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Dear Minister Naughten,

RE: Council response to Draft National Mitigation Plan

The Climate Change Advisory Council welcomes the publication of the draft National Mitigation Plan (NMP) that was published on the 15th March 2017.

Following on from your correspondence dated the 23rd March, I wrote to the relevant Ministers and requested the Council Secretariat to meet with senior officials in the various departments that contributed to the draft NMP. A series of meetings have subsequently taken place. At its meeting on the 26th of April, the Council members were briefed on the outcomes from these engagements.

The Council welcomes the progression that is evident in the draft NMP. 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 your Department 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.

As your Department is also responsible for two key components of the NMP, decarbonising electricity generation and energy efficiency in the built environment, I would also like to convey the following advisory points from the Council on these areas:

Decarbonising Electricity Generation

The EU Emissions Trading Scheme has, so far, failed to provide an adequate price signal. Options to address such market failures need to be identified and advanced to facilitate a cost effective decarbonisation pathway to 2050. Decarbonisation of electricity generation is essential for economy-wide decarbonisation, especially in the areas of heating and transport. Further elaboration of these links and options to facilitate this in a cost effective manner is required.

The draft NMP highlights the potential of Ireland's abundant indigenous renewable resources. Options to realise this potential, including the utilisation of emerging technologies and solutions for distributed generation should be included in the NMP. Societal and behaviour issues and barriers will need to be addressed in a positive and constructive manner so that the opportunities that arise from the uptake of clean and renewable resources are realised at all scales.

Energy Efficiency and the Built Environment

Retrofit of the existing building stock is the key challenge in addressing energy efficiency in the built environment. A sectoral goal is required that outlines the expected performance level of buildings in 2050 in terms of heating, lighting and appliances. While the new building standards are welcome, a strategy is required for taking the existing housing stock to the required performance levels by 2050 with near zero emissions and at minimum cost to the consumer. The strategy should address synergies and trade-offs between shallow and deep retrofit programmes and should take on board lessons learned from behaviour, community and transitions studies to inform a cost-effective policy response.

For your information I have also included a copy of the letters sent to the other Ministers providing advice from the Council on their components of the draft NMP.

The Council plans to include this material in its first Periodic Review Report which will be provided to you 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.

It would greatly facilitate our work, and it may be of value to your Department, if there are further meetings between the Secretariat of the Council and your officials over the next two months. This would allow your Department to follow our evolving thinking and help us to fully understand the approaches that you are taking in the final NMP.

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