



At the beginning of 2007, the IIEA convened a stakeholders consultation on Ireland's climate change policy. The aim was to evaluate Irish policy within the context of international, EU and national policy developments and emerging research on the economics and science of climate change. Sixty stakeholders¹ were allocated to five working groups, and each group submitted a chapter to the final report. Minister John Gormely launched the final publication at the IIEA on Monday 29 September.

The report is intended as a strategic overview of climate change policy in this country and is primarily concerned with the post-2012 period. However, given the potentially large “distance to target” on emissions which was identified and the urgency of tackling the problem (recently quantified more accurately by the EPA²), some policies were recommended for immediate introduction.

Three submissions received considered the issue of carbon taxation. The first discussion is found in Chapter 4, pages 40-42, the second in Chapter 6, pages 105, 106 and 113. Chapter 7 also considered carbon taxes in several of the scenarios.

A strong feeling emerged among our stakeholders that government should consider the introduction of a carbon tax – in fact, this was the only area where the group achieved consensus. There was near consensus that a revenue neutral carbon tax would be preferable. A substantial minority highlighted the issue of fuel poverty and proposed the hypothecation of a portion of revenue accruing to ameliorate negative socio-economic consequences through, for example, insulation schemes for lower income groups.

The report therefore drew the following conclusions on Environmental Tax Reform:

¹ The EPA, ESRI, Airtricity, NTR, Grian, Friends of the Earth, Bank of Ireland, the European Parliament Office, the Department of Finance, Feasta, EPS Consulting, ESB, CIF, DTO, NRA, the Department of Transport, Comhar, Sustainable Design, the Dublin Airport Authority, the Department of Agriculture and Food, Coillte Teoranta, Sustainable Energy Ireland, Eirgrid, Enterprise Ireland, Deloitte, IBEC, CODEMA, DCU, DIT, Amárach, NESC, SIPTU, Energy Action, NUI Maynooth, UCD and AIB.

² EPA Greenhouse Gas Emissions Forecast to 2020, EPA, September 2008.

“Specifically, the distance to target gap would be addressed through the pricing of carbon emissions, the absence of which is at the root of the market failure that climate change represents. As part of a wider environmental tax reform package, setting a price for carbon would be the most effective way to promote technological and behavioural change. An important measure is the introduction, as soon as possible, of a revenue neutral domestic carbon tax on all fuels purchased by consumers other than participants in the EU ETS. Thus all sectors of the economy would in principle be the subject of the carbon tax. Several design issues that should be considered before the implementation of a domestic carbon tax are set out in Chapter 6.

The tax could be implemented at a low level, observed closely for social effects, with revenue recycled to reduce labour taxes, thereby helping industry and preventing a rise in taxes overall (in contrast to hypothecated expenditure of the revenues, which is sometimes advocated).

However, having regard to consumers’ response to recent increases in the price of petrol, a carbon tax set at a low rate may not deliver the magnitude of emissions reductions that would be required to achieve Ireland’s post-2012 GHG emissions reductions targets. The rate of this tax would need to be set initially, and subsequently kept constantly under review, having regard to the price of carbon permits in the traded sector, global fuel prices, Ireland’s emissions performance and Ireland’s distance to target”.

Although we do not offer any new research on the environmental tax reform issue, we hope that the conclusions drawn by our stakeholders and experts will be of some interest to the Commission on Taxation in its ongoing deliberations.

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