



## Opening Statement to Oireachtas Committee on the Environment

### John FitzGerald, Chair of the Climate Change Advisory Council

My fellow Council member, Laura Burke, and I would like to thank the Committee for this invitation to discuss with you how the challenges on climate change faced by Ireland and the rest of the world can best be tackled.

Climate change is here today, it's real, it's caused by humans, and it's affecting us all already. The increased frequency of extreme weather events, flooding and drought are manifestations of what will be a growing trend until the world halts the momentum of climate change. Without urgent action we are facing a global climate disaster.

Ireland has a moral imperative to play its part in helping to address the problem of climate change. As a result we have set ourselves a binding target to decarbonise Irish society by 2050, with key milestones along the way. Failure to reach these milestones will have multiple adverse consequences. The task of the Climate Change Advisory Council is to provide independent advice on policy. The Council considers that it is critical to assess how Ireland can best meet this challenge at least cost and to identify other benefits, such as improved air quality or health outcomes.

Unfortunately the very limited policy action so far means that we are going backwards – emissions are rising, not falling. Improved economic performance will make this worse because greenhouse gas emissions remain strongly coupled to economic growth.

The Council believes that Ireland needs a suite of new policy initiatives to make a real difference. There is potential for progress in particular through the National Planning Framework and the National Development Plan, but also the National Mitigation Plan and the upcoming National Climate and Energy Plan. But we need to move these plans forward into concrete action and implementation with monitoring and evaluation of the effectiveness of delivery. This is a task, not just for the government, but also for the Oireachtas. Without broad-based support in the Oireachtas for serious new measures Ireland will continue to move ever further from its targets.

We know from a very wide range of research in Ireland and elsewhere that changing incentives can help us to change our behaviour. That is why one of the key messages from



the Council, identified in our first Report in 2017, and repeated in subsequent reports, is that we need to reflect the potential damage done by emitting greenhouse gases in the price of those emissions. Without a full reflection of the cost of emitting greenhouse gases it will not be possible to effectively tackle our climate change challenge. The wide range of other measures and policies that are needed to bring about decarbonisation will be significantly undermined if emitting greenhouse gases remains the cheap option.

The carbon tax in Ireland, and the carbon price in the EU Emissions Trading System, are too low and do not reflect the costs of climate change. This is a key factor in our failure to make adequate progress on tackling climate change.

There are three key reasons why pricing emissions of carbon dioxide and other greenhouse gases is important:

1. It discourages use of fossil fuels and encourages us to switch to alternatives such as renewables. It makes it comparatively cheaper and more attractive to use electric cars, upgrade our homes and buy A-rated appliances. Equally, pricing emissions appropriately means that business and government would also find that eliminating greenhouse gas emissions saves money. For example, purchasing and operating high emissions buses needs to be much more expensive than zero emissions buses.
2. Carbon pricing, and especially the carbon tax, provides the government with revenue which it can use to compensate or support those who are on low incomes and it can be used in the budget to reduce other taxes or increase expenditure. Research shows that shifting from taxes on labour to taxes on carbon can actually increase employment, as well as playing a crucial role in reducing emissions of greenhouse gases.
3. The most important effect of appropriately pricing emissions is probably to incentivise business to invest in new technologies, which will allow us to continue to enjoy a high standard of living while eliminating emissions of greenhouse gases. The prospect of a higher price for carbon is already driving essential innovation in electrification of transport and low carbon home heating options.

The current carbon pricing levels are too low to see these effects reach their potential. The carbon tax should be increased to at least €30 a tonne in the Budget, with a commitment to



raise it in subsequent Budgets. Low levels of carbon pricing do not deliver sufficient results. A significant carbon price would not only deliver immediate emissions reductions, but would also put the conditions in place for a long term ambitious low carbon transition through improved investment choices.

We face major challenges across a range of areas of the economy: energy, heat, transport, agriculture and industrial emissions.

In the case of heat we need to upgrade most of our 1.5 million homes. For this to happen it needs first to be the cheap option – reflecting the appropriate price of polluting. However, that is only the beginning. If Mrs Murphy, a pensioner, living in Mayo, is to retrofit her house, improve insulation and change to renewable heating, we first must be able to tell her it will save money as well as helping to save the planet. However, she may not be able to fund the investment and, even if she can, probably a bigger obstacle will be the need to manage a major building project. She may well be concerned that the builders will do a bad job or that they may even tip off potential burglars. Hence we need to build a suite of supporting policies to ensure that she can and will upgrade her house.

If a suitable range of policies is developed so that Mrs Murphy retrofits her house, this will save a significant amount of her limited income over the rest of her life. She will also be much more comfortable and she may well experience enhanced health and life expectancy as a result of the improvement. Finally she will have made her contribution to tackling climate change.

Extensive ESRI research shows that poorer households spend a larger proportion of their budgets on heating than richer households. Precisely because poor households spend a significant amount on energy for heating, while they need to be part of the reform, they must be protected from the consequences for their budgets. Successive studies indicate that this is best dealt with by an appropriate increase in social welfare to ensure that they are fully compensated. As long ago as 1992, an ESRI study indicated that 30% of the revenue from a carbon tax would need to be allocated for this purpose. Support can also be directed towards assisting low income households retrofit their houses, to reduce the portion of their income required for home heating. The SEAI has introduced programmes in this regard and this could be expanded.



The state is the largest landlord in the state with around 150,000 tenants in social housing. As with all landlords, the state has a duty to upgrade its housing stock to move to a carbon neutral world. Reports suggest that the cost of upgrading a dwelling may be between €30,000 and €50,000. If that were the case the state will need to spend around €5 billion upgrading its housing stock. As with Mrs Murphy, this will leave the tenants better off, more comfortable and healthier, as well implementing the state's commitment to decarbonise the economy. However, €5 billion is a very large sum, especially in the context of a need to build more social housing. The state will need all the help it can get from carbon taxes to fund this.

I have concentrated here on how appropriate pricing of carbon is essential if we are to tackle the problem of global warming in the heat sector. The same is true for the other sectors that we need to tackle and we are happy to discuss them in more detail.

While getting the price of carbon right is crucial, as I have illustrated, a range of other policies are essential if we are to do our job of helping save the planet. As I have indicated, some of these policies may save us money – as investment in renewable electricity has done. Our job is to first pick out the easy wins, where we may actually save money and also improve our living standard in other ways.

Some easy wins that save money and also cut carbon emissions, such as closing peat fired generation, may adversely affect employees and local communities. Supporting those individuals and communities who are adversely affected and helping them transition to low carbon economic opportunities will help speed the adjustment and give those communities a more economically and environmentally sustainable future.

There will be a need for very significant investment by the state, companies and households. This will pose problems in the context of a continuing strain on government resources. This is where identifying and maximising co-benefits from climate policy such as improved air-quality, improved health from warmer drier homes, better and more convenient transport solutions, are all important to ensure that the low carbon transition goes hand in hand with improved well-being.

In prioritising its work the Council has emphasised that Ireland needs to implement a major increase in the cost of emitting carbon over the coming decade, moving to a very substantial



carbon tax by 2030 of the order of €80 a tonne. Because of doubts about the success of the reform of the EU Emissions Trading Scheme (ETS) the Council has also recommended that Ireland implement a carbon price floor for electricity, something already implemented in Great Britain. This could be done for example by joining with a coalition of “the willing” such as France, the UK and the Netherlands.

Over the coming year the Council will focus successively on the detailed policy measures needed in agriculture, heat and then transport. While we have not reached detailed conclusions on these areas we are still happy to discuss them with you.

Research shows that how we communicate the need for action on climate change matters. The Citizens’ Assembly has shown the potential of citizen engagement, while the National Dialogue on Climate Action will hopefully expand its effects throughout the country. These will be important to maintain public support for the changes that are required in the coming years. Policy needs to take account of the complex factors that affect human behaviour – to help us make the right choices for the future.

In conclusion, carbon pricing alone will not deliver the necessary emissions reductions, but delivering emissions reductions without a sufficient carbon price will be almost impossible, and certainly much more expensive. Increasing the cost of emitting carbon is not a once off commitment, but must be sustained over the coming decade. If we are to decarbonise our economy and society, it is essential that there is wide support across all political parties for this essential step on the decarbonisation journey. That is why the work of this committee is so important.