



## Opening Statement to Oireachtas Committee on the Environment

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

I would like to thank the Committee for this invitation to discuss with you how some of the challenges on climate change faced by Ireland and the rest of the world can best be tackled. Without urgent action future generations will face a climate disaster. The task of the Climate Change Advisory Council is to provide independent advice on policy as to how Ireland can best meet this challenge.

Taking urgent action today to tackle climate change, while having some short-term costs, may prove the least expensive option in the long run, and it is the option that Ireland has adopted in agreeing its targets for emissions of greenhouse gases in 2020 and 2050. In addition, there can be co-benefits from action on climate change in terms of other aspects of the environment, improved health and new enterprises. The emerging consequences of climate change already require significant measures to adapt Ireland to changing weather patterns. Moreover, in the short term, Ireland will also incur direct costs in missing the EU targets that we as a country agreed to.

The job of the Council is to focus on policies that will achieve the decarbonisation of Irish society at least cost. We have seen that the expansion of renewable electricity, at least to 2012, actually reduced electricity bills for households. This shows that policies that are well thought out, through appropriate research, can deliver on our national objective of tackling climate change, without seriously impacting on our other goals.

We understand that it is difficult to maintain focus on tackling climate change because the problem will only get really acute for Ireland in the future. However, communities across the world, and some in Ireland, are already feeling the effects. We need to make investment today when the primary benefit will accrue to future generations. With so many other calls on scarce resources, the danger is that today's problems will constantly attract attention away from the dangers of climate change pushing it to the back of the policy queue.



### **National emissions targets: 2020, 2030, 2050**

Ireland is going to miss its 2020 target for emissions by a significant margin. On the basis of current policies, Ireland is also heading in the wrong direction for 2030 and 2050 – emissions are rising when they need to fall quite rapidly. Greenhouse gas emissions remain strongly coupled to economic growth. If the economy does better than forecast, emissions will be even higher than currently anticipated.

The Council believes that Ireland needs new policy initiatives that are going to make a real difference. 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.

### **Scenarios**

We need to plot scenarios as to how we might get to 2030 and 2050 targets. This is essential to see how potential policy measures fit together. For example, if we electrify heat and transport we would also need to pay close attention to the carbon intensity of this electricity. Otherwise we could find ourselves still locked into a high carbon economy.

This essential work of considering pathways to decarbonisation by 2050 still needs to be done. As part of this work we also need to think strategically about the real benefits and costs of compliance-purchasing as a strategy, and how it fits with different scenarios. Given that we have set ourselves a task of making the country broadly carbon neutral by 2050, delaying action may make eventual success all the more expensive. This issue needs to be tested by considering a range of alternative scenarios.

### **Price of Carbon**

A key message from the Council is that we need to reflect the potential damage done by emitting greenhouse gases in the price of those emissions. To date we in Ireland, and in the rest of the EU, have failed to do so. The carbon tax and the carbon price in the EU emissions trading scheme are too low to 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 is important:



1. It discourages use of fossil fuels and encourages us to switch to alternatives such as renewables.
2. It provides the government with revenue which it can use to compensate those who are disadvantaged on low incomes and it can be used 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 the world to continue to enjoy a high standard of living while eliminating emissions of greenhouse gases. The prospect of higher prices for carbon is already driving innovation in electrification of transport.

Illustrative figures for the carbon tax would be €40 to €50 (The World Bank High Level Commission on Carbon Pricing recommended \$40-80) a tonne of carbon dioxide by 2020 and €60 to €100 (WB HLCCP: \$50-100) a tonne by 2030. An increase from €20 to €40 would add €0.52 to a bail of briquettes, € 2.40 to a 40kg bag of coal. It could add 8% to the price of gas.

This signal should be consistent across all sectors. Currently the EU Emissions Trading Scheme is failing in its task to support low carbon transformation with a price for emissions consistently less than €10 a tonne. This is sending the wrong signal to the electricity sector across the EU. New coal fired power stations have been built in Germany and it is still profitable to continue operating the Moneypoint coal-fired power station in Ireland. If the EU ETS had resulted in an appropriate price for carbon this would have driven investment in renewables across the EU. Instead, we need to subsidise renewables at a cost to consumers.

The Council are concerned that the reform of the EU ETS may not be adequate. We are considering how Ireland should deal with this situation. For this reason we already recommended in 2016 that the government should support a French proposal for a carbon price floor in the EU ETS. It may be that some variant of this proposal would make sense if adopted by a sufficient number of countries, even if the EU as a whole did not do so. However, further research is needed before reaching firm conclusions on this issue.



There is a need to make decision soon on the future of Moneypoint. If the EU ETS fails to deliver a sufficient price on carbon, this may require domestic or co-ordinated international action, to make the electricity sector decarbonise. If there were a carbon price floor, forcing the closure of Moneypoint, the revenue resulting from the price floor could be returned to households in some other form. If closure is driven by regulatory action alone, prices will rise for consumers but there will be no increase in government revenue to offset the effect on household disposable incomes.

### **Stop subsidising actions damaging the climate**

There is a clear benefit from closing peat-fired generation in terms of tackling climate change. It is a very serious emitter of carbon dioxide – 2.75 million tonnes of carbon dioxide in 2015 relative to total Irish emissions from the Energy Sector of 11.7 million tonnes. The Public Service Obligation (PSO) subsidy to keep peat-fired generation going, emitting large amounts of carbon dioxide, is around €100 million a YEAR. Without the subsidy these emissions would be substantially eliminated. With only a few hundred employees in these generating stations, the annual subsidy per job is massive. If the subsidy for one year were spent on incentivising investment in sustainable jobs, the climate would be enhanced, electricity consumers' bills would be significantly reduced, and the workers would have secure sustainable employment.

### **Agriculture**

Agriculture, which accounts for 30% of our greenhouse gas emissions poses a clear problem for Ireland: emissions are rising rather than falling. The government needs to set out a path to carbon neutrality in agriculture. This needs to reflect the different characteristics of methane from other greenhouse gases. So far a path to sustainability has not been mapped out by the Department.

As a general principle for developing policy, it is important to design incentives and impose costs aimed at activities where solutions and alternatives are available. For example, incentives to retrofit using existing technologies; apply taxes on fertilisers where alternative formations exist. Some quick wins are available, such as reform in the use of fertiliser and increased efficiency of production. In the case of increased efficiency of production it can provide a win for farmers and a win for the environment but it still does not get over the problem that increasing output involves increased emissions of greenhouse gases.



Land use change will play a key role in reducing emissions. For example, a switch from beef farming to growing biomass type crops, forestry, or improved management of wetlands can reduce emissions of greenhouse gases and increase absorption of carbon from the atmosphere. It could also raise farm incomes. – a possible win/win. More research is needed to identify sustainable long term land use activities and farm business models.

### **Transport**

Transport in Ireland will change dramatically over the coming decades. An effective National Planning Framework is critical to managing transport demand and emissions. Electrification may well provide part of the solution but the implications need a lot of additional research. It may also require major changes in the tax system – e.g. moving to charging for road use.

### **Households and the Built Environment**

Heat requirements for households and the built environment can be dramatically reduced by improved insulation. The residual heat demand can be met by low carbon and preferably renewable options. Policy should target households that are unable to take action – because of low income or age. Current building regulations mean that new build should not be an issue, the challenge is in bringing the entire building stock up to similarly high standards. Investment in upgrading the housing stock has the potential for increasing employment, as well as co-benefits in terms of health and wellbeing, especially for poorer, vulnerable and older households.

### **Conclusions**

Research shows that how we communicate the need for action on climate change to households matters. Thus policy needs to take account of the complex factors that affect human behaviour – to help us make the right choices for the future.