ongoing. The Department of Communications, Climate Action and Environment is in a similar position in working with the ESRI. All of that feeds into the final decisions that are taken by Government.

**Mr. Matt McGann:** I wish to add to that. A portion of the work the ESRI is doing is jointly funded by both Departments. Dr. de Bruin's I3E model is primarily funded by the Department of Communications, Climate Action and Environment, but we also partly fund a subset of that modelling work under our joint research programme with the ESRI. Both Departments sit on the steering group for that model.

**Chairman:** My question is about how they are all collaborating. One of the main issues here is related to the lack of cross-departmental co-ordination on tackling climate change. Does the Department have a timeframe for publishing a policy paper?

**Mr. Matthew Collins:** We are obviously working in partnership with the CSO in developing the data. As a first step, the intention would be for the data to be finalised and published towards the end of the year or at the start of next year. That will provide us with more information at that stage. We would then undertake a review of our strategy to assess what the impacts have been. Using the results of that, the data that have been provided by the CSO and ongoing data coming from the CSO, we will develop a new strategy later in the year.

**Chairman:** Is that later next year?

**Mr. Matthew Collins:** Yes.

**Chairman:** I will move on to my colleagues, using the time format we used previously. I call Deputy Jack Chambers.

**Deputy Jack Chambers:** I thank the witnesses for their presentations. My questions are similar to those the Chairman asked. When was the decision made not to follow the committee's recommendations? It is clear the Department has decided not to do what was requested of it, which was to conduct a poverty review. When was that discussed? Who decided that a fuel poverty review would not occur? Who decided it would be separated out or outsourced to another body?

**Mr. Matthew Collins:** I would not put it into such a context of just refusing to do work. We have already undertaken work in this area. Rather than just us carrying on and doing the same work again, the added value is through bringing the real expertise. There are leading academics in the research institutes and the CSO. Drawing on their expertise will provide much more valuable data that can inform that policy development. As I said, we carried out a study in 2016. The same methodology was applied again and separate research was done by ESRI. The question was whether the Department should carry out its own study while the separate work was going on in the CSO. It did not seem to be the best use of resources that we would in some way divorce ourselves from what the expertise in the CSO was doing. The ESRI has an extensive ongoing programme. The funding comes from both Departments and there is oversight from both Departments. It really was an attempt to establish the best way of getting the most value for money and the most useful indicators to inform the policy. It is working towards developing that analysis.

**Deputy Jack Chambers:** Does Mr. Collins accept that the committee made a recommendation at the end of July 2019 that a joint policy paper should be prepared on this matter by the Departments of Communications, Climate Action and Environment, and Finance but that has not occurred? There seems to have been very little collaboration between the two Departments on this. I ask both Mr. Kenny and Mr. Collins how often they have met to discuss fuel poverty.

**Mr. Matthew Collins:** I have just recently been transferred into the job, so I have not had the opportunity to meet at this stage.

**Chairman:** I must bring in-----

**Deputy Jack Chambers:** In respect of Mr. Collins's predecessor, has Mr. Kenny met the Department of Communications, Climate Action and Environment on the matter of fuel poverty?

**Mr. Gerry Kenny:** I met the Department relatively regularly over the past six months to discuss the climate action plan. Many issues were discussed there but not specifically fuel poverty.

**Deputy Jack Chambers:** This gets to the nub of this. On what we are discussing today and the carbon tax issue, there was a request that both Departments develop a draft policy paper on the issue of fuel poverty and the effect of a carbon tax to allow this committee to develop a broader consensus. From what officials from both Departments have said, there seems to have been a siloed approach. Mr. Kenny mentioned his role as analysing direct taxation. Mr. Collins mentioned the CSO and external experts, but there is a serious deficit over who is taking ownership of this within the departmental structure. If at the first port of call we are seeing a failure on that front, how do the witnesses expect the public to accept a consensus around what might be announced on budget day when the work that is being requested of the Departments has not been prepared?

**Chairman:** Does Mr. Deegan wish to respond to that?

**Mr. Robert Deegan:** The engagement with the Departments of Finance, and Public Expenditure and Reform has been on how the revenue could be recycled. That will mitigate any impact of the carbon tax on people living in fuel poverty. It would be very much us advocating for particular interventions to be made using the carbon tax revenue. It is very difficult to measure the impact of the carbon tax without taking in to account the ameliorating measures that would be brought in, as the Taoiseach has mentioned in recent days, of how the revenue will be hypothecated and how it will be used to protect people from the potential negative impacts of an increase in carbon tax. As Mr. Kenny has said, the focus of the Department of Finance is on generating the revenue, but we have had discussions with the Departments of Public Expenditure and Reform and Finance on how that money can best be spent.

**Chairman:** Would Dr. Lynch like to comment?

**Dr. Muireann Lynch:** If it is helpful to the committee, one of the papers published this year by colleagues in the ESRI includes a table showing the extent of fuel poverty across various metrics under the first and third definitions, which I mentioned earlier. It also calculated the increase in fuel poverty under a €10 carbon tax increase, not including any recycling options or behavioural change. For example, under the subjective self-reported measure, 8.7% of households are in fuel poverty and, under the 10% of expenditure figure, it is 17.4%, which is huge difference. The 17.4% moves to 18.1% under a carbon tax increase. For a retired single person,

it is 5.6% under the subjective measure and 41.4% under the expenditure measure, with the latter figure moving to 42.8% following an increase. There can be a massive difference depending on the definition chosen. I will give the clerk a copy of the paper for circulation to members.

**Chairman:** That would be very helpful. Thank you.

**Deputy Jack Chambers:** When will the Department's work on fuel poverty be completed?

**Mr. Matthew Collins:** We will be working on this issue on an ongoing basis for a long time.

**Deputy Jack Chambers:** This committee recommended that a review be completed around fuel poverty. Surely, there will be an outcome from that work. Academics review lots of things all the time. When will the detailed work recommended by this committee be completed by the Department? Mr. Collins's response concerns me and causes me to ask whether the Department has even commenced the review. If it has, is there a generic tracking of the process? It is important we clarify this issue. If the committee's recommendations around key issues are collapsing on day one, in terms of the consensus we are supposed to be formulating on this issue, that does not fit with the high-level principled rhetoric elsewhere around this issue. It is important that we see outcomes.

**Mr. Robert Deegan:** The Deputy makes a fair point but I would refer him to the climate action plan commitments in this area, including the commitment to review energy poverty schemes in order that we can target those most in need. There is a commitment that this would be done by the end of the year. This is about having a practical impact on delivering change for people living in energy poverty and making sure resources are going to those in need. There has been significant increases in funding in recent years and that is continued this year. We want to make sure that that money is being used to best effect, that we are getting value for money and targeting those in need.

The national energy and climate plan, NECP, report will be concluded by the end of this year and will go to the European Union. It will also include energy poverty indicators and the measures we will be taking to help tackle energy poverty in the years ahead. Tangible work is ongoing. As mentioned by Mr. Collins in his opening address, one of the issues that will be examined by the retrofitting task force chaired by the Secretary General of the Department of Communications, Climate Action and Environment, is how we can bring people in energy poverty along in that 500,000 houses target that we must hit as part of the climate action plan target.

**Senator Michelle Mulherin:** Reference was made to the three definitions on energy poverty and how they are measured. In the case of fuel poverty within the home, people are assisted with the fuel allowance payment. In terms of the definitions, I would imagine the net is cast wider than people in receipt of social welfare benefits and would include people on low incomes because they will also be hit by a carbon tax, which they cannot afford. In the discussions between the two Departments, is consideration being given to this cohort of people, who already are under serious pressure and will not be able to afford to upgrade their heating system and so on? These people are very much tied to the use of fossil fuel, be it coal or oil. Those who did manage to get an SEAI grant in recent years did so for the purpose of upgrading their oil boilers. I am concerned about this cohort of people. In terms of our discussions on energy poverty and helping people, we should be talking about both social welfare recipients and lower-income earners. All of these people are already under pressure and they need to be looked after. They are afraid of what will happen in the upcoming budget in the context of a carbon tax.

There is a lot of talk about a just transition and the sectors that will be affected. There is a general acceptance that people living in rural Ireland do not have the option of public transport. While Rural Link is welcome, children cannot avail of it to get to school and it only facilitates people getting into town. There is also a lack of broadband provision in many rural areas. The ambition is towards electric vehicles but I do not envisage these people being able to get their hands on such vehicles for some time. There is a lot of discourse about the pre-2008 cars in respect of which people are already paying high levels of motor tax and which will now be hit with a further addition of carbon tax. What conversation is going on about helping this cohort of people?

My next question is for the ESRI. The objective is no sale of new diesel or petrol cars from 2030 onwards. At what rate do we need to be introducing electric vehicles into the market to meet that target? As I understand it, even with a grant, the cost of an electric vehicle could be approximately €40,000. Many people in rural Ireland own cars that are valued at between €3,000 and €5,000 and they cannot afford to upgrade. If we are to support a just transition, it will be ongoing for years. We need to address the issue of the impact a carbon tax will have on those people because they will not have the choice of travelling by DART and so on. How are these people being accommodated and how might that be reflected in the budget?

Returning to the issue of fuel poverty in people's homes, I understand there is a one year waiting list for the warmer homes schemes. If the carbon tax funding is to be ring-fenced, will there be additional funding for the warmer homes scheme or will people have to continue to wait for a long time for funding to improve the energy efficiency of their homes and thus reduce their bills? Is it proposed to increase the budget allocation for this scheme?

Mr. Kenny mentioned the public consultation. This committee is keenly aware that the measures, many of which are reflected in the Government action plan, require that the public be brought along on the journey with us. I am concerned about the lack of public consultation across the board. Consultation can yield information on what is bearable for people. The objective is to reduce carbon emissions. In my opinion, most people have not been engaged with. I am not taking from the public consultation undertaken by the Department of Finance. My understanding was that there would be roadshows. There are a lot of people calling for action but there will be a huge cost in that regard. It is about making decisions and I do not think people are engaged on that level. In countries that have taken these steps, be that France, Canada and so on, there has been a big backlash and they are not implementable.

**Chairman:** Would Mr. Collins like to respond?

**Mr. Matthew Collins:** I will ask Mr. Deegan to do so.

**Mr. Robert Deegan:** The Senator's makes a good point about those people who are just above the threshold. We are concerned about them. There are a number of schemes that are tiered. For example, the warmer homes scheme is open to people on particular social protection schemes, including the working family payment. That is a payment that would be for families that might not be earning as much as other families, as well as jobseeker's and other payments. It is not just for people who are on those other payments.

The better energy homes scheme is another scheme. It does not provide as high a percentage in terms of support, but it is a support that is available to families that might be able to contribute in some way to their income. As I said in response to Deputy Jack Chambers, one of the climate action plan targets is to ensure that we are targeting the right people. Any decision

to increase the eligibility threshold by increasing the amount of income that somebody could earn could have the result that the worst off in society might have to wait longer. In any kind of budget constrained scheme we are trying to target those most in need. By stretching it to people on higher incomes, that would mean there is less to spend on those on the lowest incomes.

Senator Mulherin referred to the waiting list for the warmer homes scheme. She is correct that the waiting list is increasing. The reason is that the measures available under the scheme have been expanded and made deeper. Every person who is availing of the scheme now is getting deeper interventions that cost more money and also take longer to do. We also expanded the range of people eligible to apply for the scheme. We made the scheme more attractive and we opened it to more people. The impact of that is that demand has increased. There has been a significant increase in the budget. This year the warmer homes scheme has gone up to almost €40 million. It is about continuing to look at the way the scheme operates to see if we can tweak it and improve it in terms of who it is targeting and at the same time seek additional resources for it so we can tackle the waiting list.

**Senator Michelle Mulherin:** Is it a possibility that the carbon tax would be used for that purpose?

**Mr. Robert Deegan:** That was one of the issues that came out quite favourably, as Mr. Kenny mentioned, in the public consultation. It is something the Department of Communications, Climate Action and Environment would support.

Senator Mulherin also referred to public consultation in terms of selling the climate agenda. That is something the Minister, Deputy Bruton, has been quite strong on. He has been all around the country. I do not know how many roadshows he has done at this stage but he has personally attended at least five or six. He has been getting out and about and trying to sell the message.

There is a whole section in the climate plan on just transition and a range of actions is outlined in that regard. The issue has not been overlooked. Again, it is something the Minister feels quite strongly about. He wants to ensure that cohorts in society that could be negatively impacted are protected to the greatest extent possible. The Taoiseach's recent comments have been very supportive in that regard.

**Dr. Tricia Keilthy:** I agree with Senator Mulherin's concerns on the targeted nature of the fuel allowance and the fact it is means tested. A large proportion of people, in particular the working poor and households with children, will not benefit if carbon tax is recycled through this scheme. Approximately 40% of the poorest children, those in receipt of a qualified child increase, are living in households that do not get the fuel allowance. If carbon tax is offset through that scheme a whole range of people who are experiencing energy poverty would be missed.

As I outlined in the opening statement, the warmer homes scheme is a good one for people who are on a low income and who own their own home but we know that energy efficiency is especially poor in the private rented sector and in social housing. The commitments in the climate action plan on deep retrofits of social housing is welcome, but there is a significant challenge in terms of the private rented sector. We would like to see an action plan in terms of introducing minimum energy efficiency standards in the private rented sector so that those households are able to access grants, whether that is through incentivising landlords in an awareness campaign or finding some way of linking it to security of tenure as well. For

example, landlords who agreed to let their property to HAP tenants for a five-year term could access grants to compensate.

We have a lot of information on energy poverty. We have the subjective measures in the EU survey on income and living conditions, EU-SILC, that is collected annually. I understood the household budget survey will now move to an annual collection as well, so we will be able to track energy poverty in terms of that expenditure method. One of the recommendations we made to the national climate and energy plan is that a baseline energy poverty measure would be set for this year. The current strategy to combat energy poverty ends in 2019 and we do not know what will succeed it. It is important to say that as well. What we suggested for the national climate and energy plan is that a baseline would be set using both the household expenditure method and a subjective method and one would set a target to eliminate energy poverty by 2030, so it would work alongside our climate action targets as well. That is something we have been advocating.

**Senator Michelle Mulherin:** One question was not answered. It was on how people on lower incomes in rural areas who do not have access to public transport will be protected. My fear is that they will not be able to afford an electric car.

**Mr. Matthew Collins:** The transport sector is a really important and challenging one. A mixture of regulatory steps, taxation and subsidy policies are being implemented there. Over time, the expectations from the global analysis is that the cost of purchasing and operating electric vehicles, EVs, will come down to the same level as an internal combustion engine. They are cheaper to operate at present but the challenge is the buying costs at the moment. The reason we already have subsidies in place is to help reduce the differential pricing between an electric vehicle and one with an internal combustion engine. We intend to continue to work on that.

**Senator Michelle Mulherin:** The cohort of people I am talking about would laugh at Mr. Collins for even thinking they could afford an electric car. I wish to focus on people who have a car worth between €3,000 and €5,000 who live in a rural area and must bring their children to school. They are trying their best. How are we going to protect those people?

**Mr. Matthew Collins:** Those vehicles are going to be replaced over time. We are not talking about an immediate requirement on families.

**Senator Michelle Mulherin:** But the carbon tax will be increased in the next budget.

**Mr. Matthew Collins:** We are taking a range of measures to achieve our climate objectives in the transportation sector, not just taxation. Another example from a regulatory point of view is the role of biofuels. That will be in the vehicles that people are using at the moment, again, to improve the carbon intensity of the transportation. There is a range of options rather than one single option in terms of addressing that factor.

Senator Mulherin is concerned about EVs being the solution and the impact that will have on families but, again, we are supporting the roll out of a network of EV charging points. That is to provide reassurance to people in rural communities as well that there will be sufficient charging points and mobility will be maintained in rural areas. We are taking a suite of actions to address the climate issues, but we are also very conscious that there are interim steps that can be taken that do not have as much impact on lower income, rural families as well.

**Dr. Muireann Lynch:** To reiterate, what all the research from the ESRI has shown is that if we recycle the revenues through the taxation and benefit system, everybody is better off – all

cohorts across all incomes. I accept they are paying more for fuel because of the carbon tax but they would still have more money in their pocket if the revenue is recycled appropriately.

**Senator Michelle Mulherin:** I am asking how that is going to be done to protect the cohort who do not have public transport.

**Dr. Muireann Lynch:** A range of options is outlined in various ESRI papers which I am happy to send on to Senator Mulherin.

**Chairman:** That would very helpful.

**Senator Michelle Mulherin:** I thank Dr. Lynch.

**Deputy David Cullinane:** Is there only one round of questions?

**Chairman:** It is no problem if Deputy Cullinane wishes to divide the ten minutes.

**Deputy David Cullinane:** You might let me know, Chairman, when I have five minutes left. I do not see much evidence of joined-up thinking from the two Departments. Mr. Kenny from the Department of Finance said it is focused on raising revenue in indirect taxes. I do not see any joined-up thinking in terms of the Department looking at increasing carbon taxes from the perspective of reducing people's carbon footprint and changing people's behaviour. Our focus is on exactly that; it is not on raising revenue. There are lots of different ways in which we can raise revenue, but my understanding of the purpose of the carbon tax is that we change people's behaviour. I am not convinced that is what the Departments are looking at. My question for Mr. Collins is whether the Department of Finance has conducted a study of whether carbon taxes are progressive or regressive from its perspective.

**Chairman:** Did the Deputy mean Mr. Kenny?

**Deputy David Cullinane:** Yes.

**Mr. Gerry Kenny:** From the evidence we have seen from the ESRI and others, it is regressive.

**Deputy David Cullinane:** Is Mr. Kenny saying that he wants to continue with and increase the carbon tax, which he has acknowledged is regressive?

**Mr. Gerry Kenny:** To be fair, this committee has recommended an increase in the carbon tax.

**Deputy David Cullinane:** I am not asking Mr. Kenny about this committee.

**Mr. Gerry Kenny:** No, I think the Deputy needs a little bit of context.

**Deputy David Cullinane:** My party did not recommend-----

**Chairman:** Let Mr. Kenny finish. I will let the Deputy back in.

**Mr. Gerry Kenny:** The committee has recommended an increase in the carbon tax, as the Deputy rightly stated, to bring about a change in behaviour. It has also recommended a trajectory out to €80 per tonne. The climate action plan has a similar trajectory in place. The Department of Finance deals with taxes on their merits and sees what can be done. Our tax strategy group papers outline options and policies around a range of taxes, including carbon taxes. That

is what the Department does.

**Deputy David Cullinane:** Mr. Kenny has acknowledged that the carbon tax is regressive. My focus is on reducing the carbon footprint and changing people's behaviour, which should be done by providing alternatives. I will cite examples of two people, one of whom is an older individual deemed to be living in fuel poverty. If the carbon tax is increased, what analysis has either Department conducted regarding the options available to that older person for changing his or her behaviour? What advice would Mr. Kenny give? How could that person change his or her behaviour if the Minister increased the carbon tax? The older person's home is heated by oil or gas. What can that person do to offset the cost of the carbon tax increase or change his or her behaviour?

**Mr. Gerry Kenny:** I presume that our colleagues in the Department of Communications, Climate Action and Environment will deal with this question better than I will. The Minister and the Taoiseach have stated that any additional revenue raised from the carbon tax will be treated differently than revenues raised in the normal course of events. In other words, it will not go to the Exchequer for general expenditure measures. If there is an increase in carbon tax, the Minister and the Taoiseach are saying that revenues will be available to encourage people or mitigate against the increase in carbon tax for people who are in fuel poverty or, as Senator Mulherin mentioned, have transport deficits. That is my understanding of what this committee has recommended, in that there would be a trajectory in place so that people could know that this was coming and that we needed to change behaviour, but that there would also be a mechanism within that trajectory that would raise revenues to do just that.

**Deputy David Cullinane:** Mr. Kenny is missing my point. While what he has said may well be the case, no one knows how much the Minister will increase the carbon tax by or how much revenue it will raise. We can already do the type of thing that Mr. Kenny mentioned through general taxation if a Government wants to do it. Mr. Kenny stating that if we raise enough money through the carbon tax, we can put in place mitigating measures at some point in the future and people may have alternatives then. At this point, though, they do not.

Perhaps the other Department can address my second example. I live in a rural village. There is no bus running through it. How can someone living in rural Ireland offset the cost of the increase in petrol or diesel or change his or her behaviour?

**Chairman:** Dr. Lynch wants to speak first, after which I will invite the departmental officials to respond.

**Dr. Muireann Lynch:** Our research shows that, even without taking into account long-run investment measures, people reduce their carbon usage in the short run. It is the case that energy is the least responsive to a change in price, but there is still a bit of a response. We cannot get into the nitty-gritty of what they actually do, but Dr. de Bruin's team has examined the economy-wide impact.

**Dr. Kelly de Bruin:** I understand that many vulnerable groups will be challenged by an increase in the carbon tax, but what proportion the increase actually is should be considered. Even if we increased the carbon tax to €80 per tonne, that would correspond to a 10% increase in energy prices. It is not that energy prices will suddenly double on budget day. Small, incremental increases can initiate changes in behaviour that can be later supported by other schemes. It is important to consider that prices will not suddenly double tomorrow.

**Deputy David Cullinane:** There is a more reasonable argument. It is unhelpful that the entire debate is framed through carbon taxes. The best thing we could do would be to provide alternatives for people and allow them to make the transition, but there are no alternatives. I put that point to Dr. Keilthy. If the carbon tax increases, someone in fuel poverty might well change behaviour, but that might only be because he or she cannot afford to heat the home.

**Chairman:** The Deputy's five minutes are up.

**Deputy David Cullinane:** The reason for the change in behaviour might not be because there is an alternative, but because the person cannot afford the increase. Do the people with whom Dr. Keilthy's organisation engages, be it a pensioner or someone on low pay-----

**Chairman:** I will call Dr. Keilthy briefly, then the Department.

**Deputy David Cullinane:** -----have the means to make the necessary changes?

**Chairman:** I thank the Deputy, but he has gone way over his time.

**Dr. Tricia Keilthy:** For people on very low incomes, purchasing a heat pump or electric car is not an option. In the transition phase, there need to be protections for such households, which may be worse off as a result of an increase in the carbon tax. I understand the ESRI research shows that the best way of doing that is by increasing maximum social welfare rates and tax credits for those in low-paid work.

**Chairman:** I will now call the Department to wrap up this section in as brief a manner as possible.

**Mr. Robert Deegan:** We agree with helping people to make the change. Regarding the Deputy's example of an older person living in fuel poverty, we suggest that he or she avail of schemes like the warmer homes scheme. In this way, people could tackle the root cause of the problem by reducing energy consumption, thereby increasing their comfort and decreasing the associated energy bills.

**Chairman:** I call Deputy Stanley.

**Deputy Brian Stanley:** Could the answers be kept brief? We only have a limited time.

**Chairman:** Yes. The Deputy only has a few minutes.

**Deputy Brian Stanley:** I hope that the Chair will give me a little latitude, given that this is an important meeting.

Some €5.17 billion was collected last year in energy, pollution, resource and transport taxes, yet carbon emissions did not decrease. Approximately €435 million of that amount came directly from carbon taxes. In the ten years that we have had carbon taxes, our emissions have not decreased. Is the Department of Finance still of the belief that our carbon emissions will reduce if we jack the tax up by a further €20 or €40 per tonne or to a total of €80 per tonne? Will Mr. Kenny give a "Yes" or "No" answer?

**Chairman:** Mr. McGann wishes to answer this question.

**Mr. Matt McGann:** With respect, it does not constitute a "Yes" or "No" question. The economy has grown extensively over those ten years, and carbon emissions grow when the economy grows. The real question is counterfactual, that is, how much higher would carbon

emissions have been had we not had the carbon tax in place.

**Deputy Brian Stanley:** They will decrease if we increase this tax even though they have not to date. Even when the economy was not growing during the ten years of the carbon tax, we did not reduce emissions.

**Chairman:** Dr. de Bruin wishes to address the question as well, if that is all right with the Deputy.

**Deputy Brian Stanley:** No, it was the Department I was questioning.

**Chairman:** I might let Dr. de Bruin in later.

**Deputy Brian Stanley:** Turning to the Department of Communications, Climate Action and Environment, there are 497,101 private rented homes in the State. Some of those households are paying up to 60% of their incomes in rent and household costs, which we know from research that was helpfully provided by some of the other witnesses and the bodies that they represent and that are doing useful work. Will the landlords who own the 497,101 homes transition them into super A-rated or B-rated properties in the next year, two years or three years? We know that the houses in question have the lowest energy ratings. That is certainly the case in my constituency. I have been in rented flats and houses that are iceboxes between October and April. Does the Department believe that there will be a transition within two or three years? How will it be done?

**Mr. Robert Deegan:** This is a problem that is seen all over the world, with rented properties not as energy efficient as others. An advisory group was established in 2018 to consider the best ways of improving efficiency in the rented sector. The objective of the group is to identify the appropriate policy interventions while keeping in mind any potential adverse impact on the supply of rented accommodation, because that is the absolute last thing we would want in the constrained housing environment that exists. The group will be publishing a public consultation paper in the coming months - definitely before the end of the year and probably in the next month or two. The intention is that this would feed into the discussions around how we can tackle the efficiency of rented properties without diminishing the supply of rental accommodation.

**Deputy Brian Stanley:** I just want to mention-----

**Chairman:** The Deputy is well over time.

**Deputy Brian Stanley:** Some latitude was given to the previous speakers. Many of the occupants of private rented accommodation are the lowest paid workers, as well as people on social welfare who are not entitled to fuel allowance. While it has been mentioned people might be given tax credits, many of the people I know are not even earning enough to get tax credits because they are on the minimum wage. What will happen to that cohort while the consultation and everything else is happening? We are trying to point out today that there are real situations where people will be caught in poverty traps, in particular fuel poverty traps. I also want to highlight the position of farmers whose income is €10,000 to €12,000 a year. There has been a cessation of turf cutting and, in many areas, turf cutting is not and was never available. Those people are going to be caught. We hear about reviews, studies and everything else but, out in the real world, among those 497,101 households, a huge cohort are facing freezing cold winters. They have gone through such winters before but, in the future, if these carbon taxes are loaded on, many of them will suffer from hypothermia.

**Chairman:** I call Deputy Bríd Smith. We are way over time.

**Deputy Brian Stanley:** One previous speaker went for 17 minutes.

**Chairman:** I have the times marked. Both Deputies went way over the five minutes. I call Deputy Smith.

**Deputy Bríd Smith:** The discussion is very interesting and I particularly welcome the evidence from the Society of St. Vincent de Paul and the ESRI. I want to go back to what Deputy Chambers said earlier about priority recommendation No. 3 from chapter 6, on which we worked long and hard hours to get agreement. The recommendation was that the Government would conduct a fuel poverty review. Will the witnesses please answer “Yes” or “No” as to whether the Departments have ignored that? Instead of obfuscating, as they did in response to the two or three parliamentary questions which I put down over the summer, please give the public a “Yes” or “No” answer on whether they had no intention of conducting a poverty review.

I then want to ask the witnesses about priority recommendation No. 4 from the same chapter. The recommendation was that the Department of Finance would commission an inquiry into the revenue that could be realised through the introduction of a carbon tax on the profits of corporations and firms directly linked to the production and sale of gas, oil, coal and other related fossil fuels. Has the Department any intention of conducting that inquiry to try to establish how it could ring-fence profits on industry for dealing with climate change?

Will the ESRI repeat the figures it gave us as to how energy poverty is measured when one moves from one band to another? I am fascinated by the figure which suggests that, depending on the criteria used, energy poverty among retired single people moves from a low percentage right up to 42.8%. That has been my experience as a Deputy. My clinic is packed every day with pensioners trying to access the grants I am told are available, such as the warmer homes scheme, retrofitting and all the rest, but it is not there for many pensioners who may be in receipt of a tiny occupation-related pension. It is not there for pensioners who are in receipt of fuel allowance but do not suffer from COPD or a lung-related disease. They may be crippled with arthritis, they may be going blind and be freezing cold all the time, but they are not getting any help and they are told not to even bother applying when it comes to schemes that are supposed to help them. They are worried about the increase in carbon tax and it incentivises them to say, “I would love to get new windows and solar panels, and get the house retrofitted”, but they cannot access it. They do not have the €40,000 or €50,000 upfront to say, “There is my contribution to doing up my home, now give it back to me.” It does not work like that. There is a cohort of middle Ireland caught in the middle. It includes, critically, the Traveller population, and the Traveller MABS carried out serious research into this. It also includes lone parents, pensioners and working people who are on low pay, which is most working people in this country.

We are witnessing a farcical exercise where we are told by Mr. Gerry Kenny that his job is to raise revenue through indirect taxation. We then hear from the others that there are no real facilities to help people who are going to be impacted by this carbon tax. I would remind the committee members that the vast majority of this committee recommended a carbon tax.

I have a question for the Department of Finance. We do not know by how much the Minister will put up the carbon tax. Let us say he put it up by €5 per tonne. Am I right that this would raise about €108 million? If he put it up by €10 per tonne, would that raise €216 million? How

far does the Department seriously think that will go to help the most vulnerable people change their behaviour, improve their lives and get them out of fuel poverty? Will the Department please undertake that exercise which priority recommendation No. 4 asked it to do, and look at how we can tax the profits of the fossil fuel and related industries, and ring-fence that tax so they do not pass it on to the poor again, and instead use it to undo the damage they have done to the climate and to the planet?

**Mr. Matthew Collins:** I thank the Deputy. In regard to the query on the recommendation by the committee on reviewing the extent and nature of fuel poverty, and also the most appropriate measure, at the outset I gave a very brief summary in the opening statement which explains that a review of fuel poverty was undertaken by the Department in 2016. More recently, a similar study was carried out to again give an estimate of fuel poverty, so two studies have taken place already, with the ESRI's being the most recent.

In terms of the issue of identifying the most appropriate measure, I also outlined in my opening statement that, along with the SEAI, we are working with the CSO - the State's national statistics agency - which is best placed to inform us, in order to use its expertise in terms of identifying the most appropriate measure to be used in regard to fuel poverty, which will further inform policy development and the development of schemes.

**Deputy Bríd Smith:** I am still not getting an answer. It is problematic. I have asked the Department these questions in writing and I have got nothing back but obfuscation. Is the Department going to conduct a review of fuel poverty in this country or not? It has not done it and we know that. Is it going to?

**Mr. Robert Deegan:** We would suggest that the extent of fuel poverty was covered by the ESRI study, although I do not know if the ESRI wants to say anything on that. It used a similar methodology to that which was used in the 2016 study so it used the current measure of fuel poverty, and that was published in the ESRI report of June.

**Deputy Bríd Smith:** I did not ask the ESRI; I asked the Department. We gave this recommendation as a climate action committee, across all parties, and it has been utterly and totally ignored. Yet, the recommendation to increase the carbon tax was contingent on that review.

**Mr. Robert Deegan:** The Department would not generally undertake that kind of detailed analytical work and we would generally outsource it. The 2016 review was outsourced to a consultancy firm. We rely on the expertise of outside organisations, such as the ESRI and the CSO.

**Mr. Matthew Collins:** The expertise of the ESRI is in its databases and in understanding the socioeconomic impacts in order to be able to understand the different income groups within the society. It is best placed to carry out that work. As I said, a study was undertaken in 2016 and another study has been completed by the ESRI in 2019. The Department is working with the CSO and the Sustainable Energy Authority of Ireland, SEAI, to improve the indicators on fuel poverty.

**Deputy Bríd Smith:** I will make one comment. It is utterly frustrating. I have heard from the ESRI, the Society of St. Vincent de Paul, the Money Advice and Budgeting Service, MABS, National Traveller MABS and Age Action Ireland. I have seen their material. What the Department was asked to do was to use all their empirical evidence and material and present us with a report. It has failed to do that and within days, the Minister will increase carbon tax in the

absence of the Department doing that piece of work. I am not asking Mr. Collins to repeat the good work these women have done in identifying where fuel poverty lies, how it is measured and possibly the extent of it, although that is not an absolute. He was asked to give us a report and he has refused to do so.

Will he please answer on what he intends to do with priority recommendation No. 4, which is to give us a measure of what potentially could be raised by a tax on the profits of the fossil fuel and related industries?

**Mr. Gerry Kenny:** That is probably for the Department of Finance. My apologies. The short answer is that I do not know what, if anything, is being done on that recommendation. I suggest that such companies are subject to corporation tax on their profits in the normal course of events and are subject to every other tax applied across the board.

**Deputy Bríd Smith:** And the loopholes that go with them.

**Mr. Gerry Kenny:** The Deputy also asked about the Minister making an increase. The figures she has are broadly in line with what we would expect to raise in terms of an increase of €5 and €10 a tonne.

On the mitigating factors, our tax strategy group paper will set out what the mitigants could be but as I said here earlier, those are matters for the decision of the Minister and the Government in the context of the budget as to how, if he does decide to increase carbon tax, what he will do with the revenues afterwards.

**Deputy Bríd Smith:** He will sort out all that is needed in public transport, home retrofitting and just transition with €180 million. Fair play to him. Hats off to Paschal for achieving all of that.

**Mr. Gerry Kenny:** It is a long-term project. The committee has talked about going out to €80 per tonne by 2030. That generates a significant amount of revenues.

**Deputy Bríd Smith:** With respect to Mr. Kenny, as the official responsible for indirect taxation, I believe we have just proven that this is a punitive tax on the worst off in society without achieving anything to mitigate climate chaos.

I put one question to the ESRI.

**Dr. Muireann Lynch:** There are a couple of things going on in terms of the differential between the subjective and the objective measure. If, say, one is spending a huge amount of one's income, net of housing costs, heating one's swimming pool and sauna, technically, one would qualify under definition A as fuel poor but one will not answer that one has difficulty meeting one's fuel bills, which is the reason one does not qualify under the subjective measure.

On the particular differential for retired single people, we do not know the reason 35.8% of them are spending more than 10% of their income on energy and yet are not reporting that they have difficulty meeting their bills. Presumably, it is because their income is such that they can meet their living costs within the remaining 90% in such a way that they do not feel they cannot afford their energy bills. The cohort the Deputy is particularly concerned about almost certainly fall into the 5.6% who are reporting that they have difficulty meeting their bills, and they also cannot access these grants.

I reiterate the point that measuring and targeting fuel poverty is very difficult but measuring

and targeting poverty is possibly a more salient policy measure that might be one the committee would like to consider.

**Chairman:** I have to move on. I call Deputy Eamon Ryan.

**Deputy Eamon Ryan:** People know my view-----

**Senator Máire Devine:** I thought the Chairman would call me next.

**Deputy Eamon Ryan:** I am sorry. Senator Devine is next.

**Senator Máire Devine:** I thank Deputy Ryan.

**Chairman:** I was going to call the Senator after Deputy Ryan.

**Senator Máire Devine:** I thank Deputy Ryan, who has done this previously for me.

**Chairman:** To help me in the running of the meeting in future, if three members intend to share ten minutes will they let me know? I thought two Deputies were sharing. I did not know the three members wanted to get in on the ten-minute slot.

**Senator Máire Devine:** Fair enough. We will not lose our heads over it.

It is welcome that this increase in carbon tax is considered a regressive tax. As a party, Sinn Féin, as well as one other member, Deputy Bríd Smith, did not go with it in the report.

This question is for the Department of Finance. Approximately €450 million is collected yearly in carbon tax and were the rate to increase by the small amount being bruited about, I believe it would bring that figure to approximately €600 million; I am not good at mathematics. Is €600 million the total cost of Ireland's fines for not meeting our targets next year? Where will that money come from? Will we have to rob it from some other area? I would like an answer to that question.

The current housing emergency is punitive. People in Dublin, and everywhere else, are paying over the odds for their rents or mortgages. The cost of heating, electricity and so on has increased and putting an extra tax on people and asking them to give more when most of them earn average wages is punitive and not sustainable. The people we represent are on an average wage of €2,000 to €2,500 per month, which is eaten up quickly, so to speak, by increased costs.

My next question is for the Society of St. Vincent de Paul and the Department of Finance. People who become unemployed are not eligible for the fuel allowance until they have been in receipt of benefit for 390 days. Consequently, they might have to endure two long winters before becoming eligible. Were one to become unemployed, say, next month, two long winters would pass before one became eligible for the fuel allowance. That is an anomaly and it is discriminatory. Does the Society of St. Vincent de Paul representative have any experience of dealing with that? I certainly have such experience.

My next question is for Mr. Collins. Since 2016, more than €25 million has been spent on the warmth and well-being scheme, which was very welcome in my area of Dublin 8, 10, 12 and the Tallaght area. However, €25 million over almost four years comes in at more than €6 million per year, which seems a paltry amount. What is the average cost per house and how many homes have benefited from the warmth and well-being scheme? We heard today about concerns for public health as a result of pollutants in the air from which there have been pre-

mature deaths worldwide. In Ireland, there were 1,200 premature deaths in 2016. The scheme is underfunded. Are there plans to increase the funding? How many houses came under the scheme if it has cost an average of €6 million per year in the past four years?

**Chairman:** We will start with the Department of Communications, Climate Action and Environment.

**Mr. Matthew Collins:** I am just in the process of getting the figures.

**Chairman:** Does anyone else want to contribute on those questions?

**Dr. Tricia Keilthy:** On the Senator's point about having to wait before one can be eligible for fuel allowance if one becomes unemployed, one of our recommendations to the Minister for Employment Affairs and Social Protection is, for example, to close that gap for people and to make fuel allowance available to those in receipt of the working family payment. Many people who are working are struggling to meet their energy costs. There needs to be a broader base in terms of that cohort of people.

**Senator Máire Devine:** It seems very cruel.

**Dr. Muireann Lynch:** ESRI research has found in the past that the fuel allowance is particularly poorly targeted. That means two things. First, there are families who receive it who are not experiencing fuel poverty and second, there are families who do not receive it who are experiencing fuel poverty.

**Mr. Matt McGann:** The Senator is right. We take in approximately €450 million in carbon taxes, and the ready reckoner amount is approximately €105 million or €110 million per €5 increase. I do not have the figure with me for our fines, unless colleagues in the Department of Communications, Climate Action and Environment know it. I can get that and send it to the Senator.

**Senator Máire Devine:** The witnesses are the money guys. Where are they going to get the money to pay the fines?

**Chairman:** Allow the witness to finish.

**Mr. Matt McGann:** What I do know is that the amount is relatively small because we are able to bank our unused allowances. We banked many allowances in the earlier years of the decades. We were allowed to carry them forward into the later years of the decades so they offset or over-shoot on the carbon in the later years.

**Mr. Matthew Collins:** Regarding the query about the expenditure and the number of houses on the warmth and well-being scheme, approximately 1,200 houses have been upgraded under that scheme. These are approximate figures. The average cost is in the region of €20,000 per house.

**Deputy Eamon Ryan:** My perspective on this is that we should introduce a carbon dividend model whereby any revenue raised is returned to the citizen on a *per capita* basis. We held a very interesting workshop in the audiovisual room here during the summer. We brought in Kathryn Harrison, a leading academic from Canada, to share Canada's experience; Cara Augustenborg, from UCD's school of environmental studies; Graham Caswell of Carbon Tide; and Barra Roantree of the ESRI. The analysis from that workshop showed that the carbon dividend model works and changes behaviour, although not as much as we might want. The change

is marginal but not insignificant. It was shown to be the best way to address income inequality. It seems their analysis was clear on that. It would be done through a direct social welfare payment and a direct tax credit payment into the person's bank account. It would not be a cheque in the post, much as we like to get cheques in the post, but a direct payment. The Department of Finance told us that this was administratively doable and would be very cheap. All the data sets the Department has would make it viable at very low cost and pretty much straightaway. I am therefore very keen to see it as an option.

I was very pleased to read Ms Lynch's presentation and to hear her say of the ESRI analysis:

We examined the impact on total income inequality, and found that combining carbon taxation with revenue recycling actually reduces income inequality, relative to a business as usual scenario. This is in addition to the reduction in carbon emissions that comes about as a result of the tax increase.

Did the ESRI make a submission to the consultation process the Department of Finance held in the summer on this issue?

**Dr. Muireann Lynch:** On revenue recycling?

**Deputy Eamon Ryan:** Yes.

**Dr. Muireann Lynch:** Yes, Mr. Roantree, Dr. de Bruin and I did.

**Deputy Eamon Ryan:** Would it be fair to say, then, that the ESRI is broadly supportive of this and, if I am reading those sentences correctly, that it is an appropriate policy measure? It just needs what the ESRI said in those sentences.

**Dr. Muireann Lynch:** Yes. It will be found that one's carbon emissions go down and, if one recycles the revenues appropriately, one can undo any regressive impacts and actually reduce income inequality.

**Deputy Eamon Ryan:** It is an intelligent economic approach.

**Dr. Muireann Lynch:** Those are the economic impacts if it is done that way.

**Deputy Eamon Ryan:** It is also socially justified.

**Dr. Kelly de Bruin:** It is not up to the ESRI to determine whether a policy should target inequality, but if one wants to target inequality-----

**Deputy Eamon Ryan:** There is an awkwardness to this whole session because that is exactly true. Professor John Fitzgerald said this is a political question. The allocation of resources is ultimately our job, and it is very difficult for Department officials in a sense. I wish we had the Minister for Finance here because this is politics at its core, but we have the Society of St. Vincent de Paul represented, and I was very reassured when I read Dr. Keilthy's submission on carbon taxes. It states:

It is SVP's view that increasing the fuel allowance alone will be insufficient to compensate for increases in the carbon tax and other mechanisms to protect low income households from carbon pricing should be examined and included. This may include recycling the revenues via the tax and the benefit system as proposed by the ESRI, which is found to be the most equitable option and administratively straight forward.

Am I reading from this that the Society of St. Vincent de Paul also sees that this tax and dividend model, as Dr. Keilthy said consistently throughout her presentation, helps address the core issue of poverty and income inequality?

**Dr. Tricia Keilthy:** To be clear, in our submission we said we would favour investment in measures to tackle energy poverty in advance of increasing the carbon tax but that if the carbon tax is increased, we would favour recycling revenues via maximum social welfare rates and tax credits. What is important for us is that while some people may not be worse off after that recycling process - they might be slightly better off - there will still be people whom Society of St. Vincent de Paul members will visit who have heat escaping through their windows and ceiling, whose children are having respiratory problems, who cannot afford to fill their oil tanks and who are reliant on solid fuel. What we are saying, therefore, is that we need to start seeing measures to tackle energy poverty as part of the solution to climate change. At the moment we are seeing this as just a barrier to climate action but it needs to be seen as part of the solution. We have to see some of the measures we have proposed as part of that climate action movement as well. That is really important.

**Deputy Eamon Ryan:** I absolutely agree. There is such a job ahead of us and its scale is beyond compare. The revenues from the carbon tax will not do it all. We will have to use a large amount of other money targeting exactly what Dr. Keilthy said. She seems to be saying we could raise the fuel allowance as a mechanism of using the revenues from a carbon tax and as one tool to tackle fuel poverty and poverty in general. If the Society of St. Vincent de Paul had a choice between that and the tax and dividend model, whereby the revenue would be returned in the form of an increased social welfare payment and an increased tax credit, the latter would be preferable, from SVP's perspective.

**Dr. Tricia Keilthy:** Yes. To be clear, the fuel allowance has to increase because it has not taken account of recent energy price hikes due to wholesale costs increasing. We also see the impact of the public service obligation, PSO, levy. That is probably a discussion for another day. Regarding compensating for any increase in the carbon tax, we would say it is a case of "only if". We would ideally like to see measures implemented prior to that. If it is increased, however, the fuel allowance is not the most appropriate mechanism to do that.

**Deputy Eamon Ryan:** Can Mr. Kenny provide me with a list of the 66 people who engaged in the consultation process? Will he show me their submissions?

**Mr. Gerry Kenny:** Yes, we can do that. I think we said when we issued the consultation process that under FOI we would probably be obliged to make the submissions public. Generally, though, we redact names, and there are quite a number of submissions from individual citizens and so on. I think our plan was to publish them on the Department website, but we just have not had the chance to do that redaction. However, I can give the Deputy a list, redacting for the individual, so he knows the bodies and organisations that have come to us. I could do that very quickly.

**Deputy Eamon Ryan:** Could Mr. Kenny give that to me tomorrow?

**Mr. Gerry Kenny:** Yes.

**Deputy Eamon Ryan:** I thank Mr. Kenny. The Department of Finance was asked to consider the two options set out by the committee. One was to return revenue raised in grant payments and other carbon SEAI-type measures, which is what some colleagues here supported,

and the other option was the carbon dividend model. The Department presented in the consultation process nine options. Why did it do that?

**Mr. Gerry Kenny:** At the time we looked at it and thought there were more options out there, to be perfectly honest, so we felt that for the wider purpose we should include more options that we identified and that had been identified-----

**Deputy Eamon Ryan:** It was a 16-page document, roughly, was it not? I cannot remember. I remember reading it. I was reading it again-----

**Mr. Gerry Kenny:** No, it was probably not that big, to be fair.

**Deputy Eamon Ryan:** There was no explanation of the carbon dividend model in it. There was no sharing of the ESRI analysis or the international experience. This is a very complex subject that people are very sceptical about. Why did the Department include no explanation of one of those nine options which was one that we specifically wanted it to consider and which the Taoiseach supported at the time? Why did the Department's consultation document look at just about everything else but say absolutely nothing about the carbon dividend model?

**Mr. Gerry Kenny:** We did not give an explanation of any of the options, as far as I recall. We just provided the list of options. The document did not go into the tax and dividend option.

**Deputy Eamon Ryan:** There is one line in the whole document.

**Mr. Gerry Kenny:** There is one line for every option. It is my recollection-----

**Deputy Eamon Ryan:** There are 16 pages of analysis yet no analysis on one of the core questions we asked the Department and which the consultation was about, which was to inform members of the public who know nothing about this idea or concept or the detailed analysis the ESRI has carried out on it. It looked and read like the Department of Finance wanted to kill this first pace because, as Mr. Kenny says, it is a revenue-raising Department and likes to hold on to the revenue.

**Mr. Gerry Kenny:** That is a terrible accusation to make of the Department.

**Deputy Eamon Ryan:** I have done worse.

**Mr. Gerry Kenny:** That certainly was not our intention. It was not our intention to kill any option. We tried to put as many options on the table as possible to see what kind of feedback we would get. We were very interested in doing the consultation process because it is something we do not do an awful lot of, certainly in my place in the Department, which is to get the feedback. We were slightly disappointed with the reaction. We got 66 responses, which was low by any standard, but it certainly was not the intent to kill off any option. What we tried to do was give as much background information as we could on the carbon tax generally and its impacts and so on without trying to favour, get into or do a disservice to any of the options.

**Deputy Eamon Ryan:** I do not mean to be in any way critical of the Department or its officials because, as I said, this is a political matter in a sense. I must say, however, that this was a "hands up who would like a grant?" type of consultation and survey, coming back and saying the worst option would be a carbon dividend, whereas no analysis or presentation of the options was done and in fact a whole range of other options were thrown in. It is not the most scientific or qualitative research or consultation process.

**Mr. Gerry Kenny:** I agree. To be fair, it is hard to base anything on 66 responses.

**Deputy Eamon Ryan:** Yes. It is of no use. I am glad the SVP and ESRI are supportive of the broad approach. I hope the Minister for Finance and other parties whose representatives have left the room, that have been the main advocates of an alternative approach are listening. I would love to hear anyone else answer the argument that this dividend approach is the best income inequality and poverty reduction approach that we can take.

**Deputy Thomas Pringle:** I was opposed to the increase in carbon tax recommended in the report last March and I voted against it, though I voted in favour of the overall report. Today's discussion has reinforced my objection. I was concerned that it would give too much licence to the Government to increase carbon taxes on vulnerable households, against a backdrop of failure to reduce greenhouse gas emissions. Three Departments are represented here today. Perhaps I am naive but do they talk to each other? Is a single policy pursued by every Department or does each Department operate in its own silo, doing its own thing? The officials from the Department of Communications, Climate Action and Environment and from the Department of Finance each talked about funding the ESRI to do similar reports but nobody was talking to each other. It seems nonsensical to me. Perhaps I am wrong and naive but it seems crazy from what I have heard in this committee so far today. It justifies why we should not have increased the carbon tax. We are not getting a coherent message about what will happen with it and that is very disappointing. I have no particular question on that because there is nobody to give an answer to it. Do the Departments all have equal responsibilities in this area?

**Mr. Gerry Kenny:** I do not want to compound any preconceived ideas the Deputy has. The approach to carbon tax, especially in the past year or 18 months, has probably been a little different with regard to the Department of Finance's revenue-raising activities. In the past, the Department of Finance collected the money and the Government decided how it would be spent. There was no hypothecation and there was never any real suggestion that it should be reserved for specific activities. One has to remember that is the starting point. There has been significant discussion about the carbon tax and what mitigants can be put in place and the significant mitigants in place relating to the tax and fuel poverty. The Minister and his Government colleagues constantly discuss issues such as what one does if one raises carbon tax. That conversation goes on with regard to any tax, but it has taken place to a greater extent with regard to carbon tax. Perhaps we are not explaining this as well as we should. There has been a lot of work in the area in looking at what the impacts will be. The Minister said following the budget last year that he was not in a place to raise carbon tax because he was not happy that he understood all of the impacts. All of that work has been going on between us, the ESRI and the Department of Communications, Climate Action and Environment. Perhaps we are not explaining ourselves well.

**Deputy Thomas Pringle:** Much work is happening. How long will it take? This work was supposed to be completed and presented to the committee so that we could take a view in advance of the budget and feed into the budgetary process. Earlier it was stated that some of the work might be finished early at the start of the new year. That will feed into the process through the year so it could be June or July before the Department of Communications, Climate Action and Environment is ready to formulate an opinion on that work. We were being naive because we pre-empted this discussion by at least eight or nine months with our report. Perhaps our report is naive and the witnesses could explain that. Should this discussion happen 12 months from now?

**Chairman:** The Deputy is saying that we were of the understanding that we would have a review paper that would inform us as a committee to make a recommendation in advance of the

budget on a number of issues, including fuel poverty and how that revenue should be used and allocated. We do not have that information here. As Mr. Kenny said, it may have been done. The optics today suggest that it has not been done in a co-ordinated way. We do not have that document in front of us and that is what we had expected. Perhaps the work is happening and we can hear statistics and facts from the ESRI, St. Vincent de Paul and the Departments. The Deputy has expressed it well. It is important that the witnesses understand that we are seeking a co-ordinated approach by the Departments that will help us in our cross-party work to help the Departments to implement this all-of-Government plan and to protect those who are most vulnerable and who will find that transition hardest. We need that information to work with.

**Mr. Matthew Collins:** I accept the Chairman's point of view and disappointment with what has been provided. The format is probably slightly tricky because we come here as two or three different Departments and are usually held to account for the activities that we are undertaking, and that is how we have presented it here. It is important to recognise that the volume of cross-departmental work during the preparation of the climate action plan was phenomenal. It was driven at a breakneck speed, with tight deadlines from the Minister across the system. Structures have been put in place to ensure that there is an all-of-Government oversight approach. The nature of its implementation is that we can assign different actions in those areas. We are focused on implementing the actions set out in the action plan. Perhaps that is where we have been overly focused. There are ongoing discussions at many official levels about implementation, decisions on the different options and the pre-budget process, which is an intensive period where all Departments will liaise with the Departments of Finance and Public Expenditure and Reform about options. At this time of year, what we can say as officials is very limited. No formal decisions have been made and the budgetary process is confidential until budget day. We probably have not been able to convey the level of interaction between Departments about these issues. I apologise for the disappointment at not being able to provide the information the committee hoped to have for its own decision-making.

**Deputy Thomas Pringle:** There is much interdepartmental work and communication related to climate change. Does Mr. Collins not see the committee as part of that process or recognise a responsibility to talk to us? The committee does not figure in that so the Departments are working away. I am not saying that they are not doing work or that it is not useful work. The problem for us as a committee is that we cannot get access to anything. Perhaps we are talking to the wrong people and we should work away independently to devise our own measures. Do we fit into and factor into the process, or are we a source of annoyance in making the witnesses attend today? The impression I got from departmental officials who attended previously during the process of us drawing up our report is that they did not want to know about it. Where do we fit into the process?

**Mr. Matthew Collins:** There is absolutely no annoyance about being invited here. It is always an honour to be invited to attend and present. The Deputy is addressing a significant issue related to the Oireachtas, which has seen investment in its budgetary and financial capacity to inform the budget process. It is probably bigger than the issue we are talking about today. The Government has set several objectives that have to be delivered. Our obligation is to give advice to the Minister and ensure the decisions are implemented. We are happy to come here and account for the actions we are taking. I can see Deputy Pringle's point about the interaction between the Oireachtas and the Government in developing policy options as well. It is challenging and it is evolving. The Deputy probably sees that in the new resources being brought into the Oireachtas.

**Deputy Thomas Pringle:** So we are probably asking the officials the wrong questions and taking the wrong view of this.

**Mr. Robert Deegan:** The climate action plan was heavily influenced by the work of the committee too.

**Deputy Thomas Pringle:** We do not know that.

**Senator Alice-Mary Higgins:** I apologise for not being here earlier. The Wildlife (Amendment) Bill 2016, which relates to peat extraction, a very relevant issue, was being debated.

I have read all the witnesses' statements with interest. We need to talk about the cost of carbon rather than consider a carbon tax. Carbon has immense costs as manifest in all the impacts of climate change on many of the most vulnerable people in the world. I have met people from Malawi and Bangladesh, and others, who are experiencing the cost of carbon. Its impact on the climate and on vulnerable people has not been reflected in its price. That is because the cost and the damage have been socialised. The price is being paid in terms of people's health and lives, and by governments which deal with flooding, the displacement of numerous people and land that is no longer arable. Those costs have not featured in the discussion on fossil fuels, as if they are solely a commodity to be traded in the market. The price of carbon has to reflect more of the cost. The question for us is: when we have a realistic cost how do we ensure that everyone in society is not affected by that realistic price?

I do not like the narrative that this is a stick to poke people into behavioural change. It is much more serious than that and is a much bigger issue. It is not a matter of a tax being introduced as a slap on the wrist but of a serious price. We need to ensure that all the revenues from that are used to take serious action on climate change. We have very few conversations but when we do a majority seem to favour a sustainable transport infrastructure or household energy improvements.

I am concerned about the dividend argument and would like to hear the perspectives of St. Vincent de Paul and the ESRI on that. As I understand it, the dividend would go only to those who have managed to reduce their household energy bill. Reducing that bill is not necessarily easy to do in local authority housing. The retrofitting of local authority housing has been mentioned. A private tenant receiving rent supplement or the housing assistance payment may not be in a position to get that. Where does that dividend go? I agree that fuel poverty needs to be considered but a fuel allowance is not the only mechanism for that. If the ESRI believes we should consider poverty does it mean consistent poverty or risk of poverty? My concern is that consistent poverty may be too high a bar.

I concur with Deputy Smith. I worked in Older and Bolder and spoke to people who used to sit all day long in supermarkets because they could not heat their homes. That is a reality for many older people. If those older people feature in the dividend model perhaps they would benefit from a fast-tracked or accelerated investment in retrofitting every home that the State can retrofit.

My last question is for Mr. Kenny but I would of course welcome comments from Mr. Deegan or others. This is a very small sum of money. We should not regard it as revenue raising to deal with climate change. As I said, it is a matter of carbon pricing. Priority recommendation No. 4 in chapter 6 of this committee's report raises the question of a levy on the profits of fuel and related industries. We need a timeline on that. If we are going to ask the public to

start switching off their lights because we want to reflect the real price of carbon we cannot allow companies to continue to absorb profits.

**Chairman:** Those questions were raised earlier. I am conscious of time.

**Senator Alice-Mary Higgins:** I would like a timeline for the investigation of that issue which is of deep concern particularly given the new licences being granted.

**Dr. Tricia Keilthy:** Energy poverty is determined by a person's income, the energy efficiency of their home and the energy costs. We have spoken about income and energy efficiency but prices are increasing. Ireland has some of the highest gas and electricity prices in Europe. One of the main reasons for that is our reliance on imported fossil fuels. As we move to more renewable forms of energy, we might see a decrease in prices. In the interim it would be really important to explore the option of introducing social tariffs into the Irish energy market because other European countries have price caps for people on very low incomes for any future price hikes. St. Vincent de Paul would be particularly interested in advancing that.

We are fully aware that poor communities around the world are more likely to experience the negative impacts of climate change. That 10% of the wealthiest people in the world contribute to 50% of our carbon emissions means that we really need to consider how a tax on consumers is not proportionate to tax on the fossil fuel industry, particularly those in high polluting activities - the aviation sector comes to mind for its lack of carbon pricing. If we are really concerned about climate justice and a just transition we need to consider those particular aspects of carbon emissions and make sure they are proportionate.

**Dr. Muireann Lynch:** We have a different name for the dividend model but we have considered other ways of recycling the revenues to households. None of them, however, was contingent on reducing energy expenditure. Some of our work considers behavioural changes, some not, for technical reasons. Whether behavioural responses to carbon taxation are taken into account it is possible to make everybody better off. The revenues can be redistributed progressively. That applies to short and long run responses.

**Senator Alice-Mary Higgins:** Dr. Lynch is saying there should be a blanket increase in social welfare rates and a blanket tax credit.

**Dr. Muireann Lynch:** We have gone through plenty of options in various papers and I will be happy to forward them to the committee. I attached a summary document of the three pieces of work in this area to my statement as an appendix. I do not know whether the Senator received it but I will be happy to forward it. The devil is in the detail but the point is that at the broad level we can make everybody better off whether or not they respond. If they responded they would get this extra benefit in that they would be no worse off financially than if they did not reduce their carbon consumption. If they did reduce it they would be better off again because they would be saving money on carbon and receiving money through the recycling mechanism that everyone has chosen.

**Senator Alice-Mary Higgins:** It would be an individualised bonus rather than being in any way a collective challenge.

**Dr. Muireann Lynch:** The Senator has characterised it perfectly. It is about making the price of carbon reflect the cost of carbon. At present, when people decide to consume anything they weigh up the costs of paying for it versus the benefits of consuming it. At present, they weigh up the benefits of consuming carbon-related goods against the financial costs to them

as individuals. If the carbon price is included then people would weigh it against the financial costs to themselves and the environmental costs because instead of imposing the environmental cost on the economy and people in general it would be on the person actually buying or consuming the carbon goods. Does that make sense?

**Senator Alice-Mary Higgins:** Yes but I am still concerned that the benefit that accrues is with regard to the usage of carbon and fuel. Coming to the Society of St. Vincent de Paul again, those in private rental accommodation and local authority housing that is not retrofitted do not have the same level of choice with regard to the level of carbon they consume. The compensation will go to everybody but they will not be in a situation whereby they can change the level of carbon they consume. It will not be not directed, as was encouraged by many who replied, at retrofitting.

**Dr. Muireann Lynch:** We have repeatedly said that a carbon tax alone will not cut it. It has to be in combination with other measures.

**Chairman:** This is why I was going to bring in the Department.

**Mr. Matthew Collins:** The Senator spoke about local authority homes. The way we approach it is that there is an issue regarding the implications of the carbon tax for these individuals. This is why the Department with responsibility for housing has a programme to retrofit local authority homes. The scale of the challenge is big and at this stage approximately 70,000 homes have been completed under the programme. This year, it has provided for approximately €25 million. There is a programme there-----

**Senator Alice-Mary Higgins:** Is this expected to double or treble next year under the upcoming budget?

**Chairman:** Mr. Collins cannot say. I will speak for him.

**Mr. Matthew Collins:** It recognises these stakeholders. The carbon charge would not necessarily drive an incentive but people may get benefits. This is why it cannot be done in isolation and a number of measures have to be taken. From the Department's perspective, energy efficiency is an important step in addressing the broader issue.

**Chairman:** I am conscious of time. Does anyone else want to contribute?

**Mr. Matt McGann:** Senator Higgins is right. Dr. Lynch spoke about the problem being the difference between the cost and the price. In economics it is what we call negative externality, whereby the costs of an individual's actions are borne by other people. There are difficult policy trade-offs in how the funds are used. The more the funds are used to directly recycle to households to target progressivity the less there is available to put towards emissions reduction initiatives. I am not here to offer a view on what is right or wrong but it is a policy trade-offs.

**Senator Alice-Mary Higgins:** With regard to the need for other revenue, what is the timeline for delivering the tax on the profits of fuel and related industries? It was a priority recommendation of the committee. It is part of the cost and price issue.

**Mr. Gerry Kenny:** I am sorry but I do not know. It is not in my area so I do not know what, if anything, has been done.

**Senator Alice-Mary Higgins:** Does Mr. Kenny see the relationship with it? It applies to the same argument and question. If profit is taken in one area but the cost and externalities are

being borne in another the case is very strong for an increased levy in these areas. Do the witnesses agree?

**Dr. Kelly de Bruin:** I understand the point being made by the Senator but she must remember the energy industries fall under the EU's climate policy and are levied with emissions trading system prices. This is something that also needs to be considered.

**Senator Alice-Mary Higgins:** There is a trading scheme for their production but my question is on specific levies for specific industries. For example, the question of aviation fuel tax has been raised continually. There is a question about the contribution that needs to be made to the change. It would be unrealistic as well as unfair if we expect that the consumer and every citizen of Ireland in their payments and bills will somehow fund the large-scale transition. Ireland is part of Europe and part of those discussions. It is a reparational issue also, not simply for the future but in terms of the damage done in the past.

**Mr. Gerry Kenny:** To be fair, the Senator is right in the sense the aviation sector is beginning to come under the spotlight. Conversations are starting at European level. Until now, aviation fuel has been exempt from excise duty at EU level. This is something that will be discussed by the incoming Commission and I suspect it will look at options in this regard. It is outside our remit for now.

**Senator Alice-Mary Higgins:** There are also questions with regard to the licences being issued for oil and fuel exploration.

**Chairman:** I will leave it there. I thank all the witnesses for coming before us.

The joint committee adjourned at 5.37 p.m. until 2 p.m. on Thursday, 26 September 2019.