



**Rialtas na hÉireann**  
Government of Ireland

## **Staff Paper**

# **Review of Fossil Fuel Subsidies and other Potentially Climate Harmful Supports**

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**FEBRUARY 2023**

This paper has been prepared by IGEEES staff in the Department of Public Expenditure and Reform. The views presented in this paper do not represent the official views of the Department or Minister for Public Expenditure and Reform.

# **IGEEES**

Irish Government Economic and Evaluation Service

## Executive Summary

- The Department of Public Expenditure & Reform (DPER) is committed to the progressive implementation of green budgeting in Ireland. Green budgeting is the use of the budgetary system to promote and achieve improved environmental outcomes. It is an explicit recognition that the budgetary process is not a neutral process, but reflects long standing societal choices about how resources are deployed.
- One of the goals of implementing green budgeting is to increase the level of transparency on the Government's financial commitments to climate action. Since 2019, DPER has been reporting the level of climate-related expenditure annually in the Revised Estimates Volume for Public Services and is incorporating impact reporting in the annual Performance Budget Report.
- The next step in implementing green budgeting is the identification of potentially climate harmful Exchequer supports. Climate Action Plan 2021 committed DPER to developing and applying definitions to identify and track government spending that may be having a negative impact on climate and environmental outcomes. This paper represents the first step in fulfilling this commitment.
- This review has a number of components. Firstly, it examines the various definitions of fossil fuel subsidies that are in use internationally. We then consider the most appropriate definition for identifying fossil fuel subsidies *and* other supports which are likely to lead to increased greenhouse gas emissions in an Irish context. In line with the reporting on climate-related expenditure, this definition has been applied to identify fossil fuel and other potentially climate harmful supports in 2023 on a subhead by subhead basis.
- This paper will use the OECD approach, which defines a subsidy as the result of a government action that confers an advantage on consumers or producers in order to supplement their income or lower their costs. A subsidy is considered in this paper to be a *Potentially Climate Harmful Support* if it is likely to incentivise behaviour that increases greenhouse gas emissions, irrespective of its importance for other policy purposes.
- The inventory included in this paper identifies programmes that meet this definition but it does not explicitly measure the impact of supports on the price of greenhouse gas producing activities, the quantities consumed or emissions levels.
- This approach builds on work carried out by the Central Statistics Office (CSO) which defined certain activities or industries as particularly polluting e.g. non-renewable energy, transport or agriculture. In this paper, similar assumptions are made about the impact of certain sectors on greenhouse gas emissions. This is guided by the Environmental Protection Agency's emissions inventory. In certain instances, sectoral measures may increase efficiencies and reduce the level of emissions associated with a given activity. For any given policy, the onus was on Government Departments to prove this was the case. Where this was not clear, the policy was included in the inventory. Over time, these links are likely to become clearer, perhaps resulting in the removal of some supports from the inventory.

- The focus of this paper is Exchequer supports made available through Voted expenditure. Voted expenditure forms the largest part of Government expenditure, as it encompasses the ordinary services of Government (health, social protection, education and so on). This type of spending is announced in the Budget speech as an Estimate, which needs to be approved by Dáil vote before it can be legally valid. There are several other areas of non-Voted expenditure which may result in climate harmful outcomes.
- The identification of a subhead as a potentially climate harmful support is not in any way a suggestion that a programme is flawed or should be halted. Rather, it merely acknowledges the likely practical impacts a programme may have. The stated policy rationale for each subhead considered to be potentially harmful is detailed and, as will be clear, in many cases the programmes in question may lead to very important wider social benefits. The identification merely means that careful consideration should be undertaken to determine if there are potentially less distortionary means of achieving the outcomes the expenditure supports.
- In some cases, programme reforms have already likely reduced negative externalities. For example, the fuel allowance is now a means-tested, direct income support provided for a certain period of the year. While it is provided over a time of the year when energy costs are higher, as a cash payment, decisions on its specific use are at a household's discretion. As such, there is no incentive to over-consume energy, which may have been the case were the supports linked to a certain quantity of energy use or provided as on-bill support only.
- It also demonstrates that, where feasible, Departments and Agencies should put in place controls or complimentary measures that can offset or negate any potentially harmful impacts that have been identified. Where this is not possible, it demonstrates the need for the Government to have regard to broader measures which offset the unfavourable climate consequences of these expenditures.
- The following subheads were identified as containing a material element of potentially climate harmful supports:

Potentially Climate Harmful Supports 2023		
<b>Vote 7: Department of Finance</b>		
Programme/Scheme	Subhead	2023
		€ ,000
Fuel Grant	A.5	11,000
<b>Total</b>		<b>11,000</b>
<b>Vote 29: Department of Environment, Climate &amp; Communications</b>		
Programme/Scheme	Subhead	2023
		€ ,000
Gas Services	B.8	45
Mining and Petroleum Services	C.3	3,264
<b>Total</b>		<b>3,309</b>
<b>Vote 30: Department of Agriculture, Food and Marine</b>		
Programme/Scheme	Subhead	2023
		€ ,000

Areas of Natural Constraint	B.4	250,000
Development & Promotion of Agriculture & Food (Non-Farm)	C.4	30,766
An Bord Bia Grant	C.6	55,290
<b>Total</b>		<b>336,056</b>
<b>Vote 31: Department of Transport</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023</b>
		<b>€,000</b>
Regional Airports*	D.3	27,648
Aviation Covid Supports	D.5	9,000
<b>Total</b>		<b>36,648</b>
<b>Vote 32: Department of Enterprise, Trade and Employment</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023</b>
		<b>€,000</b>
IDA Ireland*	A.5	238,001
Enterprise Ireland*	A.7	220,367
TBESS	A.18	649,130
<b>Total</b>		<b>1,107,498</b>
<b>Vote 33: Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023</b>
		<b>€,000</b>
Tourism Marketing Fund	A.5	63,173
Tourism Product Development	A.6	36,500
<b>Total</b>		<b>99,673</b>
<b>Vote 37: Department of Social Protection</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023</b>
		<b>€,000</b>
Household Benefits Package <sup>1</sup>	A.39	87,049
Fuel Allowance <sup>2</sup>	A.41	249,666
<b>Total</b>		<b>336,715</b>
* Please note that sub-heads marked with an asterisk will receive additional funding in 2023 via the carryover of unspent capital funds from 2022, as detailed in the table below.		
<b>Total Potentially Climate Harmful Supports in 2023 – € 1,931 million</b>		
<b>Total Expected Potentially Climate Harmful Supports (Including Capital Carryover) in 2023 - €1,990 million</b>		
<b>Additional Potentially Climate Harmful Supports In 2023 via Capital Carryover</b>		
<b>Programme/Scheme</b>	<b>Vote</b>	<b>2023</b>

		<b>€ ,000</b>
<b>Regional Airports</b>	31	4,900
<b>IDA Ireland</b>	32	30,500
<b>Enterprise Ireland</b>	32	24,000
<b>Total</b>		<b>59,400</b>

<sup>1</sup> This scheme will also receive a non-voted expenditure allocation of €197,865,000 from the Social Insurance Fund (SIF) in 2023. As this review focuses on voted expenditure at the subhead level, the SIF component of this scheme has not been included in the table or totals above. Total voted and non-voted expenditure allocated to this scheme in 2023 is €284,914,000.

<sup>2</sup> This scheme will also receive a non-voted expenditure allocation of €162,254,000 from the Social Insurance Fund (SIF) in 2023. As this review focuses on voted expenditure at the subhead level, the SIF component of this scheme has not been included in the table or totals above. Total voted and non-voted expenditure allocated to this scheme in 2023 is €411,920,000.

- In several instances, not all of the expenditure included in a subhead is potentially climate harmful, but the full subhead is included on the basis that a material portion of the spending constitutes potentially climate harmful expenditure. Therefore, the figures in the table above are likely an over-estimate of the level of potentially climate harmful supports in 2023.
- For example, all expenditure by key State Agencies such as EI, IDA, Tourism Ireland and Bord Bia is included. Since the primary purpose of these agencies is to promote the growth of their respective sectors, it is difficult to conclude anything but that this expenditure will lead to a net growth in greenhouse gas emissions. However, all of these agencies also offer explicit supports for improving the efficiency and sustainability of their sectors, likely limiting the increases in emissions. Since funding for each of the agencies comes through a single sub-head it is impossible at this point in time to separate potentially harmful spending from potentially beneficial spending and hence the inclusion of the full cost of the agencies in this table likely overstates climate harmful spending.
- However, infrastructure provision is not included in this iteration of the review, nor are wider environmental impacts (e.g. biodiversity) considered. It should be noted that the provision of infrastructure investment was subject to a climate and environmental assessment undertaken by DPER in 2021 as part of the National Development Plan (NDP) Review. Therefore, the total figure of €1.99bn is likely a conservative estimate of the environmentally harmful activity the Exchequer will fund in 2023. Temporary expenditure due to Covid-19 and the energy crisis makes up about 33% of this figure.
- It should be noted that this paper represents a first step in the process of identifying potentially climate harmful Exchequer supports. While international estimates are available for the level of fossil fuel subsidisation, this paper goes beyond this by identifying wider supports that result in non-CO<sub>2</sub> emissions. This was deemed appropriate based on Ireland’s commitment to achieving a ‘climate neutral economy’ by 2050, where greenhouse gas emissions are balanced or exceeded by the removal of greenhouse gases. Our methodology is therefore based on those available to estimate fossil fuel subsidies and potentially environmentally damaging supports. Further refinement of the methodology will take place as further research is conducted internationally.
- It is intended to include a table identifying the potentially climate harmful supports in the publication of future iterations of the Revised Estimates Volume.

# Contents

<b>1. Introduction</b>	<b>8</b>
<b>2. International Context - The Paris Agreement</b>	<b>9</b>
<b>3. Why does the State subsidise climate harmful activities?</b>	<b>10</b>
<b>4. Review of Fossil Fuel Subsidies and other Potentially Climate Harmful Supports in an Irish context</b>	<b>10</b>
4.1 <i>Defining a Fossil Fuel Subsidy</i>	11
4.1.1. The International Energy Agency (IEA) Definition	12
4.1.2. The OECD	12
4.1.3. The IMF	13
4.1.4. Comparing Approaches	13
4.2. <i>Ireland and Fossil Fuel Subsidies</i>	14
4.2.1 ESRI	14
4.2.2 Central Statistics Office	14
<b>5. The Approach of this Paper</b>	<b>15</b>
5.1 <i>Defining Fossil fuel Subsidies and other Potentially Climate Harmful Supports</i>	15
Step 1: Identify supports	15
Step 2: Classifying a support as Potentially Climate Harmful	16
<b>6. Potentially Climate Harmful Supports Inventory</b>	<b>17</b>
6.1. <i>Income Supports</i>	19
The Fuel Allowance: Department of Social Protection	19
Fuel Grant for Disabled Drivers – Department of Finance	21
6.2. <i>Supports to Fossil Fuel Industries</i>	21
Gas Services – The Department of Environment, Climate and Communications	21
Mining and Petroleum Services – The Department of Environment, Climate and Communications	22
6.3. <i>Aviation Supports</i>	23
Regional Airports Programme – Department of Transport	23
Aviation COVID-19 Supports – Department of Transport	24
6.4. <i>Tourism Supports</i>	25
Tourism Marketing Fund – Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media	25
Tourism Product Development – Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media	26
6.5. <i>Enterprise Supports</i>	27
IDA Ireland – Department of Enterprise, Trade and Employment	27
Enterprise Ireland – Department of Enterprise, Trade and Employment	28
TBESS– Department of Enterprise, Trade and Employment	29
6.6. <i>Agriculture Supports</i>	29
Areas of Natural Constraint Scheme – DAFM	29
Development & Promotion of Agriculture & Food (Non-Farm) – DAFM	30
An Bord Bia Grant – The Department of Agriculture, Food and the Marine	31
<b>Appendix</b>	<b>33</b>



## 1. Introduction

The Department of Public Expenditure & Reform (DPER) is committed to the progressive implementation of green budgeting in Ireland. Green budgeting is the use of the budgetary system to promote and achieve improved environmental outcomes. It is an explicit recognition that the budgetary process is not a neutral process, but reflects long standing societal choices about how resources are deployed.

Since 2019, DPER has been reporting the level of climate-related expenditure annually in the Revised Estimates Volume for Public Services. The goal of this work is to increase the level of transparency of budgetary decision-making and contribute to a more informed policy debate on the level, structure and effectiveness of the Government's response to climate change.

Since the implementation of green budgeting began, Ireland's climate ambition has increased significantly. Most notably, the legal framework within which climate policy operates has been considerably strengthened. The Programme for Government committed to a 51% reduction in economy-wide greenhouse gas emissions by 2030 (based on 2018 levels), which represents one of the most ambitious emissions reduction targets in the world.

The Climate Action and Low Carbon Development (Amendment) Act 2021 requires the Government to adopt a series of economy-wide 5 year carbon budgets on a rolling 15-year basis. The Act also requires that the first two carbon budgets (2021 – 2025 and 2026 – 2030) must achieve a 51% reduction in greenhouse gas emissions and commits Ireland to achieving climate neutrality by 2050. These economy-wide budgets have been translated into specific targets for each relevant sector, known as the sectoral emissions ceilings. The means of achieving these ambitious targets are set out in the Government's Climate Action Plan, which is updated annually.

While DPER's reporting on climate-related expenditure has brought renewed focus to the Government's commitments on climate action, it is broadly accepted that several areas of fiscal and budgetary policy have negative climate and environmental consequences. Subsidisation, directly or indirectly, impacts the prices households and businesses pay to purchase goods and services, altering the quantities of these products that are consumed. Some of this subsidisation may reduce the cost of certain climate harmful activities, distorting the market and leading to increased activity in these sectors, resulting in greater production of greenhouse gas emissions.

While some climate harmful supports are necessary from a social inclusion perspective, some are likely to represent an inefficient use of public resources. In many cases they may counteract incentives for investment in green technologies. These potentially climate harmful supports may come in many forms such as direct subsidies, market price interventions, social supports, tax rebates and reduced excise rates for certain sectors of the economy.

In a report published in April 2019, the Central Statistics Office (CSO) estimated that Ireland spent around €4 billion annually from 2012 - 2016 on programmes and tax incentives which could have environmentally harmful consequences<sup>1</sup>. Reducing some of these supports could offer a cost effective means of reducing greenhouse gas emissions. This has implications for reaching Ireland's legally

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<sup>1</sup>[https://www.cso.ie/en/media/csoie/releasespublications/documents/rp/fossilfuelandsimilarsubsidies/Fossil\\_Fuel\\_and\\_Similar\\_Subsidies.pdf](https://www.cso.ie/en/media/csoie/releasespublications/documents/rp/fossilfuelandsimilarsubsidies/Fossil_Fuel_and_Similar_Subsidies.pdf)

binding EU climate and energy targets, the health of Irish citizens, equality<sup>2</sup> and the costs of adapting to climate change.

The next step in providing greater transparency on the Government's financial commitments to the climate change agenda is to track potentially climate harmful Exchequer supports. Climate Action Plan 2021 committed DPER to developing and applying definitions to identify and track government spending that may be having a negative impact on climate and environmental outcomes. This paper represents the first attempt at fulfilling this commitment.

The focus of this paper is Exchequer supports made available through Voted expenditure. Voted expenditure forms the largest part of government expenditure, as it encompasses the ordinary services of government (health, social protection, education and so on). This type of spending is announced in the Budget speech as an Estimate, which needs to be approved by Dáil vote before it can be legally valid. In reality there are several other areas of non-Voted expenditure which may result in climate harmful outcomes.

## 2. International Context - The Paris Agreement

At the COP 21 climate conference in Paris, on 12 December 2015, parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable, low carbon future. The Paris Agreement includes addressing a significant obstacle to the low carbon transition – subsidies and public support for fossil fuels. Specifically, taking steps to end public subsidies for fossil fuels is critical for meeting the goals set out in article 2.1.c of the Paris Agreement: "*making financial flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development*" (UNFCCC, 2015)<sup>3</sup>.

The Article 2.1.c goals have been reiterated at European Union level. The EU Commission has stated that removing fossil fuel subsidies is vital to fulfil climate objectives and international commitments<sup>4</sup>. The Commission has estimated that fossil fuel subsidies in Member States stood at €55 billion per year between 2014 and 2016 *'implying that EU and national policies might need to be reinforced to phase out such subsidies'*<sup>5</sup>. While fossil fuel subsidies in EU Member States fell slightly in 2020, down to €52 billion from €56 billion in 2019, this was due to falling consumption amid the COVID-19-related restrictions<sup>6</sup>. Without Member State action fossil fuel subsidies are likely to rebound as economic activity rebounds.

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<sup>2</sup> There is evidence to suggest that fossil fuel subsidies are poorly targeted and regressive, given that the wealthier in society consume more fossil fuels in total: Whitley, S., & Van der Burg, L. (2018). Reforming Fossil Fuel Subsidies. In J. Skovgaard & H. Van Asselt (Eds.), *The Politics of Fossil Fuel Subsidies and their Reform* (pp. 47-65). Cambridge: Cambridge University Press. doi:10.1017/9781108241946.005

<sup>3</sup> The Sustainable Development Goal (SDGs) on Sustainable Consumption and Production (SDG 12) also includes a goal on reforming fossil fuel consumption and production subsidies<sup>3</sup>.

<sup>4</sup> European Commission (2019) *Fourth State of the Energy Union report*. Brussels: European Commission

<sup>5</sup> European Commission (2019) *Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Energy prices and costs in Europe*.

<sup>6</sup> [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_5556](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_5556)

At COP26 Ireland was a signatory to the Statement on International Public Support for the Clean Energy Transition, which outlines the commitment to end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement.

### 3. Why does the State subsidise climate harmful activities?

Subsidisation of climate harmful activity typically occurs because the subsidy has a beneficial impact on other areas, such as poverty, social inclusion and employment. The subsidisation of fossil fuels, for instance, is often motivated by these social outcomes. Access to affordable energy supplies is considered to promote general economic development. Production subsidies are often used to promote domestic supplies of energy so that countries are not entirely import dependent. They have also traditionally been used across Europe to maintain regional and sectoral employment.

The identification of a sub-head as a potentially climate harmful support is not in any way a suggestion that a programme is flawed or should not proceed. Rather, it merely acknowledges the likely practical consequences of the programme. As noted, the programme in question may lead to very important wider social benefits. The identification merely means that careful consideration should be undertaken to determine if there are potentially less distortionary means of achieving the outcomes the expenditure supports. In addition, it demonstrates that, where feasible, Departments should consider complimentary measures that can offset or negate any potentially harmful impacts that have been identified. Where this is not possible, it demonstrates the need for the Government to have regard to other measures which offset the unfavourable climate consequences of these expenditures.

### 4. Review of Fossil Fuel Subsidies and other Potentially Climate Harmful Supports in an Irish context

While the international focus has emphasised the phasing out of fossil fuel subsidies, greenhouse gases from sources other than fossil fuels, such as methane and nitrous oxide from agriculture, account for over a third of Ireland's national greenhouse gas emissions. A focus on fossil fuel related subsidies therefore misses other forms of supports to activities that exacerbate climate change. This paper will focus on identifying supports for activities that increase greenhouse gas emissions, including non-CO<sub>2</sub> greenhouse gas emissions.

Green budgeting analysis of tax measures was first applied by the Department of Finance in Budget 2022 and considers the climate impact of tax measures from a monetary perspective<sup>7</sup>. It examines both climate positive and climate negative tax revenue raising measures and tax expenditures. The analysis focuses on measures deemed to have a climate change mitigation or climate change adaptation impact. This exercise was repeated in the context of Budget 2023<sup>8</sup>. Taxation measures are therefore not included in the scope of this paper and will continue to be examined in the context of the Department of Finance's green budgeting programme.

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<sup>7</sup> [A Review of Green Budgeting from a Tax Perspective.](#)

<sup>8</sup> <https://assets.gov.ie/239782/1d0d20e3-bf66-453b-b31b-a006c9707e8a.pdf>

This review will have a number of components. Firstly, it will examine the various definitions of fossil fuel subsidies that are in use internationally. We will then consider the most appropriate definition for identifying fossil fuel subsidies *and other supports* which are likely to lead to *increased greenhouse gas emissions* in an Irish context. In line with the reporting on climate-related expenditure, this definition will be applied to identify fossil fuel and other potentially climate harmful supports in 2023 on a sub-head by sub-head basis. This identification will allow the Department to track these subsidies and integrate our findings into budgetary publications in the future, such as the Revised Estimates Volume, on an annual basis. As information on government expenditure is published regularly at the sub-head level, it will also provide an enhanced degree of transparency for the public.

Building on this identification, the review will outline the stated policy rationale for the identified programmes. This will help policy makers to understand the trade-offs associated with these programmes and will help to identify areas for future research - for example, whether the programme's policy objectives could be achieved using alternative mechanisms that do not increase greenhouse gas emissions to the same degree.

This work is intended to be a key component of an informed debate on the need for, and benefits of, reforms to fossil fuel subsidies and climate harmful supports. It will provide a basis for understanding the environmental, fiscal, and economic welfare impacts of reform, the likely social and political challenges, and provide an illustrative benchmark against which alternative policy options can be considered.

In several instances, not all of the expenditure included in a subhead is potentially climate harmful, but the full subhead is included on the basis that a material portion of the spending constitutes potentially climate harmful expenditure. Therefore, the figures in the table are likely an over-estimate of the level of potentially climate harmful supports in 2023.

For example, all expenditure by key State Agencies such as EI, IDA, Tourism Ireland and Bord Bia is included. Since the primary purpose of these agencies is to promote the growth of their respective sectors, it is difficult to conclude anything but that this expenditure will lead to a net growth in greenhouse gas emissions. However, all of these agencies also offer explicit supports for improving the efficiency and sustainability of their sectors, likely limiting the increases in emissions. Since funding for each of the agencies comes through a single sub-head it is impossible to separate potentially harmful spending from potentially beneficial spending and hence the inclusion of the full cost of the agencies in this table likely overstates climate harmful spending.

However, infrastructure provision is not included in this iteration of the review, nor are wider environmental impacts considered. Therefore, the total figure of €1.99bn is likely a conservative estimate of the environmentally harmful activity the Exchequer will fund in 2023.

While the focus of this study is supports that result in increased greenhouse gas emissions, we will build on the studies that have measured fossil fuel subsidies exclusively.

## 4.1 Defining a Fossil Fuel Subsidy

There is no commonly agreed definition of what constitutes a fossil fuel subsidy, even at the EU level. For this reason quantifying the level of fossil fuel subsidies within the EU has been a challenge. This has also been an obstacle to their elimination. However, global subsidy estimates have relied on two main strategies:

**The inventory approach:** this is a programme specific approach that quantifies the value transferred to market participants from particular government activities. Inventories compile programme specific data on individual government supports to fossil fuels.

**The price-gap approach:** assesses the variance between the observed and the 'free market' price for an energy commodity. This approach does not require the detailed inventory that the inventory approach requires. It uses data on end user prices relative to reference prices to calculate price gaps. For this reason it is a useful approach for carrying out cross country comparisons of subsidies.

Three different international organisations collect data on fossil fuel subsidies and provide the most comprehensive estimates of global fossil fuel subsidies – the International Energy Agency (IEA), the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD). All three use different methodologies for their calculations based on variations of the inventory and price gap approaches. A brief summary of these approaches is provided below.

#### 4.1.1. The International Energy Agency (IEA) Definition

The IEA uses the price-gap approach to measure the level of government subsidies provided to fossil fuel consumers on an annual basis<sup>9</sup>. The IEA approach estimates subsidies to fossil fuels that are consumed directly by end-users or consumed as inputs to electricity generation. The approach compares average end-user prices paid by consumers with reference prices that correspond to the full cost of supply. The price gap is the amount by which an end-use price falls short of the reference price and its existence indicates the presence of a subsidy. The methodology effectively measures 'gaps' between the domestic price of energy and the delivered price of comparable products from abroad.

If domestic energy prices remain relatively static the IEA estimates will vary year to year based on any changes in international fossil fuel prices. In countries that are net importers, this can be seen as an increase in the budget deficit as consumer prices remain static while import prices rise.

#### 4.1.2. The OECD

The OECD take an alternative, inventory approach to measuring fossil fuel subsidies<sup>10</sup> aimed at capturing all explicit subsidies included in the general government budget. The OECD provides regular estimates of fossil fuel subsidies across OECD countries. The most recent figures for Ireland are for the year 2021<sup>11</sup>.

The method records direct budgetary transfers and tax expenditures that provide a benefit or preference for fossil-fuel production or consumption, either in absolute terms or relative to other activities or products. This is known as a 'total support estimate (TSE)'. This methodology captures pricing distortions and transfers that do not impact end-market prices. The TSE tracks individual policies on producer and consumer sides of the market and allows interactions to be evaluated. Government supports for a particular fuel market that are not directed at individual consumers/producers are also tracked.

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<sup>9</sup> <https://www.iea.org/topics/energy-subsidies>

<sup>10</sup> The OECD defines a subsidy as "*any measure that keeps prices for consumers below market levels, or for producers above market levels or that reduces costs for consumers or producers*" (OECD, 2005, p.114). This definition is broader than the European System of Accounts definition.

<sup>11</sup> <https://fossilfuelsubsidytracker.org/>

### 4.1.3. The IMF

The IMF uses a price gap approach that is broader than that used by the IEA. The subsidy estimation is calculated relative to “economically efficient fossil fuel prices”<sup>12</sup>. This approach determines the efficient price level for a fossil fuel and considers any difference to be a subsidy. Economically efficient fossil fuel prices have a number of components: The economic (or opportunity) cost of supplying fuel to consumers, the environmental cost and general revenue raising considerations. The IMF also prepares a ‘post-tax’ estimate, which includes an imputed national sales tax on fossil fuels for countries where the IMF felt that current levels were insufficient.

### 4.1.4. Comparing Approaches

The quantification of international fossil fuel subsidy estimates is impacted to a great extent by the definition chosen. Each of the approaches discussed above has both strengths and weaknesses<sup>13</sup>.

The IEA approach estimates include only those interventions that result in final prices to end-users below those that would prevail in a competitive market. The IEA tend to focus on developing countries in their analysis. For net importing countries such as Ireland the domestic retail price for fossil fuels rarely falls short of international reference prices. Adopting this approach here would hence imply that there is no subsidisation occurring. Estimates based on the price-gap approach are therefore likely to understate total fossil-fuel subsidies in Ireland.

The IEA approach is also influenced by the reference price applied. Where energy resources are thinly traded, assessing the appropriate reference price can be difficult<sup>14</sup>. This is particularly the case for network energy such as electricity. These estimates should therefore be viewed as a lower bound of subsidy estimates. The approach is most useful for identifying countries with large pricing distortions. To determine a reform plan, further information on each of the policy measures would be required<sup>15</sup>.

The IMF approach is unique in the sense that it considers the inefficient taxation of fossil fuels as subsidisation. Thus the government’s failure to deal with a market failure (such as the negative externalities associated with fossil fuel consumption) is considered a form of subsidy<sup>16</sup>. Economically this is the most accurate assessment of subsidisation. However, estimating the level of subsidisation occurring based on this methodology requires a knowledge of all efficient prices. The IMF estimate these prices based on the opportunity cost, an environmental cost and general revenue raising considerations. There is considerable uncertainty with making these estimations. The environmental cost in particular is difficult to estimate. As the IMF concept is broader than that of the IEA or the OECD, the IMF estimates tend to be higher.

The real advantage of the OECD methodology is that it can identify more sophisticated methods of subsidisation. Some government supports do not impact final fossil fuel prices and therefore would not be identified based on a price gap approach. Vouchers to low-income households, state support

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<sup>12</sup> <https://www.elibrary.imf.org/view/journals/001/2019/089/article-A001-en.xml?lang=en&language=en>

<sup>13</sup> <https://www.cambridge.org/core/books/politics-of-fossil-fuel-subsidies-and-their-reform/defining-and-measuring-fossil-fuel-subsidies/5D97CEEECAEC5277CBDDD67DDC24F6AE/core-reader>

Sources: Koplow and Dernbach 2001; Kojima and Koplow 2015.

<sup>14</sup> <https://www.cambridge.org/core/books/politics-of-fossil-fuel-subsidies-and-their-reform/defining-and-measuring-fossil-fuel-subsidies/5D97CEEECAEC5277CBDDD67DDC24F6AE/core-reader>

<sup>15</sup> Koplow, D. (2015). Subsidies to energy industries. In Reference Module in Earth Systems and Environmental Sciences, ed. S. Elias. Amsterdam: Elsevier, pp. 1–16.

<sup>16</sup> Given that the environmental, pollution and health costs associated with the burning of fossil fuels are paid by society at large, not charging explicitly for these costs could be considered subsidisation

for the decommissioning of old power plants, other producer subsidies and subsidies that boost industry profitability or allow marginal competitors to stay operational all fall within this category. Firms may receive direct or indirect support (e.g. preferential tax treatment, direct government budget transfers, or paying input prices below supply costs) that is not passed forward to lower consumer prices (OECD, 2018). Without counting these the total subsidisation figure is underestimated, particularly in net importer countries.

To reconcile the OECD's bottom-up approach to individual programmes their 2018 report integrated their data with that of the IEA<sup>17</sup>. The report noted however that "since domestic fuel prices are higher than international reference prices in most OECD countries, the calculations on consumer support that are based on the difference between an international reference price and the domestic price estimation is not that relevant" for these countries. In their 2018 inventory the calculation for Ireland is thus based on the original OECD methodology and data.

## 4.2. Ireland and Fossil Fuel Subsidies

### 4.2.1 ESRI

The ESRI produced a report on the environmental impact of fiscal instruments in February 2018<sup>18</sup>. This report sought to assess the environmental impact of existing and potential fiscal instruments in Ireland beyond those explicitly aimed at achieving environmental objectives. The study did a high level simple assessment of the likely potential impacts of a large number of fiscal instruments on environmental outcomes (climate change, air quality, water quality and land). Their work considered the incentives that a particular measure gives rise to, the likely resulting behaviour and the consequent expected environmental impact. Greenhouse gas emissions were the most identified environmental impact in the study with 98 measures found to have an impact.

A subsequent paper completed by the ESRI looked at the economic and environmental impacts of the removal of eight different fossil fuel subsidies in Ireland by using the Ireland Economy-Energy-Environment (I3E) model<sup>19</sup>. The research found that removing nearly all of these subsidies has a negligible impact on overall economic activity and households' welfare. The exception is the removal of household energy allowances (different allowances for electricity, gas, and fuel) which would impact on the poorest households to the greatest degree. The research finds that among various scenarios of subsidy removals, removing the subsidies to auto diesel and marked gas oil results in the largest emissions reductions overall (with most emission reductions coming from the transport, agricultural and construction sectors).

### 4.2.2 Central Statistics Office

The Central Statistics Office (CSO) released a paper which looked at Fossil Fuel and Similar Subsidies for the years 2012-2016. This measured the funding provided to a number of Government programmes.

The CSO had two primary qualifications for including a support in the inventory. It required the programmes to be:

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<sup>17</sup> [https://read.oecd-ilibrary.org/energy/oecd-companion-to-the-inventory-of-support-measures-for-fossil-fuels-2018\\_9789264286061-en#page1](https://read.oecd-ilibrary.org/energy/oecd-companion-to-the-inventory-of-support-measures-for-fossil-fuels-2018_9789264286061-en#page1)

<sup>18</sup> <https://www.esri.ie/publications/the-environmental-impacts-of-fiscal-instruments>

<sup>19</sup> <https://www.esri.ie/news/removing-fossil-fuel-subsidies-reduces-emissions-with-limited-impacts-on-economic-activity-and>

- Regarded as a subsidy; and
- Considered to be *potentially* environmentally damaging.

The CSO followed the OECD approach, which defines a subsidy as the result of a government action that confers an advantage on consumers or producers in order to supplement their income or lower their costs<sup>20</sup>. A subsidy was classified as Potentially Environmentally Damaging (PEDS) if it was likely to incentivise behaviour that could be damaging to the environment irrespective of its importance for other policy purposes. This includes activities in fossil fuel extraction, manufacturing, agriculture and many others. The CSO classified subsidies based on the type of support (direct and indirect) and the activity that the subsidy supports: Fossil fuels; Agriculture and Food; Transport and Fishing and Aquaculture.

For the year 2016 the CSO identified €2.5 billion in direct subsidies and revenue foregone due to preferential tax treatment worth of supports to fossil fuel activities in Ireland. A further €1.6 billion supported other potentially environmentally damaging activities resulting in a total figure of €4.1 billion<sup>21</sup>.

## 5. The Approach of this Paper

This paper will follow the inventory approach used by the OECD and CSO. The application of this method works well for advanced economies where fossil fuels are generally not subsidised for the entire population. As discussed above, the price gap approach underestimates the level of climate damaging support in countries where fossil fuel prices do not fall below international reference prices. For this reason the OECD approach yields more precise estimates for Ireland.

This paper will consider government supports for the 2023 fiscal year, as published in the Revised Estimates for 2023. OECD estimates for fossil fuel subsidies are always explicit, i.e. they represent specific budgetary expenditures (or tax breaks) and therefore directly impact the budget<sup>22</sup>. This methodology is distinct from other studies discussed previously in that the inventory concentrates on budgetary transfers relating to fossil fuels and other greenhouse gas producing activities<sup>23</sup>.

### 5.1 Defining Fossil fuel Subsidies and other Potentially Climate Harmful Supports

#### Step 1: Identify supports

This paper will use the OECD approach, which defines a subsidy as the result of a government action that confers an advantage on consumers or producers in order to supplement their income or lower their costs.

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<sup>20</sup> [https://www.oecd-ilibrary.org/agriculture-and-food/environmentally-harmful-subsidies\\_9789264104495-en](https://www.oecd-ilibrary.org/agriculture-and-food/environmentally-harmful-subsidies_9789264104495-en)

<sup>21</sup> [Fossil Fuel and Similar Subsidies.pdf \(cso.ie\)](#)

<sup>22</sup> IEA fossil fuel estimates are only explicit for fossil fuel-importing countries.

<sup>23</sup> This is a more focused approach than the environmental outcomes that are considered when identifying PEDS and broader than an exclusive fossil fuel subsidy focused study.

In line with the CSO approach, this paper will not include the provision of infrastructure. However, it should be noted that the provision of infrastructure investment was subject to a climate and environmental assessment undertaken by DPER in 2021 as part of the National Development Plan (NDP) Review<sup>24</sup>.

## Step 2: Classifying a support as Potentially Climate Harmful

A subsidy is considered in this paper to be a potentially climate harmful support if it is likely to incentivise behaviour that increases greenhouse gas emissions, irrespective of its importance for other policy purposes. These greenhouse gases are: Carbon dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorinated compounds (PFCs), Sulphur hexafluoride (SF<sub>6</sub>) and Nitrogen trifluoride (NF<sub>3</sub>).

As stated above, this process aims to identify potentially climate harmful supports at the subhead level. As individual subheads often cover a variety of expenditure programmes, for the purposes of this exercise, subheads where a material portion of the expenditure is deemed to be potentially climate damaging were included.

The inventory does not explicitly measure the impact of supports on fossil fuel prices, quantities consumed or emissions levels. The 2018 ESRI paper noted the difficulty in many instances of determining the impact of a fiscal instrument on environmental outcomes. Data issues, including difficulties in estimating price elasticities for certain goods and valuing the social costs associated with greenhouse gas emissions, mean even estimates are difficult to make.

In line with the CSO this paper has defined certain activities or industries as potentially climate harmful e.g. non-renewable energy, transport or agriculture. Each subsidy is allocated to an activity and those transfers that are allocated to potentially harmful activities are considered as potentially climate harmful supports<sup>25</sup>.

Ireland's national greenhouse gas emissions are concentrated in a number of sectors<sup>26</sup>:

- Energy Industries (electricity generation, waste to energy incineration, oil refining, briquetting manufacture and fugitive emissions);
- Residential (combustion for domestic space and hot water heating);
- Manufacturing Combustion (combustion for Manufacturing industries in ETS and non-ETS);
- Commercial Services (combustion for Commercial Services space and hot water heating);
- Public Services (combustion for Public services space and hot water heating);
- Transport (combustion of fuel used in road, rail, navigation, domestic aviation and pipeline gas transport);
- Industrial Processes (process emissions from mineral, chemical, metal industries, non-energy products and solvents);
- F-Gases (gases used in refrigeration, air conditioning and semiconductor manufacture);
- Agriculture (emissions from fertiliser application, ruminant digestion, manure management, agricultural soils and fuel used in agriculture/forestry/fishing);

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<sup>24</sup> <https://www.gov.ie/pdf/?file=https://assets.gov.ie/201734/ce310fd8-a2d7-4f25-83d7-2c835d23c9fa.pdf#page=null>

<sup>25</sup> All environmental subsidies and similar transfers should be excluded from the scope. <https://ec.europa.eu/eurostat/documents/3859598/6923655/KS-GQ-15-005-EN-N.pdf/e3be619b-bb19-4486-ab23-132a83f6ff24>

<sup>26</sup> <https://www.epa.ie/our-services/monitoring--assessment/climate-change/ghg/>

- Waste (emissions from solid waste disposal on land, solid waste treatment (composting), wastewater treatment, waste incineration and open burning of waste).

Not all activities within these sectors result in greater greenhouse gas emissions. For the purposes of this paper, the following activities within each group are considered as potentially climate harmful:

- Activities that support non-renewable energy production
- Activities that support energy consumption
- Activities that induce non-carbon greenhouse gas emissions e.g. methane, nitrous oxide etc.

In classifying a support as potentially climate harmful the stated objective of the policy was also considered.

## 6. Potentially Climate Harmful Supports Inventory

This section identifies the 2023 Revised Estimates Volume subheads that have been identified as potentially climate harmful supports. There are other subheads which may be potentially climate harmful but the impact is too unclear to classify them as such in this paper. These are included in the appendix.

<b>Potentially Climate Harmful Supports 2023</b>		
<b>Vote 7: Department of Finance</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023 €,000</b>
Fuel Grant	A.5	11,000
<b>Total</b>		<b>11,000</b>
<b>Vote 29: Department of Environment, Climate &amp; Communications</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023 €,000</b>
Gas Services	B.8	45
Mining and Petroleum Services	C.3	3,264
<b>Total</b>		<b>3,309</b>
<b>Vote 30: Department of Agriculture, Food and Marine</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023 €,000</b>
Areas of Natural Constraint	B.4	250,000
Development & Promotion of Agriculture & Food (Non-Farm)	C.4	30,766
An Bord Bia Grant	C.6	55,290
<b>Total</b>		<b>336,056</b>
<b>Vote 31: Department of Transport</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023 €,000</b>

Regional Airports*	D.3	27,648
Aviation Covid Supports	D.5	9,000
<b>Total</b>		<b>36,648</b>
<b>Vote 32: Department of Enterprise, Trade and Employment</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023</b>
		<b>€,000</b>
IDA Ireland*	A.5	238,001
Enterprise Ireland*	A.7	220,367
TBESS	A.18	649,130
<b>Total</b>		<b>1,107,498</b>
<b>Vote 33: Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023</b>
		<b>€,000</b>
Tourism Marketing Fund	A.5	63,173
Tourism Product Development	A.6	36,500
<b>Total</b>		<b>99,673</b>
<b>Vote 37: Department of Social Protection</b>		
<b>Programme/Scheme</b>	<b>Subhead</b>	<b>2023</b>
		<b>€,000</b>
Household Benefits Package <sup>1</sup>	A.39	87,049
Fuel Allowance <sup>2</sup>	A.41	249,666
<b>Total</b>		<b>336,715</b>
* Please note that sub-heads marked with an asterisk will receive additional funding in 2023 via the carryover of unspent capital funds from 2022, as detailed in the table below.		
<b>Total Potentially Climate Harmful Supports in 2023 – € 1,931 million</b>		
<b>Total Expected Potentially Climate Harmful Supports (Including Capital Carryover) in 2023 - €1,990 million</b>		
<b>Additional Potentially Climate Harmful Supports In 2023 via Capital Carryover</b>		
<b>Programme/Scheme</b>	<b>Vote</b>	<b>2023</b>
		<b>€,000</b>
Regional Airports	31	4,900
IDA Ireland	32	30,500
Enterprise Ireland	32	24,000
<b>Total</b>		<b>59,400</b>
<sup>1</sup> This scheme will also receive a non-voted expenditure allocation of €197,865,000 from the Social Insurance Fund (SIF) in 2023. As this review focuses on voted expenditure at the subhead level, the SIF		

component of this scheme has not been included in the table or totals above. Total voted and non-voted expenditure allocated to this scheme in 2023 is €284,914,000.

<sup>2</sup> This scheme will also receive a non-voted expenditure allocation of €162,254,000 from the Social Insurance Fund (SIF) in 2023. As this review focuses on voted expenditure at the subhead level, the SIF component of this scheme has not been included in the table or totals above. Total voted and non-voted expenditure allocated to this scheme in 2023 is €411,920,000.

## 6.1. Income Supports

### The Fuel Allowance: Department of Social Protection

#### **Vote 37, Subhead A.41**

**On-budget:** Social transfers aimed at combatting fuel poverty

**Beneficiary:** Households

**Greenhouse gas effect:** Can support the consumption of fossil fuels, which has a negative greenhouse gas emissions impact

**REV 2023:** €249,666,000

The Fuel Allowance is a means-tested<sup>27</sup> scheme under the National Fuel Scheme aimed at helping qualified households in receipt of certain social welfare payments (and for those over 70, subject to a means test) with their heating costs during the winter months. The allowance represents a contribution towards a person's normal heating expenses. It is not intended to meet those costs in full.

The Fuel Allowance season normally begins in late September of each year and ends in April. The current rate of Fuel Allowance is €33 per week. If a household qualifies for the allowance, it is generally paid with their social welfare payment on the same day. A household can choose to get the Fuel Allowance paid weekly or paid in two lump sums, which can facilitate investment of the allowance in other ways such renewable energy or upgrades to the household's energy efficiency through improved insulation, for example.

#### POLICY RATIONALE

Since their income is lower, energy costs typically represent a higher proportion of overall household costs for the less well-off in society. In addition, low-income households are far more likely to live in a home with poor energy efficiency. While tied to the winter months of the year, the fuel allowance is a cash payment and therefore boosts the incomes of households who meet the qualifying criteria. This lowers deprivation levels generally. Despite its name, the scheme has no requirement to spend the Fuel Allowance on fuel – it is simply an income support to low income households which is provided through the winter and is not directly linked to energy consumption.

#### THE FUEL ALLOWANCE AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

Despite the positive social impact of the fuel allowance, on the basis of the definition applied in this paper and the stated objective of the policy, it is considered to represent a support towards fossil fuel use. However, it should be noted that while it meets the definition of this paper, the format of the fuel allowance is at present a cash payment and in that sense represents a broader income support rather than one directly linked to the payment of a fuel bill. The way in which this support is structured, in that the payment received by households is not calculated based on energy consumption, likely limits the degree to which this support incentivises increased energy usage.

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<sup>27</sup> Criteria for means test available here: <https://www.gov.ie/en/service/00aa38-fuel-allowance/>

It should also be noted that recipients of the fuel allowance are eligible to avail of free energy efficiency upgrades through the Sustainable Energy Authority of Ireland (SEAI), which will decrease the energy consumption of these homes in the future. In saying that, the format of the allowance means that its goal is to help households with heating bills during the colder months of the year. This stated policy goal was considered sufficient to include it within the inventory. It is possible that it provides a broader income support that goes towards other household expenses.

## Household Benefits Package: Department of Social Protection

### **Vote 37, Subhead A.39**

**On-budget:** Social transfers aimed at combatting fuel poverty

**Beneficiary:** Households

**Greenhouse gas effect:** Can support the consumption of fossil fuels, which has a negative greenhouse gas emissions impact

**REV 2023:** €87,049,000

The Household Benefits Package is a package of allowances that help with the costs of running a household. The package is available to everyone aged over 70 and to people under 70 in certain circumstances. The package includes an Electricity Allowance or a Natural Gas Allowance of €35/month (€1.15/day).

An eligible person can only be in receipt of either the Electricity or the Natural Gas Allowance at any given time. If a qualifying person has both an electricity and natural gas supply, they must choose between the Electricity Allowance and Gas Allowance. If their energy supplier is Electric Ireland for electricity or either Bord Gáis or Flo Gas for gas, the allowance can be paid directly to their energy supplier as a credit against your bill each month. Otherwise, the claimant will receive the allowance as a cash payment.

### POLICY RATIONALE

Since their income is lower, energy costs typically represent a higher proportion of overall household costs for the less well-off in society. In addition, low income households are far more likely to live in a home with poor energy efficiency. Cold weather also poses health risks, particularly for the elderly and those with a disability or a long-term illness. The allowance assists with the costs of running a household, which lowers deprivation levels generally and should improve health outcomes.

### HOUSEHOLD BENEFITS PACKAGE AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

Despite the intended social impact of the Household Benefits Package, on the basis of the definition applied in this paper it is considered to represent a support towards fossil fuel use, with the aim of helping households meet their household expenses, such as electricity and heat. However, it should be noted that the way in which this support is structured, in that the payment received by households is not calculated based on energy consumption, likely limits the degree to which this support incentivises increased energy usage.

In cases where this support is applied as a cash allowance, the support may be considered a broader income support, while in cases where it is applied directly as a credit to the electricity or gas bill, it directly lowers the cost of the heating or electricity bill. In 2021, approximately 55% of the expenditure on the Electricity/Gas allowance was paid out as a support applied directly to the bill, though the proportion of people receiving a cash payment has been increasing while those receiving a credit on their bills has been declining over the last number of years.

## Fuel Grant for Disabled Drivers – Department of Finance

### **Vote 7, Subhead A.5**

**On-budget:** Grant aimed at supporting mobility of people with disabilities

**Beneficiary:** Households

**Greenhouse gas effect:** Supports consumption of fossil fuels, which results in the production of greenhouse gas emissions

**REV 2023:** €11,000,000

Advances in vehicle design have provided a greater opportunity to allow people with severe disabilities to drive motor vehicles. However, the cost of such vehicles can be prohibitively expensive for many persons with disabilities, given the extensive nature of the adaptations required. The Fuel Grant for Disabled Drivers and Passengers Scheme aims to reduce the cost of operating such vehicles.

The fuel grant covers petrol, diesel and LPG. It does not cover electricity used to recharge electric vehicles. The Grant relates to fuel used during the previous 12 months in the transportation of the person with the disability. Drivers/Passengers eligible for this grant can claim a maximum of 2,730 litres for a 12 month period, while organisations in receipt of this grant can claim up to 4,100 litres per Vehicle for a 12 month period. In 2022 the grant rates were as follows:

<b>Fuel Grant Rates 2022</b>	
Petrol	€0.636 per litre
Diesel	€0.535 per litre
LPG	€0.130 per litre

### POLICY RATIONALE

This scheme plays an important role in facilitating the mobility of citizens with disabilities by compensating a portion of their fuel expenditure. Accessibility to transport modes enables people to access and avail of goods, services, employment and other activities.

#### FUEL GRANT FOR DISABLED Drivers as a Potentially Climate Harmful Support

Despite the intended social impact of the fuel grant for disabled drivers and passengers, this support compensates a portion of a claimant's fuel use, which has the overall impact of lowering the cost of fossil fuels. In addition, the structural design of the support means that the level of support received is directly linked to the amount of fuel consumed i.e. the more fuel consumed, the greater the level of overall support received. It is therefore considered to be a fossil fuel subsidy. However, it should be noted that any excess fuel consumption incentive impact that this may give rise to is limited by a cap on the annual litres of fuel an applicant is allowed to claim.

## 6.2. Supports to Fossil Fuel Industries

### Gas Services – The Department of Environment, Climate and Communications

#### **Vote 29, Subhead B.8**

**On-budget:** Funding for the gas industry

**Beneficiary:** Gas Technical Standards Committee (GTSC)

**Greenhouse gas effect:** Supports to the gas industry, which results in the production of greenhouse gas emissions

**REV 2023:** €45,000

This subhead constitutes exchequer funding for the Gas Technical Standards Committee (GTSC). The GTSC's scope of work covers all aspects of the supply and usage of natural gas, liquefied petroleum gas (LPG), liquefied natural gas (LNG), renewable gas (biomethane, bio LPG) and hydrogen.

#### POLICY RATIONALE

GTSC members contribute their knowledge and expertise on a voluntary basis and advises the National Standards Authority of Ireland (NSAI) on what Irish standards and Codes of Practice are necessary for products and processes used in the gas industry, with particular regard to safety.

#### GAS SERVICES AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

This support confers an advantage to the gas industry through lowering the cost associated with developing and implementing standards and therefore is classified as a potentially climate harmful support. However, it must be noted that the scope of the Committee was widened in 2019 to extend its work in response to increased activity in the areas of renewable gas and hydrogen both within the gas industry and the European and International standardisation work programme. This is in support of the actions set out in Ireland's Climate Action Plan, which relate directly to the gas sector, in terms of establishing the standards to be adopted and developed to help Ireland move towards a low-carbon economy.

### Mining and Petroleum Services – The Department of Environment, Climate and Communications

#### **Vote 29, Subhead C.3**

**On-budget:** Funding for mining and petroleum services

**Beneficiary:** The Mining Industry and Petroleum Exploration Companies

**Greenhouse gas effect:** Supports and promotes extraction of petroleum and minerals, which results in the production of greenhouse gas emissions

**REV 2023:** €3,264,000

This subhead allocates funding to services provided by the Department to, *inter alia*, protect the environment in the regulation of the petroleum and mineral exploration and mining sectors. Elements of the funding relate to promoting commercial investment in the sectors.

Under the Government's current policy on Petroleum (Oil and Gas) Exploration, DECC is no longer issuing new Petroleum Authorisations. Existing authorisations holders will however be able to continue to apply to progress through the standard licensing lifecycle stages towards a natural conclusion, which may include expiry, relinquishment, or production.

Mining Services supports the upkeep of mines, reviews of mining potential and compensates private mineral owners where the minerals are extracted by third parties under Licence from the Minister in accordance with the Minerals Development Act 1979. However, payments by the Minister are Vote neutral and are recouped from the licensee, with a matching provision included in Appropriations in Aid.

#### POLICY RATIONALE

Petroleum services supports research and applied projects and promotional activities, with the aim of developing knowledge of the Irish offshore. The orderly wind down of the Petroleum Infrastructure Programme has been initiated since June 2021. Given our climate objectives, there is no longer a requirement for this subhead to support the continuation of research programmes that support hydrocarbon exploration and development activities. The remaining line for this programme relates to outstanding payments pre-dating 1st July 2021, with upcoming expenditure to be used to fund projects aligning with the Government's policy objectives.

To facilitate the possibility of existing authorisation holders in being able to seek to progress further, DECC has also commenced its sixth Irish Offshore Strategic Environmental Assessment (IOSEA6).

Mining Services support the environmental monitoring and rehabilitation of legacy mines and the policy and regulatory framework for the environmentally and socially responsible extraction of minerals, including minerals required for the transition to a climate neutral economy across a range of sectors including renewable electricity generation, power transmission and storage and transport. Funding under Subhead C.3 also supports the development of a policy and regulatory framework for geothermal energy, which as a renewable source of energy will also support the transition to a climate neutral and circular economy.

#### MINING AND PETROLEUM SERVICES AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

This subhead promotes activities that support the fossil fuel and mineral extraction industries. This funding confers an advantage to the petroleum and mining industries by lowering costs, and therefore the subhead was identified as a potentially climate harmful support.

### 6.3. Aviation Supports

#### Regional Airports Programme – Department of Transport

##### **Vote 31, Subhead D.3**

**On-budget:** Subsidies to airline to operate the Donegal – Dublin PSO route and capital and operational supports to regional airports

**Beneficiary:** Aviation Industry, the regions and passengers who rely on PSO route / use regional airports

**Greenhouse gas effect:** Supports the consumption of fossil fuel, which results in the production of greenhouse gas emissions

**REV 2023:** €27,648,000 (excl. an additional €4.9m capital carryover)

Exchequer support is provided to Ireland’s regional airports through a Regional Airports Programme (RAP) 2021 – 2025. The RAP supports those airports that provide connectivity and handle fewer than 1 million passengers annually.

This funding provides capital and operational supports to the airports of Donegal, Kerry and Ireland West Airport Knock, and meets contracted costs of PSO air services from Donegal to Dublin. Under EU Regulation No. 1008/2008, the Government has established the PSO air service, on the basis that the service is considered necessary for the economic development of the north-west region and would not be provided on a commercial basis. Other funding is predominantly targeted at safety and security and sustainability related projects and activities.

#### POLICY RATIONALE

National policy on regional airports is designed to optimise conditions for regional development and connectivity in line with Project Ireland 2040. Social and economic benefits can be derived from facilitating access to and from the associated regions. The service supported by the PSO provides vital connectivity to the north-west region. PSOs may only be imposed on routes that are considered vital for the economic and social development of the region which the airport serves. Air service journey times on these routes, including the time involved for check-in and security clearance, are considerably shorter than equivalent journeys by bus, rail and car. In respect of travelling between the airports of Donegal and Dublin, there is no rail alternative, and the journey by bus can take 8 hours<sup>28</sup>.

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<sup>28</sup>[https://merrionstreet.ie/minister\\_ryan\\_and\\_minister\\_of\\_state\\_naughton\\_announce\\_restoration\\_of\\_vital\\_air\\_connectivity\\_to\\_the\\_kerry\\_and\\_donegal\\_regions.170415.shortcut.html](https://merrionstreet.ie/minister_ryan_and_minister_of_state_naughton_announce_restoration_of_vital_air_connectivity_to_the_kerry_and_donegal_regions.170415.shortcut.html)

## REGIONAL AIRPORTS PROGRAMME AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

On the basis of the definition and parameters applied in this paper, a material amount of the funding under this subhead has been identified as constituting potentially climate harmful supports. Aviation is an emissions-intensive activity. The figure for CO<sub>2</sub> emissions associated with domestic aviation in Ireland was 9.8KtCO<sub>2</sub> in 2016, accounting for 0.1% of overall transport emissions in Ireland. Kerosene jet fuel sold at Irish Airports for International Aviation accounted for almost 21% of all energy used in the transport sector in Ireland in 2016. The PSO funding supports aviation activity on this route, which likely results in higher levels of emissions than would occur in the absence of the supports and are therefore deemed potentially climate harmful spending. In addition, operational supports to these airports lowers costs for the aviation industry, and therefore are also considered to be potentially climate harmful supports.

## Aviation COVID-19 Supports – Department of Transport

### **Vote 31, Subhead D.5**

**On-budget:** Operational supports to the aviation industry

**Beneficiary:** Aviation Industry

**Greenhouse gas effect:** Supports the aviation industry, which results in the production of greenhouse gas emissions

**REV 2022:** €9,000,000

The aviation sector was massively impacted by the pandemic, with an almost total collapse in international air passenger traffic. Traffic through Irish airports in 2020 was down 90% for the period from March to December.

In response to the impact of COVID-19, a number of financial supports for the sector were put in place, including funding for additional airports under the Regional Airports Programme. By virtue of their size and passenger numbers, Shannon and Cork regional State airports had not been eligible for funding under the Regional Airports Programme until 2022, when both airports became eligible due to suppressed passenger numbers in 2020 and 2021 as a direct result of COVID. This funding was provided under Subhead D.5 in 2022.

Although passenger numbers have rebounded since the removal of COVID-19 related travel restrictions in March 2022, Shannon Airport will nevertheless remain eligible for Exchequer funding under the RAP in 2023.

## POLICY RATIONALE

The Irish aviation sector is critical to Ireland's economic development, as it is a key enabler of international trade and business, including foreign direct investment and tourism. As an island, Ireland's aviation industry is critical for trade, tourism, connectivity and employment. As one of the industries most impacted by Covid-19, these supports aim to prevent the collapse of the Irish aviation sector, which would likely have severe economic and social impacts. Prior to the COVID-19 pandemic, it was estimated that Ireland's main airports employed 143,747 people, 21,635 of whom are directly employed by these airports. These airports contributed €10.2 billion to the Irish economy; reflecting 5.1% of Ireland's GNI and 3.5% of GDP<sup>29</sup>.

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<sup>29</sup> <https://assets.gov.ie/21634/ee5b50357fb04fc5a8af5f6589759231.pdf>

#### AVIATION COVID-19 SUPPORT AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

Aviation is an emissions-intensive activity. The figure for CO<sub>2</sub> emissions associated with domestic aviation in Ireland was 9.8KtCO<sub>2</sub> in 2016, accounting for 0.1% of overall transport emissions in Ireland. Kerosene jet fuel sold at Irish Airports for International Aviation accounted for almost 21% of all energy used in the transport sector in Ireland in 2016. Therefore, these operational supports to these airports lower their costs and will likely result in increased emissions above levels that would occur in the absence of the supports. Therefore, this subhead has been classified as a potentially climate harmful support.

## 6.4. Tourism Supports

### Tourism Marketing Fund – Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media

#### **Vote 33, Subhead A.5**

**On-budget:** Marketing supports to the tourism industry

**Beneficiary:** Tourism Industry

**Greenhouse gas effect:** Confers an advantage to the industry, which is likely to lead to an increase in international and domestic travel, thus resulting in the production of greenhouse gas emissions.

**REV 2023:** €63,173,000

The primary objective of the Tourism Marketing Fund (TMF) is to increase revenue generated by overseas visitors to Ireland.

The bulk of the funding forms the State's share of the agreed North/South co-funding of Tourism Ireland's destination marketing of the island of Ireland overseas. As Tourism Ireland is a north/south body it also receives funding from the Northern Ireland exchequer for its core overseas marketing activity.

#### POLICY RATIONALE

Tourism is a pivotal sector in the Irish economy, generating economic benefits and providing essential employment opportunities across the country, particularly in rural communities. Expenditure by tourists visiting Ireland was estimated to be worth €5.6 billion in 2019<sup>30</sup>.

Tourism also has a significant regional distributive effect, as it is generally characterised by the fact that tourism activity is frequently concentrated in areas which lack an intensive industry base. Tourism Ireland delivers marketing programmes in 21 markets across the world and reaches a global audience of over 600 million each year.

#### TOURISM MARKETING FUND AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

Notwithstanding the economic benefits and wider sustainable tourism policy commitments, the marketing activity that this subhead supports confers an advantage to the industry with the aim of increasing tourism revenue from overseas, which is likely to lead to an increase in international and domestic travel associated with tourism. As this is likely to have a negative impact on greenhouse gas emissions levels, this subhead has been classified as a potentially climate harmful support.

It should be noted that in rebuilding the sector following the devastating impacts of the COVID-19 pandemic, the need for a more resilient and sustainable tourism model is recognised. The goal is to

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<sup>30</sup> [Tourism Facts 2019 Final March 2021 \(failteireland.ie\)](https://www.failteireland.ie)

support the recovery and economic growth of a competitive tourism sector that is environmentally, economically and socially sustainable.

In 2019, a Sustainable Tourism Working Group was established to review international policy and best practice in sustainable tourism and propose guiding principles for sustainable tourism development in Ireland. Those Guiding Principles and the subsequent Interim Action Plan identified a suite of actions that aim to promote sustainable tourism practices out to 2023. As such, as this policy is developed and implemented, the potentially climate harmful impacts associated with the expansion of the tourism sector promoted by this subhead are likely to decline.

## Tourism Product Development – Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media

### **Vote 33, Subhead A.5**

**On-budget:** Grant supports to the tourism industry

**Beneficiary:** Tourism Industry

**Greenhouse gas effect:** Confers an advantage to the industry, which is likely to lead to an increase in international and domestic travel, thus resulting in the production of greenhouse gas emissions.

**REV 2023:** €36,500,000

The purpose of the subhead is to provide support for tourism product development in the form of Capital Grants to both public and private initiatives, administered by Fáilte Ireland. These are intended to assist the development of certain types of tourism infrastructure and visitor activities (but not visitor accommodation) in order to expand and enhance the tourism experience in line with the further development and promotion of the regional tourism experience brands.

From a strategic perspective, broadly speaking, Fáilte Ireland has four main funding channels for its capital investment in tourism product development:

- Large Grants Schemes: Provided under the Platforms for Growth approach;
- Small grants schemes: Targeted schemes – usually aligned with the tourism experience brands;
- Strategic Partnerships and other collaborations; and
- Direct investment in experience brand infrastructure.

### POLICY RATIONALE

Ultimately, in addition to enhancing the overall visitor experience for the benefit of visitors, the intention of this funding is to optimise key assets for the benefit of tourism and sustainable tourism development through increasing the geographic spread of visitors, promoting season extension and supporting sustainable growth management.

Fáilte Ireland has developed Regional Tourism Development Strategies (RTDS) in consultation with stakeholders across all four regional experience brands, which identify what needs to be done to unlock the commercial potential of each region, while protecting the environment, enhancing the lives of local communities and serving the needs and expectations of visitors. RTDS also seek to address the acute and immediate challenges that are facing the sector such as the current energy crisis, higher operational costs and staff shortages. To activate these strategies, Fáilte Ireland has established localised five-year Destination Experience Development Plans (DEDPs).

Tourism also has a significant regional distributive effect, as it is generally characterised by the fact that tourism activity is frequently concentrated in areas which lack an intensive industry base.

#### TOURISM PRODUCT DEVELOPMENT AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

Notwithstanding the economic and social benefits associated with these supports, this expenditure aimed at expanding the tourism sector, which is likely to lead to an increase in international and domestic travel associated with tourism. As this is likely to have a negative impact on greenhouse gas emissions levels, this subhead has been classified as a potentially climate harmful support.

It should be noted that all product development projects consider sustainability and universal design in their design and subsequent construction and all environmental assessments required are completed, which should limit the potentially negative impact of this funding. In addition, Fáilte Ireland integrates environmental considerations in a number of ways, including undertaking a National Environmental Monitoring programme across the 4 Regional Experience Brands and continuing to monitor and manage carrying capacity and associated visitor management, at both a national and regional/ destination level.

More generally, Fáilte Ireland recently launched a series of Climate Action Roadmap guides, which are available on their website and tools for tourism businesses to implement sustainability initiatives and leverage the benefits, as well as supporting the development of sustainable tourism experiences that minimise any negative environmental impacts. Fáilte Ireland also launched a carbon calculator.

## 6.5. Enterprise Supports

### IDA Ireland – Department of Enterprise, Trade and Employment

#### **Vote 32, Subhead A.5**

**On-budget:** Grants to industry

**Beneficiary:** IDA Grant Recipients

**Greenhouse gas effect:** Supports the expansion of the sector, which is likely to result in the production of greenhouse gas emissions

**REV 2023:** € 238,001,000 (excl. an additional €30.5m capital carryover)

This subhead provides funding to IDA Ireland and granting funding to industry through IDA Ireland programmes.

#### POLICY RATIONALE

The National Planning Framework (NPF) identified the need to provide an additional 660,000 jobs by 2040 to support Ireland's growing population. Appropriate supports for industry are required to drive and underpin this growth.

#### IDA IRELAND AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

A material portion of this subhead confers an advantage on producers by lowering costs through grant supports, and supports the expansion of the sector, which potentially has a significant risk of increased energy usage through rebound effects and the overall expansion of the sector. As increased energy use is likely to increase emissions, this subhead falls under the definition of a potentially climate harmful support.

Not all of the spending under this subhead constitutes potentially climate harmful supports, such as administration and general expenses expenditure, and elements of the grant support to industry may go towards climate specific programmes. It is clear that the successful decarbonisation of Ireland will

require a resilient, profitable, adaptable and innovative enterprise base to provide the decarbonised products and services that will be needed to enable the transition. IDA's supports drive the skills agenda installing future capability (R&D) and developing regional clusters of high skill employment outside of large urban areas.

Furthermore, IDA Ireland are taking steps to understand and minimise the climate impact of this funding. They are beginning to apply the "do no significant harm principle" to supports and are also engaged in embedding climate appraisal into the project evaluation process for broader grant support.

Therefore, these supports may increase total greenhouse gas emissions in the short term but as new and decarbonised energy sources come on stream and climate impact measures are incorporated, the impact of the sector on climate and environmental outcomes should reduce significantly.

## Enterprise Ireland – Department of Enterprise, Trade and Employment

### **Vote 32, Subhead A.5**

**On-budget:** Grants to industry

**Beneficiary:** Enterprise Ireland Grant Recipients

**Greenhouse gas effect:** Supports the expansion of the sector, which is likely to result in the production of greenhouse gas emissions.

**REV 2023:** € 220,367,000 (excl. an additional €24m capital carryover)

This subheads provides funding to Enterprise Ireland and granting funding to industry through Enterprise Ireland programmes.

### POLICY RATIONALE

The National Planning Framework (NPF) identified the need to provide an additional 660,000 jobs by 2040 to support Ireland's growing population. Appropriate supports for industry are required to drive and underpin this growth.

### ENTERPRISE IRELAND AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

A material portion of this subhead confers an advantage on producers by lowering costs through grant supports, and supports the expansion of the sector, which potentially has a significant risk of increased energy usage through rebound effects and the overall expansion of the sector. As increased energy use is likely to increase emissions, this subhead falls under the definition of a potentially climate harmful support.

Not all of the spending under this subhead constitutes potentially climate harmful supports, such as administration and general expenses expenditure, and elements of the grant support to industry may go towards climate specific programmes. For example, through recent initiatives such as the Capital Investment Scheme for food transformation, a significant effort is being made to assist dairy and meat processors to decarbonise and in time reach zero emissions. It should be noted that with the recent publication of the White Paper on enterprise policy, Government sets out enterprise policy direction to 2030, including a major focus on helping businesses reduce their reliance on fossil fuels and improve their energy efficiency in the coming years through a range of initiatives, including knowledge transfer, grants and loans.

It is clear that the successful decarbonisation of Ireland will require a resilient, profitable, adaptable and innovative enterprise base to provide the decarbonised products and services that will be needed to enable the transition. This may increase total greenhouse gas emissions in the short term but as

new and decarbonised energy sources come on stream, the impact of the sector on climate and environmental outcomes will reduce significantly.

## TBESS– Department of Enterprise, Trade and Employment

### **Vote 32, Subhead A.18**

**On-budget:** Supports to Businesses

**Beneficiary:** Businesses

**Greenhouse gas effect:** Supports energy consumption, which results in the production of greenhouse gas emissions.

**REV 2023:** € 649,130,000

The goal of the Temporary Business Energy Support Scheme (TBESS) is to assist businesses with their electricity or natural gas (energy) costs during the winter months. A business can make a claim under the scheme if it has experienced an increase of 50% or more in its electricity and/or natural gas average unit price.

Qualifying businesses can claim for 40% of the increases in their energy bills. The increase in energy bills must be between the 'claim period' and the 'reference period'. A claim period is a calendar month from September 2022 to February 2023. A reference period is the corresponding calendar month in the previous year.

### POLICY RATIONALE

Both households and businesses have experienced unprecedented increases in energy costs over the last year, largely driven by the Russian invasion of Ukraine. The increases in energy costs have led to an effective doubling of domestic consumer gas and electricity bills since mid-2021, with the potential for retail prices to increase even further in 2023. These increases have also had a significant impact on businesses. As part of Budget 2023, the Temporary Business Energy Support Scheme (TBESS) was introduced by the Government to help businesses cope with these rising energy costs.

### TBESS AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

The amount of support a business receives is based on the increase in the cost of their energy bills and has the overall impact of lowering energy costs for businesses. Therefore, this scheme is classified as a potentially climate harmful support. Any incentive impacts this scheme may have in terms of increasing/not decreasing energy use should be limited by the fact that the support will largely be based on retrospective energy use.

## 6.6. Agriculture Supports

### Areas of Natural Constraint Scheme – Department of Agriculture, Food and the Marine

#### **Vote 30, Subhead B.4**

**On-budget:** Direct income supports to farmers

**Beneficiary:** Farmers

**Greenhouse Gas Effects:** Supports the continuation of farming in designated disadvantaged areas, which is likely to result in the production of greenhouse gas emissions.

**REV 2023:** €250,000,000

The 'Areas of Natural Constraint' (ANC) Scheme aims to support the continuation of farming in designated disadvantaged areas by compensating farmers for the additional costs involved in farming

such land. ANCs are divided into mountain areas, more severely, and less severe areas (Categories 1, 2 and 3). The Scheme provides payments on a per-hectare basis for those farming these areas. A separate payment in respect of those farming off-shore islands applies. These islands are designated as Areas of Specific Constraints.

#### RATIONALE

The ANC payment provides employment and reduces poverty for farmers in designated disadvantaged areas by reducing the additional costs associated with the farming such land. In addition, this payment can prevent practices such as land abandonment, which could potentially lead to improved biodiversity outcomes in certain circumstances.

#### ANC AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

The ANC payments supplement income for an emissions intensive activity in areas where such activity would be less likely to occur to the same extent in the absence of the support, given the inherent difficulties associated with farming the land in question. Internal estimates indicate that well over half the total expenditure on this scheme was allocated to cattle and dairy applicants. Moreover, the EU Court of Auditor's report<sup>31</sup> states that EU Pillar 1 (off-vote) direct payments result in EU agricultural emissions being between 2.5% – 4.2% higher than would be the case in the absence of those payments. This is due to the decrease in agricultural activity that would be seen without the direct payments, with the biggest contribution from cattle farming. Given that there are no requirements additional to those required to receive the Basic Payment Scheme, it is reasonable to assume that the ANC payment has a similar emissions impact. However, it should be noted that recipients of this payment must comply with cross compliance rules to keep the land in Good Agricultural and Environmental Conditions and to comply with regulatory requirements.

## Development & Promotion of Agriculture & Food (Non-Farm) – Department of Agriculture, Food and the Marine

### **Vote 30, Subhead C.4**

**On-budget:** Direct grants to agri-food industry and operational costs of providing market supports

**Beneficiary:** Agri-food industry

**Harmful environmental effects:** Supports to the agri-food sector, which is likely to result in the production of greenhouse gas emissions.

**REV 2023:** €30,766,000

This funding includes programmes that support:

- **Marketing and Processing of Agricultural Products** – These subsidies and grants are paid by the DAFM to support marketing and processing of agricultural and food products. In 2020 a Capital Investment Scheme for the Processing and Marketing of Agricultural Products was launched with the aim of this fund is to advance product and/or market diversification among primary food processing companies and strengthen the resilience of companies vulnerable to the external trading environment, particularly in relation to Brexit. Successful projects will be focused on the production of new and/or improved higher value add products, and/or production processes, required for new markets, and not principally focused on the processing of increased volumes of raw materials.
- **The School Milk Scheme** – the main objective of the EU School Milk Scheme is to promote and encourage milk consumption amongst school children as part of a healthy balanced diet, is operated in Ireland by the National Dairy Council (NDC) through the Moo Crew Programme.

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<sup>31</sup> [https://www.eca.europa.eu/Lists/ECADocuments/SR22\\_09/SR\\_Climate-mainstreaming\\_EN.pdf](https://www.eca.europa.eu/Lists/ECADocuments/SR22_09/SR_Climate-mainstreaming_EN.pdf)

- **Food and Horticulture Promotion Programmes** – This expenditure funds, among other things, the international promotion of various foods, such as meat, seafood, and potatoes, through Bord Bia.
- **Other** – This expenditure funds the Capital Investment Scheme for the Processing and Marketing of Agricultural Products, which is a grant scheme for dairy and meat processors.

#### RATIONALE

The agri-food sector is Ireland’s most important indigenous industry, playing a vital role in Ireland’s economy. In 2021, Ireland had 135,037 farms, 808,848 hectares of forestry and nearly 1,900 fishing vessels. The sector employed 170,400 people, or 7.1%, of the total workforce on the island<sup>32</sup>.

#### DEVELOPMENT & PROMOTION OF AGRICULTURE AND FOOD (NON-FARM) AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

While it is clear that not all of the expenditure under this subhead would constitute potentially climate harmful expenditure (e.g. the Food Ombudsman, Food Dudes Healthy Eating etc.), it would seem that a material portion of the expenditure under this subhead funds supports to the agri-food industry and therefore confers an advantage on these producers. Subsidising or grant funding the marketing and processing of agricultural and food projects, particular beef and dairy, is likely to have an adverse impact on greenhouse gas emissions from these sectors, as the promotion is aimed at increasing demand for these products, which in turn will increase production.

It should be noted that the risk of any environmental impact for the Capital Investment Scheme is somewhat mitigated by the terms and the conditions of the scheme which, in addition to requiring compliance with legislative and regulatory environmental standards including any planning permission requirements, included a specific *Impact on the Environment* criterion. Further, all companies applying for scheme funding must be members of Origin Green at the time of approval.

### An Bord Bia Grant – Department of Agriculture, Food and the Marine

#### **Vote 30, Subhead C.6**

**On-budget:** Provision of marketing services to agri-food industry

**Beneficiary:** Agri-food industry

**Harmful environmental effects:** Supports to the agri-food sector, which is likely to result in the production of greenhouse gas emissions.

**REV 2023:** €55,290,000

An Bord Bia’s function as a state agency is to promote safe quality assured Irish food and drink, with a significant agenda through Origin Green to lower the carbon footprint of food produced. The key function of An Bord Bia is to promote and assist the production, marketing and consumption of Irish food and livestock. Bord Bia offers assistance to businesses of all sizes, with a number of different types of supports available.

#### RATIONALE

The Irish food and drink industry is an important sector of our economy. In 2021, Irish food and drink exports were worth €13.5 billion<sup>33</sup>.

<sup>32</sup> <https://www.gov.ie/en/publication/91e7e-annual-review-and-outlook-for-agriculture-food-and-the-marine-2020/>

<sup>33</sup> <https://www.bordbia.ie/globalassets/performance-and-prospects/bord-bias-export-performance--prospects-2021---2022-pdf-report.pdf>

#### AN BORD BIA GRANT AS A POTENTIALLY CLIMATE HARMFUL SUPPORT

While a portion of the funding under this subhead does not fall under the definition of a potentially climate harmful (e.g. pay and pensions), a material portion of this subhead confers an advantage to the agri-food industry by lowering costs associated with marketing, market research and promotion.

The Bord Bia Accounts 2020<sup>34</sup> indicate that in that year, marketing and promotional expenditure made up over half of Bord Bia's total expenditure. While not all marketing and promotion activity is linked to emissions intensive activity, it appears that a significant portion of this funding goes towards supporting the promotion and consumption of beef, dairy and other meat products. In October 2022, Bord Bia announced a €1,000,000 investment in beef marketing across key UK and EU markets this autumn to support the sector faced with increasingly difficult trading conditions<sup>35</sup>. An Bord Bia also announced two Bord Bia run campaigns to promote European dairy, beef, and lamb from Ireland in Asia, which will be co-funded by the EU and is worth a combined €8 million<sup>36</sup>.

Any negative climate impact resulting from these supports is likely limited to some degree by Bord Bia's Origin Green Programme, a national sustainability programme, independently verified and with a range of metrics on environmental sustainability at farm and processor levels. These sustainability credentials are increasingly important to key trade customers for Irish food.

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<sup>34</sup> <https://www.bordbia.ie/globalassets/bordbia.ie/about/governance/annual-reports-pdfs/bord-bia-annual-report-2020.pdf>

<sup>35</sup> Bord Bia announced a €1,000,000 investment in beef marketing across key UK and EU markets this autumn to support the sector faced with increasingly difficult trading conditions.

<sup>36</sup> <https://www.bordbia.ie/industry/news/press-releases/bord-bia-launches-new-eu-beef-lamb-and-dairy-promotions-worth-8-million-across-japan-and-southeast-asia/>

## Appendix

### Other Potentially Climate Harmful Supports

Subheads that may contain a portion of potentially climate harmful supports that were not included in this paper on the basis that this portion of the spend does represent a material portion of the subhead:

**Vote 30, Subhead B.12 – Other Schemes:** This subhead includes expenditure on Market Volatility Payments for the Dairy and Pig meat sectors, which would fall under the definition of a potentially climate harmful support used in this paper. However, this programme does not represent a material portion of the total subhead expenditure, and was therefore not included.

**Vote 30, Subhead C.11 – Other Services:** This subhead includes expenditure on grants to farm and rural development organisations, which may fall under the definition of a potentially climate harmful support used in this paper. However, this programme does not represent a material portion of the total subhead expenditure, and was therefore not included.

**Vote 37, Subhead A.10 – Additional Needs Payment:** An Additional Needs Payment is a payment available to you if you have essential expenses that you cannot pay from your weekly income. This subhead includes expenditure as cash payments to people in need for the purpose of paying for heat and electricity. Individuals who apply for the payment on the basis of heating costs have to give evidence of heating costs and are approved payment for that specific purpose. However, it is understood that in 2022, expenditure on heating constituted a small portion of total expenditure on the scheme, and therefore this subhead was not included in the table.

**Vote 37, Subhead A.11 – Other Working Age – Income Supports:** In addition to general daily expenses income support, other supplements and humanitarian aid funding, this subhead includes supplements for heating and lighting. The heating supplement is an additional weekly payment made to households to help with the cost of home heating. As per the Fuel Allowance, this is made as a cash payment and not paid directly to the provider, but is intended to cover home heating costs for people who are in need.