



Environmental Pillar
Working for a sustainable future

Public Consultation on Carbon Budgets

February 2022

Response of the Environmental Pillar

The Environmental Pillar welcomes the opportunity to respond to the Government's consultation on the Carbon Budget. Members of our network campaigned for a decade and a half for legally binding targets, underpinned by a strong statutory framework with five-year carbon budgets. As such, the Pillar is pleased to see the legislative framework come into effect and the consultation and debate on carbon budgets launched. Unfortunately, the lack of such legislation over the past ten years means that Ireland is playing catch-up, with Ireland's emissions standing at 57.7mt in 2020, exactly the same as they were in 2011. Indeed, according to the EPA, Ireland is one of only two EU states where emissions were higher in 2020 than in 1990. This inaction on the part of Ireland over the past decade to seriously tackle the challenge of climate action means that the level of emissions reduction needed to meet the commitments of the Paris Agreement are in excess of what they would have been, (3.5% per annum versus 7% per annum), had we passed a serious climate bill in 2011.

Underpinning Principles

The Environmental Pillar believes that all climate policies and supporting legislative frameworks should be rooted in the principles of fairness and justice, in particular:

- Global climate justice
- Intergenerational justice
- A fair and just transition which protects the vulnerable
- Fairness between sectors

Environmental Pillar Members: An Taisce. Bat Conservation Ireland. BirdWatch Ireland. CELT - Centre for Ecological Living and Training. Coastwatch. Coomhola Salmon Trust. Cultivate. ECO-UNESCO. Feasta. Forest Friends. Friends of the Earth. Global Action Plan. Gluaiseacht. Good Energies Alliance Ireland. Green Economy Foundation. Green Foundation Ireland. Hedge Laying Association of Ireland. Irish Peatland Conservation Council. Irish Seed Savers Association. Irish Whale and Dolphin Group. Irish Wildlife Trust. Leave No Trace Ireland. Native Woodland Trust. The Organic Centre. The Rediscovery Centre Ireland. Sonairte. Sustainable Projects Ireland, Vincent Wildlife Trust. VOICE. Wildlife Rehabilitation Ireland. Zero Waste Alliance Ireland.

Global climate justice requires that Ireland does its **fair share** of emissions reductions in order to contribute to the global effort to limit warming to 1.5°C, consistent with the principle of “common but differentiated responsibility and respective capabilities”. Given Ireland’s current and historical emissions and its status as a wealthy country, the 2030 target of halving emissions is open to challenge under the principle of fairness and global justice.¹

Thus, the carbon budgets as outlined by the CCAC represent **the absolute minimum** of what is required and it should be recognised that notwithstanding the serious challenge Ireland faces in meeting the 2030 51% target, we will still be adding to our debt, both carbon and moral debt, to those in the global south who have done the least to cause climate change.

Equally, **intergenerational justice** and fairness requires that we make the necessary reductions in emissions now so as to ensure that those generations which have little-to-no responsibility for historical emissions or decision-making are left with a habitable planet.

The **principle of a Fair and Just Transition** should underpin activities in all policy areas. The capacity to bear the cost of transition to a net zero economy and society is not equal and those who are marginalised or on a low income must not be further disadvantaged by any climate policy. Workers and communities which are impacted by the closure of industries or loss of employment must be supported by the state through the transition. A Just Transition also requires social dialogue which includes public and worker participation in a meaningful way.

Finally, **fairness between sectors** is essential to ensuring a more effective and efficient transition across the whole of the economy. This means that while some sectors will move faster than others, all sectors will do their fair share in reducing emissions. The challenge of reducing emissions by 51% by 2030 is a difficult one and any diminution of effort in one sector will necessarily require increased effort in the other sectors. **As such, all sectors must be held to the upper ranges of their sectoral reduction targets.**

Compliance must be monitored and where failures are identified, corrective action taken annually through the revision of the Climate Action Plan.

¹ “It is important to put on the record that, although they are very challenging, our 2030 target of halving emissions and the two carbon budgets that the Climate Council has proposed to 2030 still do not amount to our fair share of the effort required to fulfil the Paris Agreement. Ireland will continue to use more than our fair share of the remaining global carbon budget consistent with the 1.5°C goal for the rest of this decade ... Because, as we have been saying for years it is possible for a target to be both “ambitious”, as the jargon goes, that is to say challenging to achieve and inadequate based on science and equity”, Environmental Pillar statement to the Joint Oireachtas Committee on Environment and Climate Action 13 January 2022.

See also Joint Oireachtas Committee on Environment and Climate Action debate 12 January 2022 For an alternative Paris Test basis for Ireland see B. McMullin and P. Price, (2018) *Synthesis of Literature and Preliminary Modelling Relevant to Society-wide Scenarios for Effective Climate Change Mitigation in Ireland*, Chapter Seven: https://www.epa.ie/publications/research/climate-change/Research_Report_352.pdf

Legal Environmental Obligations

As mentioned in the Technical Paper, biodiversity in Ireland is under considerable pressure:

Additional negative biodiversity impacts cannot be absorbed. Therefore, actions to mitigate climate change must avoid putting additional pressure on vulnerable ecosystems. (Technical Paper, p.45)

The paper acknowledges that “inappropriate” climate mitigation activities could have an adverse impact on biodiversity and calls for an approach which assesses actions on a “case by case basis” to arrive at “the right action in the right place”.² The Environmental Pillar agrees that biodiversity must not be put under further pressure from climate mitigation activities, be they in energy, agriculture and land-use or any other policy area. As a rule, biodiversity and Ireland’s legal obligations should be taken into account when identifying the most appropriate scenarios on an ex-ante basis rather than an ex-post basis; conducting impact assessments after scenarios are chosen leads to suboptimal results for biodiversity and nature. Economic arguments, which underpin the agriculture scenarios in Irish policy are deeply flawed and bias policy in favour of dairy intensification without taking into account the environmental or socio-economic impacts.

1. How effort is shared to meet the 51% emissions reduction by 2030 across the first two carbon budgets, 2021-2025 & 2026-2030.

As stated above, **all sectors must be held to the upper range of their sectoral targets**. As the bulk of the emissions reductions (8.3%) will be made in the second budget period, any slippage in the 2021-2025 period will require corrective action and even more reductions in the second period. While the backloading of emissions reduction in the second period is greater than the Pillar would have liked, we understand that there can be a lead-in period to policy implementation, particularly in infrastructure development and that there can also be a time lag between initiation of policy and impact of policy on emissions. While some lag between emissions reductions and policy implementation can be expected, the short timeframe in which Ireland is expected to make a 51% reduction means that those policies for which there is no technical impediment to earlier implementation should be expedited. An example of this would be the rapid phasing out of fossil fuel subsidies in the taxation system (see section on cost of transition below).

2. The third carbon budget for 2031-2035 being consistent with the national objective for a climate neutral economy by no later than 2050.

Given the reservations expressed above on whether Ireland can be said to be making its “fair share” of effort under the Paris Agreement, the Pillar asks that the Minister formally request the CCAC to

² Technical Paper, p.45

review Ireland's fair share. Specifically, the Council should review the indicative targets for 2031-2035 to ensure that they are compatible with the principle of climate justice. The presumption of a linear rate of 3.5% post 2031 annual reduction is not consistent with the principle of richer, more polluting countries decarbonising at a faster rate than poorer less historically polluting ones. By law, Ireland is to reach net zero by 2050 **at the latest**. Ireland should **set an earlier target for achieving net zero**, one which would be consistent with our responsibility to do our fair share and the principle of climate justice.

3. **The CCAC Technical report accompanying the proposed carbon budget programme.**
4. **Any other observations you wish to make**

Questions Three and Four have been taken together:

Agricultural GHG emissions reduction scenarios

We believe that the CCAC and Teagasc have interpreted the underpinning legislation in a way that has fundamentally biases the Agricultural GHG emissions reduction scenarios in favour of an overly simplistic and dangerous economic view. According to the CCAC *"The legislation requires that the carbon budgets take into account, insofar as is practicable, the need to maximise employment, the attractiveness of the State for investment and the long-term competitiveness of the economy."* The CACC have interpreted the need to maximise employment and State investment at an aggregated national level. This bias in favour of overly simplistic economic indicators has in our view fundamentally undermined the scenarios. The focus on economic output and job creation has biased the scenarios in favour of dairy production, based on the economic performance of the sector and the associated jobs in the processing sector. The fact that job losses in the processing sector are more tangible than potential job creation through diversification also creates a bias in favour of the status quo. There are a number of issues with this prioritisation of the dairy sector:

The economic output and job creation within the dairy sector are not spread homogeneously around the country. Intensive dairy production is concentrated in the regions of the country with the most productive land. Likewise, the dairy processing sector mirrors the distribution of the dairy sector. The CCAC have identified that emissions from the dairy sector will need to be offset within the land use sector, primarily through the management of high carbon soils and afforestation. In effect, while the economic opportunities presented by the dairy sector are concentrated in the wealthiest parts of the country, the responsibility for offsetting the resulting GHG emissions falls to farmers and land managers who are the least economically productive and who have been historically marginalised by a range of factors such as the physical constraints on farming or socio-economic isolation. It is our view that there is both an international and a national dimension when it comes to a just transition and this requires that the government try to ensure that there is equity and equality in the responsibility and opportunities presented by the agri-food sector and climate action. The scale of the

change proposed by the targets set for reduction in the suckler herd and afforestation for example, will have wide ranging implications for the socio-economic and environmental wellbeing of affected communities. While the CCAC have given some recognition to these concerns they raise the need for government policy to mitigate negative impacts rather than ensuring that positive socio-economic and environmental outcomes across all regions are prioritised in tailored scenarios.

We believe that the scenarios that have been produced by the CCAC and Teagasc are not fit for purpose. They do not reflect the complex multifaceted legal or policy framework that underpins our modern democracy and our aspirations for a fair and sustainable rural economy. There should be a national dialogue around the implications of the scenarios proposed, involving direct engagement with impacted communities that are often not well represented by established stakeholder groups. We would like to see new scenarios that maximise the environmental benefits of improving carbon sinks through habitat restoration and sustainable management, while also reducing agricultural emission by destocking intensive dairy farms, where environmental indicators such as water quality, air pollution and soil type indicate that the intensity of farming has exceeded the environment's carrying capacity. We would like to see scenarios that recognise that many extensive farmers, including low-intensity suckler farmers are in effect the managers of High Nature Value farmland. They deliver a range of ecosystem and cultural services such as carbon sequestration, flood attenuation, biodiversity and recreational space and important cultural landscapes which are not captured in overly simplistic economic indicators. These public goods and services will not be captured by an analysis of a farm's economic output. We need to give greater recognition and support to farmers who provide the greatest public goods and services to society.

Another issue with the prioritisation of the dairy sector within the Agricultural GHG emissions reduction scenarios is that:

- The proposed offsets in the land use sector seem unfeasible based on past experience and the delivery mechanism is totally unclear based on the need for buy-in from private landowners.
- Even if a road map could be adopted that ensures that total agricultural emissions are reduced in line with Ireland's legal obligations and this can be done in a way that ensures a just transition at a national and international level, it is clear that the intensity of dairy production in many parts of the country will still need to be reduced to address other environmental obligations. The approach taken by the CCAC ignores this reality and it would be much more constructive if it was ensured that future scenarios are consistent with Ireland's legal obligations for example under the Habitats and Birds Directives, Water Framework Directive and the Nitrates Directive. Using water as an example:
 - The EPA has highlighted that levels of nitrate pollution are strongly linked to increasing agricultural intensification, with clear trends of increasing nitrogen pollution in the south and south-east of the country, the area which has seen the greatest intensification of dairy production since the lifting of the milk quotas. In these areas over 85% of the nutrient pollution is as a result of agriculture. The EPA has stated "Reducing the nitrate levels in our water must be a priority. The next Nitrates Action

Programme (NAP) must deliver reductions in nitrogen losses to water. There also needs to be full implementation of existing regulations by Local Authorities and the Department of Agriculture, Food and the Marine.” Based on our own analysis we believe that the actions outlined in the daft NAP are not sufficient to ensure compliance with the Water Framework Directive or the Nitrates Directive. There is a clear need to reduce the intensity of dairy production in many catchments and offsetting GHG emissions won’t address the need to reduce stocking density to protect water and air quality.

Land Use Sector

In the most recent EPA inventory, LULUCF was a net source of 4.8Mt CO₂eq in 2018. The most recent projections published by the EPA for LULUCF indicate that, with current policies and measures, net emissions for the sector will increase from 4.5 Mt CO₂eq in 2019 to 7.1Mt CO₂eq in 2030. The CCAC proposes that in order for net emissions for LULUCF to achieve a 51% reduction, this projected trend in sectoral emissions will need to be reversed. It is our view that in order to change the land use sector from a net source to a sink, will require wide ranging changes to how we manage our landscape with varying socio-economic and environmental impacts. Given the scale of the challenges posed and the feasibility of many measures based on past experience, we would question whether it is even sensible to make assumptions based on assumed carbon sequestration targets in the land use sector.

Grassland is the largest net source of emissions within the LULUCF sector, estimated at 7.0Mt CO₂eq, in 2018. The main source of emissions is the drainage of an estimated 337kha of organic soils, which emit 8.3Mt CO₂eq. This is partially balanced by a reported removal by mineral soils of 2.0Mt CO₂. The CCAC illustrative scenario assumes rewetting of over 110,000 hectares of drainage organic soils (Table 3 2). There is clearly a need to address the emissions from grasslands. There would be a range of associated biodiversity, water quality and flood attenuation benefits associated with rewetting drained agricultural land. We would like to see the benefits of rewetting agricultural land explored and in particular the opportunity to identify win-wins for example a joined-up approach that integrates agri-environmental schemes targeting threatened bird groups such as breeding waders. We are however concerned about the feasibility of rewetting 110,000 hectares of drainage organic soils given that government policy, industry policy and various state bodies have strongly resisted any effort to review the arterial drainage scheme in the past. The ad hoc and voluntary nature of traditional approaches to land use management will likely be a major constraint on achieving rewetting on a landscape or catchment scale. Semi-states such as Bord na Mona should be seen to lead the way.

International research³ highlights the potential for agricultural landscape features such as hedgerows to sequester carbon but this is strongly linked to enhanced hedgerow planting and sustainable management. In an Irish context the lack of protection afforded for on-farm habitats and policies incentivising their removal or neglect mean that in our opinion there is an urgent need for improved engagement with landowners and enhanced protection and restoration of on farm habitats if any positive climate benefits are to be achieved.

Wetlands are also a net source of emissions within the LULUCF sector, estimated at 2.5Mt CO₂eq, in 2018. The main source of emissions is the drainage of an estimated 75.6kha of peatland for peat extraction. The illustrative scenario assumes 90% of peatlands currently used for peat extraction are rewetted. We would be strongly supportive of any measures targeting peatland and wetland restoration. Wetland restoration would be a clear win-win from an environmental perspective, reducing emissions, enhancing carbon sequestration and delivering positive biodiversity and water quality benefits. Having said that, there are significant barriers to achieving the goals outlined by the CCAC. The state has actively failed to protect peatlands for decades and has actively worked on the behalf of the peat industry and domestic users to undermine the regulation of the sector. To go from a position where turf-cutting is ongoing within Special Areas of Conservation to a position where 90% of peatlands currently used for peat extraction are rewetted will require a significant shift in government policy and societal attitudes. This will require significant investment in conservation, regulation and stakeholder engagement. This investment can't come soon enough.

Recent EPA research⁴ on peatland properties influencing GHG emissions and removals highlight key areas where urgent intervention is needed to secure carbon sinks and enhance sequestration. The EPA estimated that the carbon stocks held in natural and managed peatlands in Ireland at 2216Mt of carbon, with c.42% in raised bogs, c.42% in lowland blanket bogs and c.15% in mountain blanket bogs. Natural and cutover peatlands together contain just under half of the national peatland carbon stock. National emissions are estimated at around 860,000t of carbon per year (or 3.15MtCO₂ y⁻¹). Importantly, GHG emissions from domestic (residential) peat extraction are suggested as being strongly underestimated, highlighting the need for enhanced engagement, regulation and enforcement.

Natural and cutover bogs hold just over half of all of the Soil Organic Carbon stored in Irish peatlands, which represent two-thirds of the national soil carbon stock. This has major implications for policy decisions **and requires an urgent suite of actions to (1) ensure that these carbon stocks remain in the ground and (2) promote the development of carbon sinks in all types of land use.**

³ Biffi, S., Chapman, P. J., Grayson, R. P., & Ziv, G. (2022). Soil carbon sequestration potential of planting hedgerows in agricultural landscapes. *Journal of Environmental Management*, 307, 114484.

⁴ Renou-Wilson, F. et al (2022) Peatland Properties Influencing Greenhouse Gas Emissions and Removal <https://www.epa.ie/publications/research/land-use-soils-and-transport/research-401-peatland-properties-influencing-greenhouse-gas-emissions-and-removal.php>

Cutover bogs hold the largest soil organic carbon stock (tCha⁻¹) after natural peatlands regardless of peatland type. These results imply the importance of these degraded ecosystems in providing some critical ecosystem services. Therefore, the EPA has identified that they should be identified for **immediate management interventions to prevent further degradation, particularly the ongoing loss of their carbon store** (our emphasis).

Forestry

There is a growing body of research which highlights that the use of overly simplistic targets for land-use change such as the number of trees planted or annual afforestation rates can be misleading, potentially contributing to policy failure and misuse of carbon offsets⁵. To maximise GHG reductions a more nuanced approach is required to land use management which recognises spatial and temporal variability as well as the complexity required to deliver across a multitude of interconnected environmental and socio-economic policy objectives. A number of Scottish studies have highlighted the limitations of area-based afforestation targets as an indicator of carbon sequestration outcomes and the potential for area based targets to unintentionally generate undesirable outcomes such as net emissions resulting from the afforestation of high carbon soils, stating “a combination of land manager preferences, budgetary limitations, and the unintended consequences of other land use or agricultural policies can lead to the afforestation of less productive land, on soils with higher organic matter contents, that in the worst cases results in net emissions of carbon for decades⁶.” The heterogeneity of soil types and local conditions means that afforestation policies must take eco-system-level biogeochemistry and C fluxes and pre-existing SOC stocks into account or risk unintended policy and climate outcomes⁷. It is also of concern to us that current approaches to forestry carbon accounting fail to take into account the albedo effect of dark conifer plantations. Recent research⁸ has highlighted that the expansion of coniferous forests across Europe has changed the albedo and evapotranspiration of those forests, leading to warming.

When it comes to the role that forest cover and forestry can play in sequestering carbon, the type of tree, where it is planted and how it is managed is extremely important. The level of complexity involved in maximising the positive environmental benefits of forestry and avoiding the negative effects is not currently present in Irish forestry policy. The Irish forestry model has failed to evolve in response to changing societal objectives. The CCAC should be much more explicit around the credibility of Ireland's current forestry model to contribute positively to Irish climate action and the

⁵ Brown, I. (2020). Challenges in delivering climate change policy through land use targets for afforestation and peatland restoration. *Environmental Science & Policy*, 107, 36-45.
https://discovery.dundee.ac.uk/ws/files/42352981/ibrown_woodland_peatland_paper_feb2020_author_version.pdf

⁶ Matthews, K. B., Wardell-Johnson, D., Miller, D., Fitton, N., Jones, E., Bathgate, S., ... & Perks, M. (2020). Not seeing the carbon for the trees? Why area-based targets for establishing new woodlands can limit or underplay their climate change mitigation benefits. *Land use policy*, 97, 104690.

⁷ Friggens, N. L., Hester, A. J., Mitchell, R. J., Parker, T. C., Subke, J. A., & Wookey, P. A. (2020). Tree planting in organic soils does not result in net carbon sequestration on decadal timescales. *Global Change Biology*, 26(9), 5178-5188.

⁸ Naudts, K., Chen, Y., McGrath, M. J., Ryder, J., Valade, A., Otto, J., & Luyssaert, S. (2016). Europe's forest management did not mitigate climate warming. *Science*, 351(6273), 597-600.

extent of change that is needed. In a business as usual scenario we expect the ongoing afforestation of marginal farmland, including high carbon soils and we anticipate significant negative biodiversity, water quality and climate impacts.

We do not agree with the CCACs assessment of the forestry sector. According to the CCAC the Forest Land category was reported as a net removal of 4.0Mt CO₂e in 2018. Forest Land is projected to switch from a net removal to a net source of emission in the period to 2030. This they attribute to “a legacy of high afforestation rates in the 1980’s and 1990’s coupled with a failure to achieve targeted afforestation rates in recent decades.” While the homogenous age structure of Irish forestry is a major contributing factor to the sector switching to a net source of GHG emissions, this in itself does not address the full range of factors contributing to the legacy issues within the sector. Ireland’s forestry model requires root and branch reform if it is going to deliver a credible carbon sink and address the negative environmental and socio-economic impacts it is having in many parts of the country. The scale of change needed within the sector is not reflected in the CCACs comments, although we do recognise that the biodiversity implications of increased afforestation are reflected in a number of places within the technical report. Maintaining a business as usual approach to forestry with enhanced afforestation rates will not address the issues within the forestry model which constrain its potential contribution to climate action nor will it the factors which have resulted in the forestry sector being a leading threat and pressure on Irish biodiversity and water quality (as highlighted in the Environmental Pillars (Greening Irish Forestry report⁹). Enhanced afforestation on the scale proposed without addressing the issues within the actor or introducing enhanced environmental safeguards will result in massive environmental and socio-economic impacts across affected areas.

There are a number of issues with Ireland’s forestry model which need to be addressed in order to address its role in the emissions profile in the LULUCF sector. A high proportion of Irish forestry has been established on peatlands and high carbon soils. These plantations continue to be a source of GHG emissions through their role in the ongoing drainage and oxidation of peat and the loss of DOC following ground preparation and clearfell. Action needs to be taken to end the practice of clearfelling on peat soils (where doing so would be compatible with other legal obligations) and there needs to be significant investment in the restoration of afforested peatlands. Coillte as the largest peatland landowner in the state must be seen to lead the way.

The predominance of Sitka spruce plantations within the national forest estate mean that there is low sequestration potential within the short-lived harvested wood products that are produced. According to the CCAC “Processing of wood into durable products extends the time over which the carbon absorbed by the trees is taken out of the atmosphere.” If this is the case then why have the CCAC not highlighted the benefits of hard wood products? Native hardwoods that are managed using continuous cover harvesting would deliver a more permanent carbon sink with longer lived harvested wood products. The opportunities presented by shifting to a more sustainable forestry model need to be given greater attention by future scenarios produced by the CCAC.

⁹ Environmental Pillar (2109) Greening Irish Forestry, Recommendations for Nature Friendly Forestry <https://environmentalpillar.ie/wp/wp-content/uploads/2020/06/Greening-Irish-Forestry-2019-Environmental-Pillar-Final-Report-pdf>

International research has highlighted that continuous cover forestry has greater potential to produce simultaneously multiple benefits from forests. Research¹⁰ has shown that continuous cover forestry was better than rotation forest management in terms of timber net present value, carbon sequestration, amenity value and the number of large trees. Plantations are also unlikely to match the stability—and hence reliability—of C capture exhibited by more natural forests, particularly in the face of increasing droughts and other climatic perturbations¹¹. Promoting natural forest regeneration and/or multi-species native tree plantations instead of plantation monocultures could therefore benefit climate change mitigation efforts, while offering valuable co-benefits for biodiversity conservation and other ecosystem services.

Another major legacy issue that needs to be urgently addressed is the ongoing management and reforestation of plantations on deep peat. These sites need to be restored from forestry to peatland, so that they can deliver multiple benefits for the climate and the broader environment. Research has confirmed the multiple benefits of forest removal on deep peats, highlighting the removal of trees from areas where yields are particularly low as a clear win-win scenario¹².

We would also call into question the feasibility of moving from a current annual afforestation rate of approximately 2,500ha per annum with an accelerated ramp up beginning immediately, reaching 20,000ha per annum in 2028 and continuing thereafter up to 2050. The payments and tax breaks offered to landowners are already more attractive than many alternative land-uses yet the government has consistently failed to hit their targets for afforestation. Given the failure of the State to achieve a more modest increase in afforestation it seems totally unfeasible that afforestation rates of 20,000ha per annum will ever be achieved. The Environmental Pillar have engaged closely with community groups in places like Leitrim who have been resistant to further afforestation in their communities due to their experiences of the environmental and socio-economic impacts they have observed. The failure of the state to listen to eNGOs or community groups and address the ongoing issues within the sector have significantly contributed to the backlogs in licensing observed in recent years. Unless significant changes are made to the type of forestry we plant, where we plant it and how we manage it then there will continue to be resistance to forestry which will undermine the ability of the sector to contribute positively to our biodiversity and climate crises.

Cost of Transition

The Technical Paper in addressing the cost of decarbonisation rightly points out that failing to act on climate would have greater economic consequences in the longer-run than costs related to the carbon budgets. The paper addresses both the costs to the individual and the state. While some policies, such

¹⁰ Peura, M., Burgas, D., Eyvindson, K., Repo, A., & Mönkkönen, M. (2018). Continuous cover forestry is a cost-efficient tool to increase multifunctionality of boreal production forests in Fennoscandia. *Biological Conservation*, 217, 104-112.

¹¹ Osuri, A. M., Gopal, A., Raman, T. S., DeFries, R., Cook-Patton, S. C., & Naeem, S. (2020). Greater stability of carbon capture in species-rich natural forests compared to species-poor plantations. *Environmental Research Letters*, 15(3), 034011.

¹² Hermans, R., Andersen, R., Artz, R., Cowie, N., Coyle, M., Gaffney, P., & Subke, J. A. (2019). Climate benefits of forest-to-bog restoration on deep peat—Policy briefing. *ClimateXChange*, 1-5.

as mode switching in transport from private car to public transport and active travel could reduce the cost of transition on the individual, others could see an increase in costs. The principle of a Fair and Just Transition requires that any negative distributional impacts on those at the lower end of the income distribution should be addressed by accompanying policies, to compensate for or assist with the costs of transition. Carbon and motor taxes promote behavioural change as well as providing revenues for investment in climate action. However, the effectiveness of the carbon tax as a price signal is undermined by measures in the taxation system which subsidise both the use of fossil fuels and other climate damaging activities.¹³

The Environmental Pillar has repeatedly called for a rapid end to all fossil fuel and environmentally damaging subsidies.

CSO estimates in 2019 put the cost of direct and indirect fossil fuel subsidies at €2.4bn, 11% of which were direct subsidies.¹⁴ ESRI research published in 2019 examined the potential impact of the removal of eight of these subsidies and found that their removal would reduce “economy-wide CO2 emissions by 20% by 2030 and non-ETS emissions by 11.7% compared to a business-as-usual scenario.”¹⁵ The study included the household allowance, which is used to address fuel poverty, however, in comparison to the other subsidies the impact on emissions reductions was negligible. The household allowance is currently an important measure in ensuring a Just Transition, therefore we believe it should be continued for the foreseeable future.

The 2021 Climate Action Plan includes a commitment to “*Develop a roadmap for review and transition away from fossil fuel tax subsidies in the transport sector*”.¹⁶ While the Environmental Pillar welcomes this commitment, we believe that the pace of change in this area is too slow, especially in the context of the discussion on the backloading of emissions reductions to the second carbon budget period. The timeline set out in the Climate Action Plan won’t see the initiation of this review this until Q3 2023 and adoption of the results by Q1 2024 at the earliest. **A number of the most damaging subsidies should be phased out in this carbon budget period;** i.e. the price between petrol and diesel motor fuel, the lower excise duty on marked gas oil and the VAT refund on auto diesel for businesses.

In addition, transport is not the only sector where environmentally damaging subsidies in the taxation system remain, including those which contribute to climate change. The 2021 OECD review of Ireland’s environmental performance¹⁷ recommended identifying these subsidies and their policy objectives and designing new measures to achieve these policies in an environmentally sustainable manner (e.g. VAT exemption on fertilisers).¹⁸ This is a view which has been echoed by the Climate Change Advisory

¹³ OECD (2021), *Environmental Performance of Ireland* <https://www.dfa.ie/media/missions/prepparis/OECD-Environmental-Performance-of-Ireland.pdf>

¹⁴ <https://www.cso.ie/en/releasesandpublications/er/ffes/fossilfuelsubsidies2019/>

¹⁵ De Bruin, Monaghan and Yakut (2019) Impacts on lower income households can be tackled through the social welfare system

¹⁶ DECC (2020), *Climate Action Plan 2021*, p.151

¹⁷ OECD (2021), *Environmental Performance of Ireland* <https://www.dfa.ie/media/missions/prepparis/OECD-Environmental-Performance-of-Ireland.pdf>

¹⁸ An ESRI 2018 paper questioned the use of the 0 rating for fertiliser: “Also, the heterogeneity of farms in Ireland means that this change in the tax system could disproportionately affect small, struggling farmers, who are likely to be low-intensity users of fertiliser. Perhaps an appropriate solution in Ireland would be to charge a normal rate of

Council 2020 Annual Review: “With constrained Exchequer resources, continued support for potentially harmful fossil fuel subsidies is untenable. The Council recommends the rapid phasing out of such subsidies.”¹⁹

Expediting the phasing out of fossil fuels, beginning in Budget 2023, will raise much needed revenue for climate investment by the state and assist with funding a Just Transition.

VAT on fertiliser, thus removing the effective subsidy, but to refund this on the basis of farm size and type. Thus, farmers would only be refunded for using the correct amount of nitrogen used, penalising them for excess usage and rewarding them if they use a lower amount than their allocation.” P.22

¹⁹ Climate Change Advisory Council (2020), *Annual review 2020*, p.8