



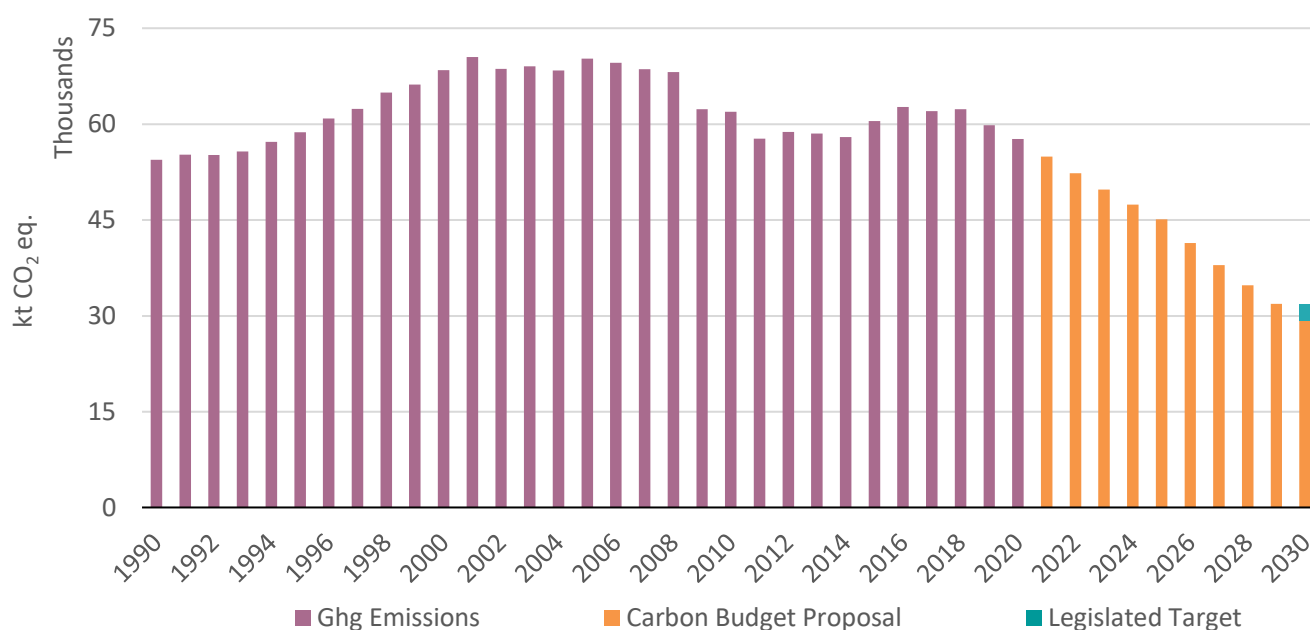
## Climate Related Spending 2022

Ireland has committed to reducing its greenhouse gas emissions as part of international efforts to combat climate change. Ireland's target for 2030 is legislated for in the [Climate Action and Low Carbon Development \(Amendment\) Act 2021](#). This act provides for a reduction in annual greenhouse gas emissions to a level 51% lower than 2018 emissions by 2030.

Figure 1 illustrates greenhouse gas emissions for the period 1990 to 2020 followed by the legislated targeted level of greenhouse gas emissions by 2030. Also included are the targeted levels of greenhouse gas emissions set out in the Carbon Budget which proposes a 4.8% annual average reduction in emissions for 2021-2025; and an 8.3% annual average reduction in emission for the period 2026-2030.<sup>1</sup> If these targeted reductions are met then Ireland's greenhouse gas emissions will fall below the legislated target (reaching approx. 29,250 kt CO<sub>2</sub> equivalent in 2030 compared to the legislated requirement of approx. 31,800 kt CO<sub>2</sub> equivalent) – with the 2030 target almost being met in 2029.<sup>2</sup>

For more information on Green Budgeting see the Parliamentary Budget Office's publications [An Approach to Better Incorporate Climate-related Considerations into the Budget Process](#) (September 2018); and [An Overview of the Green Budgeting Initiative](#) (November 2018).

**Figure 1: Greenhouse Gas Emissions (Ghg) (2020-2030) and National Target (2030)**



**Source:** PBO based on Environmental Protection Agency, [Ireland's Provisional Greenhouse Gas Emissions: 1990-2020](#) (October 2021) p.23; and [Climate Action and Low Carbon Development \(Amendment\) Act 2021](#); Climate Change Advisory Council, [Carbon Budget Technical Report](#) (October 2021).

<sup>1</sup> Climate Change Advisory Council, [Carbon Budget Technical Report](#) (October 2021) p.30.

<sup>2</sup> For more detail please see the [Carbon Budget Technical Report](#) (October 2021) and the associated [Carbon Budget Scenario Digest](#).

Ireland's participation in the Paris Collaborative on Green Budgeting (launched by the OECD in 2017) was announced by Government in Budget 2019 (October 2018).<sup>3</sup> Green Budgeting was introduced in the *Revised Estimates for Public Services 2019* (December 2018) in the form of an appendix to the Revised Estimates Volume (REV). Green Budgeting is an approach that recognises the role of the budgetary system in improving environmental outcomes and is:<sup>4</sup>

*[A]n explicit recognition that the budgetary process is not a neutral process, but reflects long standing societal choices about how resources are deployed.*

Climate related expenditure is defined as:<sup>5</sup>

*Any expenditure which promotes, in whole or in part and whether directly or indirectly, Ireland's transition to a low carbon, climate-resilient and environmentally sustainable economy.*

The approach to Green Budgeting taken by the Department of Public Expenditure and Reform was precautionary in nature, excluding certain spending in the Climate Related Expenditure Appendix to the Revised Estimates where its view was that the inclusion of such spending may overstate the actual climate related spending undertaken. This precautionary approach reflects particularly problematic areas where spending has multiple objectives and outcomes of which climate goals are only part. **Accordingly, the approach taken "likely significantly underestimates the level of climate-related expenditure taking place across Government".**<sup>6</sup>

The Climate Related Expenditure data presented within the *Revised Estimates for Public Services 2022* (December 2021) does not present any significant development on its initial implementation in the *Revised Estimates for Public Services 2019*. Figure 2 illustrates the gross spending outlined for climate related expenditure for 2021 and 2022.

The climate related allocation in 2021 was €3,036 million; rising to €3,174 million in 2022 (+€138 million / +4.6%). In addition to the 2022 allocation, unspent capital monies are being deferred to 2022 from 2021. This additional allocation is €210 million which, while accounted for as 2021 spending, will occur in 2022.<sup>7</sup> **Total climate related expenditure in 2022 is expected to reach €3,384 million in 2022.** This represents 4.7% of Gross Voted spending in 2022 (€71,844 million) (including capital carryover but excluding the non-Voted Social Insurance Fund and National Training Fund).

3 Minister for Finance (2018). *Budget Speech 2019*.

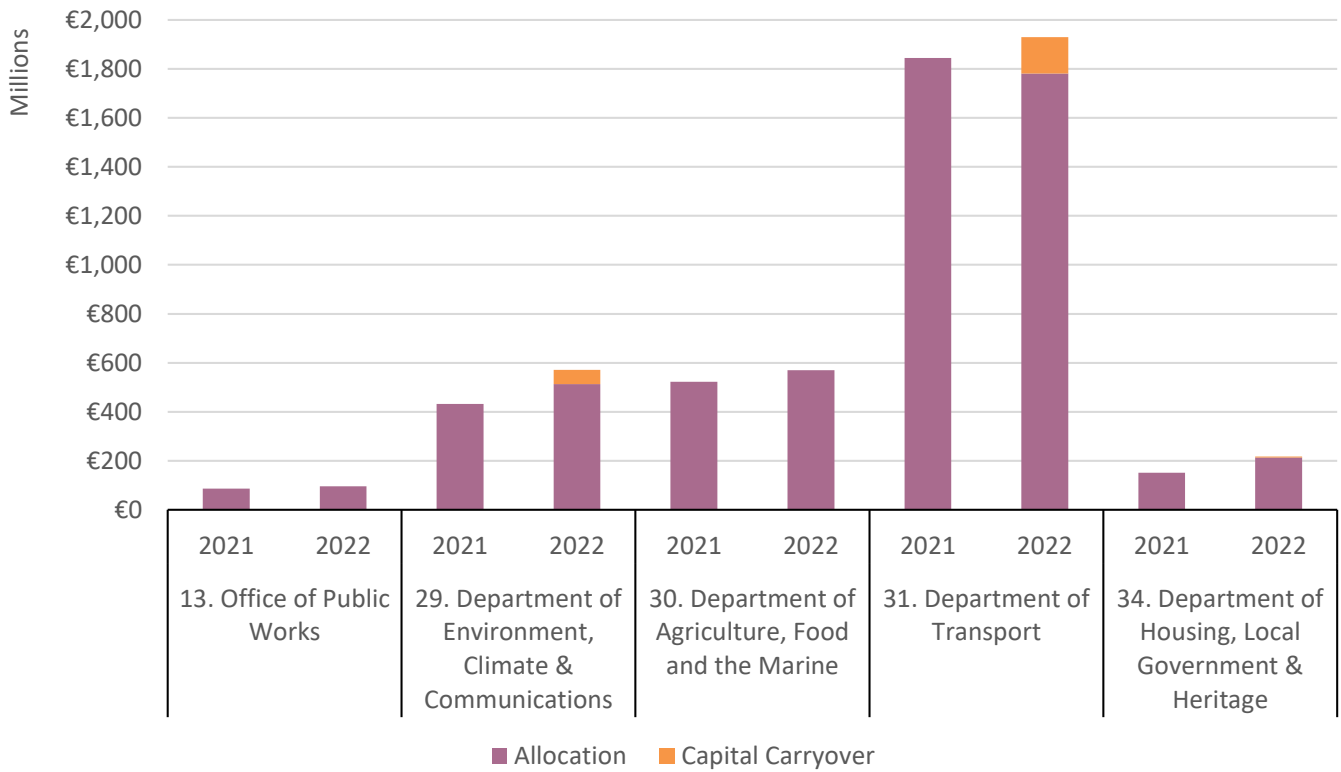
4 Anna Cremins & Laura Kearney, *An Introduction to the Implementation of Green Budgeting in Ireland* (Irish Government Economic & Evaluation Service, December 2018) p.2.

5 Ibid p.14.

6 Ibid p.16.

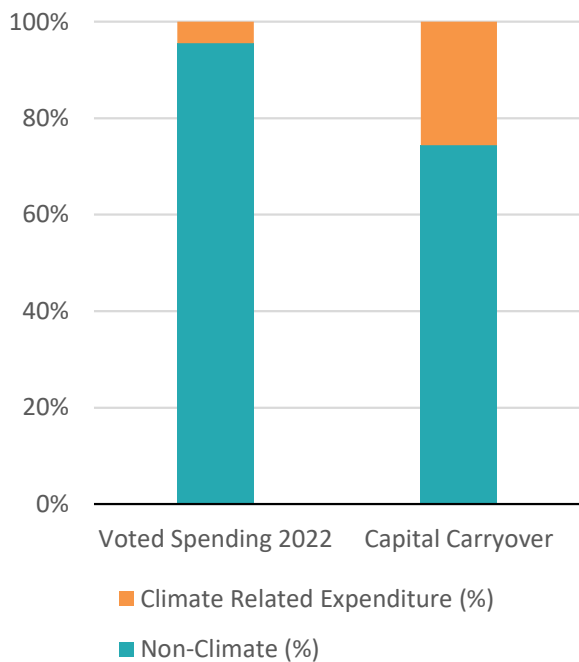
7 For more information on capital carryover please see PBO, *Capital Carryover (Deferred Surrender) 2022* (March 2022).

**Figure 2: Climate Related Expenditure 2021-2022**

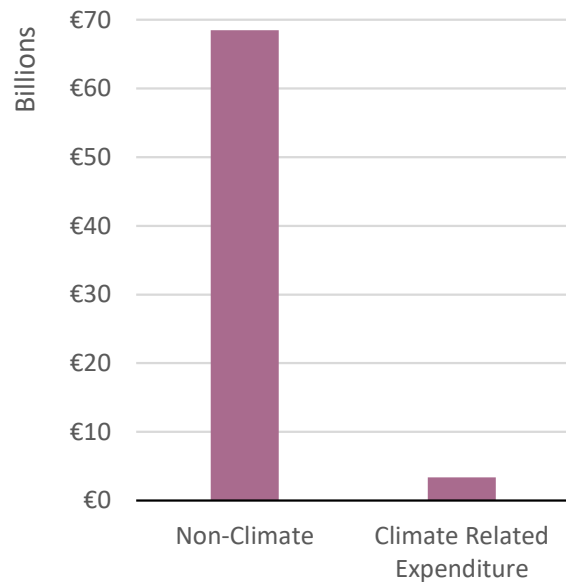


**Source:** PBO based on Appendix 8: Climate Related Expenditure, *Revised Estimates for Public Services 2022* (December 2021).

**Figure 3: Significance of Climate Related Expenditure in 2022 (by Voted Allocation and Capital Carryover)**



**Figure 4: Voted Allocation in 2022 (including Capital Carryover)**



**Source:** PBO based on *Revised Estimates for Public Services 2022* (December 2021).

Figure 3 and Figure 4 place the Climate related allocation in 2022 in context. Figure 3 illustrates that Climate Related Expenditures are only a small proportion (4.5%) of the Voted Allocation (€71,024 million, excluding the Social Insurance Fund and National Training Fund) in 2022. However, Climate Related Expenditures are disproportionately significant within the capital carryover from 2022 (25.6%). Figure 4 illustrates the gross spending allocation in 2022 (comprising €71,024 million Voted, and €819 million capital carryover). Of this €71,843 million, €3,384 million (4.7%) is Climate Related. **The significant climate related component of capital carryover is potentially cause for concern if a trend of underspending of climate related allocations emerges and we continue to fail to meet our climate change targets.**

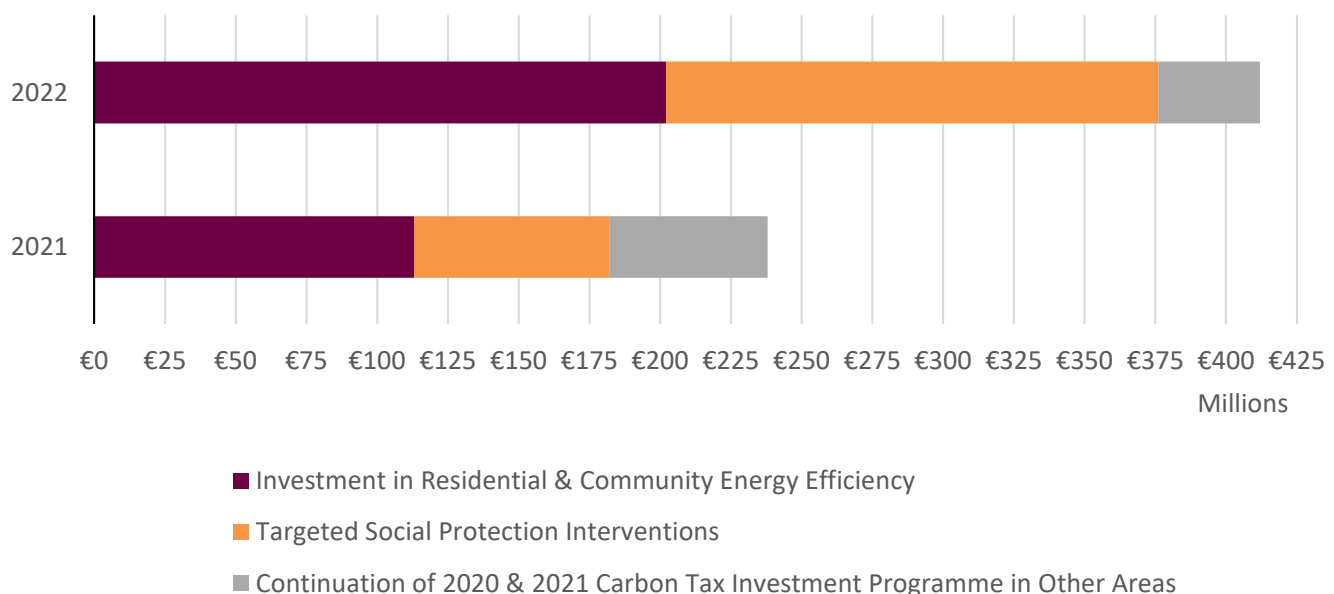
## Carbon Tax Expenditure

Carbon tax expenditures are set out in Appendix 9 to the *Revised Estimates for Public Services 2022*. Figure 5 illustrates carbon tax expenditures in 2021 (€238 million) compared to 2022 (€412 million). The details of how this allocation is to be spent in 2022 can be found [here](#).<sup>8</sup>

Carbon tax expenditures are categorised under three areas, two of which see significant growth in 2022 compared to 2021 levels, with a significant decrease in the third area:

- **Investment in Residential & Community Energy Efficiency** (Vote 29 Environment, Climate and Communications): Increased €89 million (+78.8%);
- **Targeted Social Protection Interventions** (Vote 37 Social Protection): Increased €105 million (+152.2%); and
- **Continuation of 2020 & 2021 Carbon Tax Investment Programme in Other Areas** (Various Votes): Decreased by €20 million (-35.7%).

Figure 5: Carbon Tax Expenditures 2021-2022



**Source:** PBO based on Appendix 8: Climate Related Expenditure, [Revised Estimates for Public Services 2022](#) (December 2021).

<sup>8</sup> Department of Public Expenditure and Reform, [Budget 2022: The Use of Carbon Tax Funds 2022](#) (2021).



Table 1 (below) describes the various Carbon Tax Expenditures over the period 2020 to 2022. The figures shown are the allocation to these measures and do not necessarily reflect the end-year spend on same. While Carbon Tax Expenditures have seen significant annual increases compared to the 2020 levels, many core measures remain unchanged, with all measures bar one being continued from 2020 in 2021 and 2022, and the allocations to each measure remaining unchanged. The approach taken by the Department in categorising this spending is somewhat counter intuitive, for example, an increase to the rate of payment for fuel allowance in 2022 is not reflected in the fuel allowance allocation under 'Protecting the Vulnerable', and instead is incorporated within 'Targeted Social Protection Measures'.<sup>9</sup> While recognising it is important to identify new spending, and acknowledging the Department's explanation of the cause for such new spending, it is unclear why the additional spending on fuel allowance is not added to the existing fuel allowance cost.

**Table 1: Carbon Tax Expenditures 2020 to 2022**

<b>Protecting the Vulnerable</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Fuel Allowance	€21,000,000	€21,000,000	€21,000,000
Energy Poverty Efficiency Upgrades	€13,000,000	€13,000,000	€13,000,000
Aggregated Housing Upgrade Scheme	€20,000,000	€0	€0
Peatland Rehabilitation	€5,000,000	€5,000,000	€5,000,000
Just Transition Fund	€6,000,000	€6,000,000	€6,000,000
<b>Investing in the Low Carbon Transition</b>			
Greenways/Urban Cycling	€9,000,000	€9,000,000	€9,000,000
Continuation of Electric Vehicle Grants	€8,000,000	€8,000,000	€8,000,000
Further Investment in EV Charging Infrastructure	€3,000,000	€3,000,000	€3,000,000
ODA – Green Climate Fund	€2,000,000	€2,000,000	€2,000,000
Green Agricultural Pilots	€3,000,000	€3,000,000	€3,000,000
<b>New Measures</b>			
Pilot Environmental Programmes in Agriculture		€20,000,000	€0
Targeted Social Protection Interventions		€48,000,000	€146,000,000
Investment in Residential & Community Energy Efficiency		€100,000,000	€196,000,000*
<b>Total</b>	<b>€90,000,000</b>	<b>€238,000,000</b>	<b>€412,000,000</b>

**Source:** PBO based on DPER, *Budget 2021: The Use of Carbon Tax Funds 2021* (2020); and *Budget 2022: The Use of Carbon Tax Funds 2022* (2021).

\* This figure is not explicit in the documentation. It has to be calculated by reference to the total and the funds allocated directly to known subheads.

<sup>9</sup> Department of Public Expenditure and Reform, *Budget 2022: The Use of Carbon Tax Funds 2022* (2021) p.5.