

Submission to The Department  
of the Environment, Climate  
and Communications

[Public Consultation on Carbon Budgets](#)

8 February 2022

**This submission is being made by Chartered Accountants Ireland by email to [carbonbudgetconsultation@decc.gov.ie](mailto:carbonbudgetconsultation@decc.gov.ie)**

## **About Chartered Accountants Ireland**

Chartered Accountants Ireland (“the Institute”) is a membership body representing over 30,000 influential members throughout the globe, including almost 20,000 members based in Ireland. Our role is to educate, represent and support our members, many of whom work in senior positions in practice and industry. We work with governments and businesses to raise awareness of the importance of sound financial advice, and we have had an active voice in addressing issues of relevance to our members over the past number of years.

The Institute has committed<sup>1</sup> to achieving net zero emissions in our own organisation and to encourage and guide our members to do the same. We have embedded environment, social and governance (ESG) across all points of our engagement with our members. We include relevant content in our student curriculum and our professional development programme, and we include it in our thought-leadership content and careers supports. We are participants in the UN Global Compact Network, and signatories to Global Accounting Alliance pledges to combat climate change by committing to net zero greenhouse gas emissions, and by acting collectively as a profession and individually as professionals working in the public interest.

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<sup>1</sup> <https://www.charteredaccountants.ie/News/chartered-accountants-ireland-joins-global-accountancy-bodies-in-net-zero-commitment>

## Executive Summary

Chartered Accountants Ireland is pleased to have the opportunity to respond to this public consultation on carbon budgets. We have commented specifically on the Climate Change Advisory Council's (CCAC) letter to Minister Eamon Ryan of 29 October 2021 and the accompanying technical report which both highlight the following:

- The journey to climate neutrality will require significant societal change
- Individuals and communities need support from Government to make these changes
- Early and effective engagement with workers, local communities, business, and social partners will be critical
- Significant investment in infrastructure will be needed to transition to a low-carbon economy
- Substantial retraining and upskilling will be required for the low carbon transformation
- A whole of Government approach will be needed to address the climate challenge that Ireland faces.

We agree that carbon budgets are required as part of a roadmap of actions set out in the Climate Action and Low Carbon Development (Amendment) Act 2021 to enable Ireland to reach the legally binding target of a climate neutral economy no later than 2050, and a reduction in emissions of 51 percent by 2030 compared to 2018 levels. However, carbon budgets alone will not be sufficient to meet these goals.

We believe that in order to achieve these targets:

- People and businesses need to be incentivised to switch to less carbon intensive technologies. However, affordable and viable alternatives must be provided to enable and influence the behavioural change needed
- The Government must embark on a communications drive to ensure that each stakeholder is aware of what they need to do achieve the carbon reduction targets
- The Government should develop supports and incentives for businesses and individuals to contribute to the achievement of carbon reduction targets
- The Government's communication strategy needs to highlight the long-term benefits and savings of decarbonisation
- The public sector should lead by example in the transition to net zero
- The Government should consider the current skills gap in relation to this area, develop appropriate guidance to ensure employers know what is expected and support businesses to upskill their people.

## Introduction

### *Role of Chartered Accountants in achieving climate neutrality*

Chartered Accountants have the potential to influence and encourage climate-positive choices in their own organisations, and in external businesses they work with, by implementing changes to reduce carbon emissions. They can advise on procurement policies and procedures that focus on sustainability as much as cost control. They also collect data to help ensure adequate disclosure of organisations' corporate environmental footprint.

### *Role of Chartered Accountants Ireland*

As an Institute, our role is as educators, supporters, and representatives of some 20,000 members based in Ireland, many of whom work in senior positions in practice and industry. Therefore, we occupy a position in the Irish economy that allows us to amplify messages of public interest to our members – in this case, how our members can act in the climate crisis.

We recognise that the path to enable Ireland to achieve its legally binding target of net-zero greenhouse gas emissions no later than 2050 will be complex and will require significant changes to how organisations carry out their activities.

Furthermore, we echo comments on p.3 of the Technical Report on Carbon Budgets that the carbon budgets present “a very significant challenge for our society and economy while we also grapple with other societal challenges such as the Covid-19 pandemic, Brexit and housing”. The proposed carbon budgets should set Ireland on a pathway consistent with a sustainable economy and society where greenhouse gas emissions are balanced or exceeded by the removal of greenhouse gases by 2050 and remain net zero or net negative thereafter.

In that regard we are keen to explore how Chartered Accountants can contribute and how the Institute can support this work.

### *Institute's position on climate change*

We believe that communication with stakeholders will be critical in achieving Ireland's climate goals. For several years, the Institute has been informing our members of the urgent need to address climate change and has committed to empower them to do this in their work.

## Alternatives to a carbon intensive economy

The Climate Action Plan has set a target of installing 600,000 heat pumps in residential buildings by 2030, including 400,000 in existing buildings, and upgrading 500,000 existing homes to B2 equivalent BER by 2030. There is also a 70 percent target for electricity generated from renewable sources by 2030. All of these are ambitious targets given today's numbers and will require significant buy-in from individuals, businesses, and other stakeholders if they are to be achieved. These stakeholders will need to know how the Government plans to achieve these changes and will also require a drive from Government to provide the appropriate infrastructure within which to achieve these goals.

For many, the biggest barrier to change will be the high upfront costs associated with these changes. We acknowledge that there is currently a range of grants available from the Sustainable Energy Authority of Ireland (SEAI) to support the upgrading of homes, such as grants of up to €3,500 covering heat pumps and of up to €3,000 to support the installation of solar PV panels. In addition to ensuring that these grants are widely communicated to encourage stakeholders to make the 'switch', further financial incentives to make this 'switch' more affordable will be needed. For example, access to finance to install low-carbon heating will be needed, along with grants to protect and enable the most vulnerable. Investment in training of engineers and installers will also be required to carry out the work.

For businesses, the SEAI provides a wide range of supports to businesses including advising them on improving energy efficiency, switching to/adding renewable energy sources and implementing effective energy management. We note particularly their key support for SMEs in the form of the Support Scheme for Energy Audits. We recommend that consideration is given to increasing the grants available for business energy upgrades.

The accelerated capital allowances for energy-efficient equipment (EEE) scheme should continue beyond the current expiration date of 31 December 2023. Under the scheme, 100 percent of the purchase value of the EEE, subject to a minimum spend, is written off against profits in the year of purchase. The tax relief is provided up front, benefitting the cash flow of the claimant and the scheme is not foregone by the Exchequer over the longer term, as the equipment would in any case be eligible for standard capital allowances over eight years. According to documentation supporting Budget 2021, the annual cost of this scheme is estimated to be only €4 million.

Carbon taxes are by now well established in Ireland. In our response to the consultation on carbon taxes in 2019<sup>2</sup> and the public consultation on the Climate Action Plan 2021, we stressed that clear parameters of what increases in carbon tax rates will achieve must be set out from the outset: if an increase in carbon tax, for example, is intended to change consumption patterns, affordable and viable alternatives to the use of high carbon taxed fuels must be provided for consumers.

Consumers also need to see a direct link between the carbon tax collected and what the additional revenues are spent on and how it benefits them. For example, if the amount of carbon tax paid is clearly shown on a purchase receipt for diesel or petrol, it would connect the consumer to how much tax is paid and may be a trigger in changing consumer behaviour and perhaps switching to an electric vehicle.

The Government has acknowledged that purchasing an electric vehicle is not affordable for many people despite the target of getting one million such vehicles on the road by 2030. Budget 2022 extended the €5,000 relief for purchasing electric vehicles to the end of 2023 and €100 million was set aside to encourage the provision of better charging infrastructure. More will be needed in the way of financial incentives and better charging infrastructure to encourage drivers to make the switch to electric vehicles if the ambitious target of one million vehicles is going to be reached in 8 years' time.

## **Communications – businesses and climate action**

In its letter to Minister Ryan, the CCAC said that “the journey to climate neutrality will require significant societal change” and “early and effective engagement with workers, local communities, business and social partners will be critical” in the transition to a low carbon economy.

We believe continuing Government initiatives for businesses to commit to carbon-reduction targets will be critical to effect the change needed. We acknowledge that this is an area on which our members, as well as all stakeholders, require further information, learnings and support. In a survey of our members carried out in January 2022, 96 percent of respondents expressed concern about environmental issues and their businesses' preparedness to tackle them; in particular, they cited a lack of understanding of ESG risks facing companies and businesses.

Furthermore, we acknowledge that businesses, particularly SMEs, have been severely impacted by the pandemic, as was demonstrated in the recent report from the Economic and Social Research Institute (ESRI).<sup>3</sup> Despite a baseline scenario showing a steady recovery path, the report found indicators of financial difficulties remaining persistently high. It may be the case that businesses struggling to survive in the short to medium term could be less well-disposed to receiving messages urging them to invest in change to create benefits for the long-term.

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<sup>2</sup> [Consultation on the options for the use of revenues raised from increases in Carbon Tax](#), 2019

<sup>3</sup> “SME Financial Distress and the Macroeconomic Recovery” <https://www.esri.ie/system/files/publications/WP718.pdf>, 24 January 2022

This suggests an ongoing requirement for clear and coherent guidance from Government to ensure that each sector of society, including the enterprise sector, is aware of what it needs to do to help achieve the carbon targets. Guidance will be needed by individual businesses on what to do, the benefits to them of taking this action, and the steps they can take to contribute to net zero. For example, highlighting the long-term savings and benefits of decarbonising heating and moving away from volatile fossil fuel price increases needs to be part of the Government's communication strategy.

There is a need for this guidance to be communicated to businesses via as many channels as possible. Also, where changes are introduced, such as higher carbon taxes and other measures to try to change behaviour towards more climate-positive actions, citizens and business must be supported by adequate infrastructure, advice, and tools to do so. A clear causal link must also be made between the changes and the positive benefits for climate change so that people easily "make the connection" needed to drive behavioural change.

### *Forum*

To help with this, we would also like to see closer engagement between the Government and representative bodies to help us to encourage our members to understand their role in the decarbonisation agenda. To this end we recommend that the Government creates and leads a forum wherein professional bodies like Chartered Accountants Ireland, Government agencies and other industry bodies meet regularly to collaborate in communications to the enterprise sector.

Outputs from this forum could include a communication strategy including leaflets, videos and other assets which would engage businesses on how and why they should act on Scope 1, 2 and 3 emissions, guiding businesses towards the Government's online climate toolkit and other freely available resources.

We feel that this forum and its output could help address the need identified in the Technical Report (p.55) for businesses, "particularly small and medium sized enterprises (SMEs)" to be prepared for the low carbon economy of the future by enhancing their resilience, reducing risk, and ensuring their business/farm is successful in a decarbonised world. For many such businesses, their accountant is their only professional advisors and as such needs to be part of the communications infrastructure employed to achieve this goal. Guidance on how these businesses can measure carbon emissions should be communicated widely.

### *Communicating the risks*

The recent ESRI publication titled "Public understanding of Climate Change and support for mitigation"<sup>4</sup> illustrates how clear climate information can strongly affect support for action.

This suggests that benefits may be derived from the Government developing a communications programme to establish a clear link between businesses and the physical and transitional risks posed by climate change, perhaps by underscoring the message that 1,000 different actions by citizens and businesses are required to deliver our climate goals.

Some of the **risks** facing businesses are highlighted on p.8 of the Technical Report including the consequences of failing to act. Others, such as outlined on p.12, take a macroeconomic view, and describe the €12 billion annual EU economic losses from more frequent climate-related extreme events. More specific risks include the risk of higher operational costs to business of supply chain interruptions and restricted labour capacity; the risk of losing out to competitors benefiting from early-mover advantage in operationalising climate mitigation and adaptation programmes; the risk of not being able to raise finance; and other organisational and reputational risks from not embedding climate risk into their business plans.

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<sup>4</sup> [Public understanding of climate change and support for mitigation](#), published 25 January 2022

The Government could also consider communicating the **opportunities** afforded to businesses that embed climate action in their businesses, regardless of size or sector. These are touched on in the Technical Report (p.8) and could be expanded upon in greater detail by way of case studies and champions programmes (see below). Furthermore, communicating these positive impacts of adaptation efforts linked back to implementing the carbon budgets programme could incentivise businesses to protect themselves and society by taking action.

As the carbon budgets are legally-binding, the Government should also publicise widely the compliance costs that would result if Ireland fails to meet the EU climate targets and how sectors responsible for the shortfall would be penalised.

### *Awards and incentives*

Individual businesses could be recognised for significant achievements. We recommend that the Government considers a range of measures linked to the carbon budgets to incentivise SMEs to engage in climate-positive activity. We would welcome the restarting of the Government's SDG Champions Program, to encourage businesses to find practical ways to contribute to achieving the SDGs – particularly SDG 13 Climate Action – using the champion organisations' practices as examples of how to reach carbon-reduction targets. We believe that this program would help increase awareness of carbon budgets and provide additional publicity of what will be required by businesses across the board.

While we acknowledge the very worthwhile work of the SEAI in its provision of grants and advice, and other programmes such as An Taisce's Climate Ambassadors programme, the Green Business & Sustainability Awards in association with Bord Na Mona and, indeed, the SEAI's own Energy Awards, we recommend further promotion of the UN's Race to Zero Campaign<sup>5</sup>, which has resulted in a third of the UK's biggest companies committing to net zero.<sup>6</sup> A similar campaign for Irish companies may have similar results for Ireland.

## **Public sector leadership**

Furthermore, as urged by Chambers Ireland,<sup>7</sup> the carbon budgets will need to become a “fundamental part of decision-making within public bodies” if we are to achieve Ireland's climate targets. We echo this sentiment and look forward to seeing more from the public sector leading by example in the transition to net zero, as outlined in Section 9 the Climate Action Plan 2021.

## **Skills shortage**

In its letter to Minister Ryan, the CCAC stated that the Council's proposed carbon budget programme has regard to considerations for maximising employment. The Technical Report expands this point, particularly in Section 3.2 'Economic Analysis', where the report states that the carbon budgets must consider, insofar as is practicable, the need to maximise employment, the attractiveness of the State for investment and the long-term competitiveness of the economy. This emphasis on the potential for job growth and long-term economic growth for the country comes at a time of similar forecasts<sup>8</sup> of reduced unemployment and increased economic growth for Ireland.

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<sup>5</sup> <https://sdgs.un.org/goals>

<sup>6</sup> <https://www.gov.uk/government/news/third-of-uks-biggest-companies-commit-to-net-zero>

<sup>7</sup> <https://www.rte.ie/news/business/2022/0113/1273494-carbon-budgets-needed-to-achieve-climate-targets/>

<sup>8</sup> Central Bank of Ireland, Quarterly Bulletin, 01 / January 2022 <https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q1-2022>, published 26 January 2022.

While these positive outlooks are to be welcomed, we note the report<sup>9</sup> published by the Department of Enterprise, Trade and Employment in November 2021 on the new skills required for the zero-carbon economy specific to Renewable Energy, Residential Retrofit and Electric Vehicle Deployment Skills to 2030. Accountants are included under section 3.2 of the report, ‘Emerging and Niche Occupations’ as being among the specialist and experienced professionals in which many industry stakeholders identified particular shortages.

The current skill shortage of professionals has been well-publicised, through references to ‘the great resignation’ caused by the COVID-19 pandemic and reports of the difficulties businesses are experiencing in attracting and retaining talented employees.

This Institute is acutely aware of the shortage of accountants in the Irish market in particular, and we have been communicating with the Department of Enterprise Trade and Employment on behalf of our members following reports of delays experienced in obtaining Critical Skills Employment Permits for Chartered Accountants.<sup>10</sup>

We believe that the Government should consider all necessary measures to alleviate these skills shortages, and we welcome further communication with the Government in this respect.

## Conclusion

We suggest that Chartered Accountants in their role as advisors to businesses will be critical in achieving Ireland’s climate targets, and that they must be empowered to do so. The CCAC advises that the journey to climate neutrality will require significant societal change, including changes to job markets and livelihoods, which could also disproportionately impact some local communities. In line with the principles of just transition, the Council advises that these workers and communities need to be prepared and supported. Early and effective engagement with workers, local communities, business, and social partners is critical to this. Accountants have a key role to play in this transition, particularly in their role as professional advisors to small and medium-sized enterprises.

Accountants, in their role as advisors to small businesses are sometimes the only professional advisors to which a business has access. Providing information about how businesses can reduce carbon emissions is one of the many ways in which accountants can communicate why businesses should be aware of the risks and opportunities posed by climate change, such as competitive advantage, reduced costs and maximised profit, but also the co-benefits of reduced carbon emissions in terms of air quality, water quality, biodiversity and other improvements to human health and wellbeing.

We understand that support from businesses and households for action on climate change – including policies such as carbon tax increases – is strengthened by just ten minutes of exposure to the basic science.

As an Institute we feel that accountants should be empowered to do this at an individual, business and community level, and that the Institute can work with Government to amplify its messaging and connect our members to the relevant tools to facilitate them in this work.

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<sup>9</sup> Skills for Zero Carbon, <https://www.gov.ie/en/publication/49bd0-skills-for-zero-carbon/>, published 24 November 2021.

<sup>10</sup> [https://www.charteredaccountants.ie/docs/default-source/dept-public-policy/representations/2021-11-letter-to-l-varadkar-re-critical-skills-employment-permit-27-10-21.pdf?sfvrsn=db55b77c\\_2](https://www.charteredaccountants.ie/docs/default-source/dept-public-policy/representations/2021-11-letter-to-l-varadkar-re-critical-skills-employment-permit-27-10-21.pdf?sfvrsn=db55b77c_2)