

Mr Michael Creed TD
Minister for Agriculture
Food and the Marine
Agriculture House
Kildare St
Dublin 2
D02 WK12



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

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Dear Minister Creed,

RE: Sectoral actions outlined in the draft National Mitigation Plan

I am writing to you to provide you with an outline of the outcomes from the Climate Change Advisory Council meeting on the 26th April which considered the draft National Mitigation Plan (NMP). At that meeting the Council members were also briefed on the outcomes from the Council Secretariat engagement with senior officials from your Department which was requested in our correspondence of the 7th April. In order to facilitate your Department's contribution to the further development of the NMP I will outline both the Council views on the full NMP which have been communicated to Minister Naughten and specific advisory points on your sector.

In relation to the draft NMP that was published on the 15th March 2017 the Council welcomes the progression that is evident. However, there are a number of important issues, which we had identified previously, that remain to be addressed. We hope that the first NMP will enhance clarity on policies and measures, the basis for their inclusion, and address gaps evident in the current draft. In this context the Council believes that the main messages and principles that are outlined in its First Report may further assist in this process.

The Council wishes to highlight the need for a transparent and coherent framework for economy-wide actions, including analysis of the price of carbon, in order to underpin actions over time horizons to 2030 and 2050.

The process for achievement of the national transition objective for 2050 should be a central component of the NMP. It should inform sectoral actions, frame shorter term actions to 2020 and 2030, including analysis of costs and benefits of policies, measures and investments. The NMP should clearly signal the direction of travel for the main sectors and outline associated approaches and scenarios to 2050. Sectoral goals that are consistent with and contribute to the achievement of the national transition objective should also be considered within this context.

In its First Report the Council highlighted the importance of an effective price signal for carbon emissions in guiding how Ireland can meet its climate change objectives in the most

cost effective manner. Analysis of experience elsewhere in the EU may assist in this process: for example, the European Investment Bank applies a higher short term cost of carbon in its investment appraisal. The Council is concerned that the current assumptions about the cost of carbon are not clear and therefore may not be consistent with the national transition objective described in the National Policy Position or with the achievement of this objective in the most cost-effective manner.

The standard approach used by the Department of Public Expenditure and Reform to compare the costs and benefits of investment projects, involving a 5% discount rate, may be unsuitable for this analysis, given the time horizon over which the full effects of climate change are expected to materialise. Using a standard discount rate means that the longterm effects of climate change will effectively be ignored in investment planning.

Given the major task that Ireland faces, it will be essential to use fiscal measures as a major policy instrument in tackling the problem of climate change. Naturally where market failures are established, other instruments will be required, some of which are identified in the draft NMP. Overall the wider links between climate and fiscal policy need to be further developed and described in a transparent manner within the NMP.

As stated in the First Report, addressing climate change provides a unique challenge for public policy. The response must be inherently cross-sectoral and it must provide an integrated and managed transition. The NMP should provide the necessary governance framework and implementation structures and it should spell out the required near term policies, measures and actions.

The Council considers that, in addition to the statutory processes identified in the Climate Action and Low Carbon Development Act 2015, high level ownership and management of this process is required to ensure that actions are progressed in a coordinated manner and their performance adequately measured. This type of approach has been adopted for other national strategies and plans such as Food Harvest 2025.

In relation to shorter terms emissions reduction requirements to 2020 and 2030, the Council welcomes the details provided on the emissions budget in the draft NMP. It is anticipated that details on how this economy-wide budget will be managed, including at sectoral levels, will be provided in the first NMP.

The Council notes the range of policies, measures and technologies that are identified, some of which are quantified in terms of costs and emissions reductions. However, it is not clear if a consistent approach was taken by different Departments. It would be beneficial, and ensure greater consistency, if the Department of Communications, Climate Action and Environment could request and clarify that the sectors apply the Public Expenditure Code in assessing the full costs and benefits of different measures proposed to address climate change. The costs and benefits associated with air pollutants and other significant externalities should be calculated in every case.

Furthermore, the Council considers it timely to conduct a review of the cost of carbon, the cost of air pollutants and the discount rate captured in the Public Expenditure Code. The Council therefore recommends that your Department make a request to the Minister for Public Expenditure and Reform in this regard.

Implementation and deployment of policies, measures, and technologies to tackle climate change is a complex undertaking. Societal and behaviour issues will also need to be

considered, with the overall process aiming to enable an equitable transition. The distributional effects of the range of policies proposed needs to be appropriately considered. The benefits and opportunities for health, wellbeing and sustainable development that arise from this transition also warrant a much higher profile within the NMP.

Finally the Council considers that the concept of a 'living document' needs to be defined in the NMP, along with the explanation of any revision process. This should take account of the need for the provision of a NMP every 5 years.

I would also like to convey the following advisory points from the Council on the agriculture, forest and land use sectors:

An approach to Carbon Neutrality for Agriculture, Forest and Land Use Sectors

The concept of neutrality within the agriculture, forestry and land use sectors should be elaborated and defined in the context of a pathway for the achievement of the national transition objective by 2050. This could include options for the diversification of farming and land management in the context of changing demand for products and services. The pathway should also determine how this sector will contribute to the identified emissions budget to 2020 and to 2030.

An implementation programme to quantify the progress towards neutrality should be developed which would include necessary measurement and observation systems. Market failures and critical constraints need to be identified and measures or processes to address these developed. The analysis of mitigation options should consider co-benefits, particularly with respect to other policy objectives, such as in areas of water quality, biodiversity, health and wellbeing.

This letter will be copied to Minister Naughten and the Council plans to include this material in its first Periodic Review Report which will be provided to government by the 17th July. The production schedule for this report means that it will probably not be possible for the Council to comment on the finalised NMP which is due to be submitted to Government by mid-June 2017.

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