Five key points on proposals to increase the consumer carbon tax
October 2019

This document has been produced by Stop Climate Chaos coalition in advance of proposals to increase the consumer carbon tax in Budget 2020.

1) Stop Climate Chaos is broadly in favour of carbon pricing, including a consumer carbon tax, as a climate policy tool. However, without a really significant jump in the rate of the tax, the relative price change will have no impact on reducing Ireland's emissions, and importantly, without affordable, accessible alternatives and supports being put in place by the Government, a price change will not enable progressive behavioural change, and may in fact alienate people.[1] [2]
2) It is critical that carbon pricing is not seen as a solitary solution, but rather one component of a comprehensive package in which Government takes the lead on cutting emissions and making less polluting choices affordable and accessible to all.[3] The Government has failed in this regard. In the absence of appropriate measures, investments and supports to offset the burden associated with a tax increase on vulnerable and at-risk consumers, it is unreasonable to expect the political or public appetite for the type of tax increase now required by the scale and urgency of the climate challenge. Unless fundamental policy and investment decisions are made which can remove the barriers that lock people into high fossil fuel dependency, the rate of increase proposed (€5 to €6) will make little difference on Ireland's national greenhouse gas emissions. The Government has had plenty of time to get this right, through the various policy strategies over the years which, if the relevant targets and objectives had been established and delivered, would have put Ireland much further along the low carbon transition.
3) Carbon tax revenue should decrease over time if emissions fall at the rapid rate now required, so the State should not rely on this tax as a long-term source of revenue. Whilst the Government has signalled their intent to fund climate action measures with revenue raised, general Exchequer funds will still be required, regardless of carbon price increases, to support the zero-carbon transition, particularly in terms of investment of sufficient resources in public transport, fuel poverty and warmer home strategies, renewable energy, retrofitting, and community energy. Revenues that the carbon tax increase is likely to generate will not give the Government much leeway for a top-up rebate to tackle fuel poverty for example, and spending must be focused on enabling transition not on reinforcing fossil fuel dependence, rather than becoming another fossil fuel subsidy.
4) Although the Citizens' Assembly voted for, and the Joint Oireachtas Committee recommended, an incremental increase in the rate of carbon tax, both processes also mandated the Government

[1] According to the ESRI, the real cost of carbon, if accounting for its warming impact, is likely somewhere in the range of €150-€200 per tonne, which, if implemented, would drastically increase our gas, driving and heating costs
[2] In their submission to the Department of Finance on the use of revenue from a tax increase, Stop Climate Chaos called for an approach that combines fee and dividend and ring fencing for climate action. We also called on the Government strongly consider higher rates of carbon tax up to 2030 in line with more ambitious climate policies.
[3] An approach to a tax regime that is fair will include in its delivery a transparent redistribution or recycling of tax revenue and/or compensation scheme to minimise the negative effect on low income and at-risk groups. It will also require an approach, which garners public and political acceptance.

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to do the groundwork that would have provided the necessary social framework essential to making a carbon tax work as a mitigation measure.

a) The Assembly endorsed a considerable carbon tax increase, subject to the protection of vulnerable groups and the ring-fencing of revenues for climate action. It must also be added that an overwhelming majority within the Assembly also called for the prioritisation for the expansion of public transport spending over new road infrastructure (with particular attention to rural areas). This recommendation was not progressed in the National Development Plan or in the Climate Action Plan, despite the fact that it would have sent a clear signal that the State is serious about providing alternatives to carbon-intensive activities.

b) Building on the recommendations of the Citizens' Assembly, the Joint Oireachtas Committee on Climate Action recommended a radical modal shift towards quality sustainable transport options and a target of retrofitting 800,000 homes by 2030. These recommendations were weakened in the Government's recently published Climate Action Plan. Not only did the Committee urge that carbon price increases be clearly communicated to businesses and the general public, and accompanied by significant education and communication efforts, they also recommended that prior to any increase in carbon taxation, that Government conduct a review in 2019 into the most appropriate measure of, extent and nature of energy poverty across all cohorts and include in this review the short, medium and long-term impact of increasing the carbon tax. Further recommended was an examination of the impacts on low-income families, and based on the review findings, the introduction of specific, targeted policy and welfare measures to minimise impact.

The Department of Finance recently admitted to the Oireachtas Committee that it hadn't even begun the review of energy poverty. That underlines the incomplete and incoherent way the Government has gone about this.

c) The Government's current Strategy to Combat Energy Poverty is due to expire at the end of 2019, with no commitment made to its update and renewal. Irrespective of any carbon tax increase, commitments made under the Sustainable Development Goals (Goal 7) requires Ireland to integrate addressing energy poverty with climate action through targets on increasing renewable and efficient energy use.

d) In their submission to the Dept. of Finance on the use of tax revenues, Stop Climate Chaos urged the Government to directly engage with representative bodies working directly on behalf of those most adversely affected by a tax increase including, for example, Irish Rural Link, Age Action, and the Society of St. Vincent De Paul. That has not taken place in a meaningful fashion.

5) Carbon pricing can only be part of the solution when applied to all economic sectors, and a tax on all polluting sectors ensures that fossil-fuel based resources are priced to reflect their true social and ecological impacts.

   a) There has been no signal of commitment from Government of its intention to respond to the recommendation from the Joint Oireachtas Committee to commission an enquiry into the revenue that could be realised by a carbon tax on the profits of i) corporations and firms directly linked to the production of fossil fuels, and ii) corporations and firms linked to the high usage of fossil fuels, such as shipping and aviation.

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b) There is incoherence in raising carbon taxes annually to incentivize individuals to use less fossil fuels, whilst at the same time pursuing policies and activities that encourage producers and importers of fossil fuels to bring more of them to the Irish market, such as continuing to issue licences for oil and gas exploration and urging the EU to consider subsidizing the building of terminals on the west coast to import fracked gas from the US.
c) This also applies to the €4 billion per annum spent on environmentally damaging subsidies. Of this, €2.5 billion went in direct subsidies and preferential tax treatment supporting fossil fuel activities in Ireland and a further €1.6 billion supported other potentially environmentally damaging activities (in the Agriculture and Transport sectors). These subsidies equate to 80% of revenue collected through environmental taxes that target individual consumer behaviour (e.g., plastic bag levy or carbon tax). If serious about climate change, the Government needs to shift this spending to support communities in a Just Transition to a zero-carbon future.
d) If the Government is serious about tackling climate change, they need to bring about "rapid, far-reaching and unprecedented changes in all aspects of society" as the IPCC put it a year ago on Budget Day. That clearly includes addressing supply side policies of fossil fuels including the extraction of natural gas reserves, the imposition of a hard cap on fossil fuel imports, and address rising energy demands and increasing emissions from sectors, including transport and agriculture.
e) Many polluting products and activities are currently exempt from carbon tax or other regulations to limit and reduce total use, e.g. synthetic nitrate fertilisers, agricultural emissions, aviation, and of course, agricultural diesel. If the emissions due to these drivers and sources are not being reduced at the rates required for Paris-aligned climate action then they will also require regulation or taxation. The revenue raised from the true cost of these damaging activities would be used to fund a Just Transition.[4]

[4] Social Justice Ireland has proposed an aviation tax in line with the Swedish model. A tax applied in such a manner would have raised around €200m in 2018. See: https://www.socialjustice.ie/content/policy-issues/its-time-price-flying-reflected-true-cost

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