

Dear William Beausang
Department of Public Expenditure and Reform
Government Buildings
Upper Merrion Street
Dublin 2
D02 R583.



McCumiskey House
Richview
Clonskeagh Road
Dublin 14
D14 YR62
Phone: 01 2680180
Email: info@climatecouncil.ie

11 May 2017

Dear Mr Beausang,

RE: Public Consultation on the Mid-Term Review of the Capital Plan 2017

The Council appreciates the consideration of climate and energy goals in the public consultation on the Mid-Term Review of the Capital Plan 2017. This is an important development which should be continued and enhanced in capital planning and prioritisation.

An appropriate **Long-term Capital Investment Framework** over ten years will be important to plan the development of infrastructure. It should aim to provide a clear signal to investors and the private sector on the envisaged transition to a low carbon, climate resilient and environmentally sustainable economy by the end of the year 2050 and beyond when considering long-life assets and infrastructures. Achievement of synergies across a range of policy objectives should be a key consideration. It is important that costs, benefits and externalities are considered across an appropriate timeframe and with appropriate discount rates.

The capital investment framework should avoid 'picking winners' but support sectoral analysis in Ireland which points to investment needs for infrastructure that is envisaged e.g. Near-Zero Energy Buildings and low emission transport systems that are also supported by well-planned spatial development. In this context the Council considers that a more systematic approach to inclusion of climate change issues in developing capital expenditure plans is warranted. This is happening at an EU level, for example the European Investment Bank takes a systematic approach to identifying the climate impacts and risks of its investment portfolio.

The Council has flagged the following elements in its First Report¹ and in its response to the draft National Mitigation Plan;

1. An effective carbon price is important if Ireland is to achieve its decarbonisation objective in a cost-effective manner by 2050.

¹ CCAC (2016) First Report; http://www.climatecouncil.ie/media/CCAC_FIRSTREPORT.pdf

- The Council considers that the current cost of carbon recommended in the Public Expenditure Code, based on a historic trading price of carbon dioxide in the EU Emissions Trading Scheme, is too low. A review of this Code is essential and it should be an important part of a robust framework to help decision making on future capital expenditures.
 - The Council also believes that it is important to consider how the long-term nature of the challenge of halting climate change is reflected in the Code. In particular, the rate of discount used in accounting for the future costs of climate change needs special consideration.
2. Climate action can have important externalities, therefore it will be important to reflect these, in particular to systematically include consideration of air pollution at appropriate prices reflecting Irish circumstances
 3. The National Adaptation Framework should provide a common framework for investment decision making. A review of the Public Expenditure Code would allow the longer term economic, social and environmental benefits of adaptation actions to be systematically reflected in the decision making framework.
 - The Council recommends that adaptation measures be incorporated into investment plans to manage and reduce sectoral and local vulnerability to the impacts of climate change.

The “**Building on Recovery: Infrastructure and Capital Investment 2016-2021**” plan was welcome in the plans it made for investment in energy efficiency and public transport. The Mid-Term Review is a timely opportunity to provide support as appropriate for the National Mitigation Plan and to advance support and investment under the National Adaptation Framework and associated plans. Further investment in public transport infrastructure would achieve benefits across a number of criteria. Deep retrofit for energy efficiency is the long term objective for the existing housing stock. Lessons learned from pilot programmes will be important to inform future investment in this regard.

Should you wish to clarify any of the points above, please contact myself directly or via the Climate Change Advisory Council’s Secretariat via Claire Camilleri at C.Camilleri@epa.ie or phone 01 2680145.

Yours sincerely,

Prof. John FitzGerald

Chair

Climate Change Advisory Council