



## **Principles for an Impactful Carbon Tax**

***Submission to Department of Finance in reply to Consultation on the options for use of resultant revenues raised from increases in Carbon Tax***

**June 2019**

*Dublin Chamber recognises the necessity for and supports an increase in the rate of carbon tax from €20 to €80 per tonne by 2025, recognising that Ireland needs greater ambition in transitioning to a low carbon economy and that this will require a goal earlier than 2030. An increase of €10 per tonne in Budget 2020 is appropriate, with further increases in successive budgets. Each step in the move to a carbon tax of €80 per tonne should be clearly flagged to enterprise and others impacted by the increase in order to allow them to properly prepare. Increases should be made on an incremental basis. Below we detail a set of 9 Principles for an Impactful Carbon Tax which should be adopted by Government to ensure success in reducing emissions and promoting sustainability. We argue that revenue from the carbon tax should be ring-fenced to support the State's move toward a low carbon economy. Resultant revenue should be used for the provision of additional public transport services and to fund research and innovation on aspects of the low carbon transition that are particular to the Irish economy. We ask that business representative groups such as Dublin Chamber are included at the planning stage of carbon tax increases in order to mitigate unintended consequences and to guard competitiveness. City regions, and Dublin in particular, have the potential to lead the transition to a low carbon economy.*

### **9 Principles for an Impactful Carbon Tax**

- ***City Planning***
- ***Sustainable City Infrastructure***
- ***Public Transport***
- ***Pilot Schemes***
- ***Embrace Smart City Innovation***
- ***Energy Efficient Housing & Commercial Building Stock***
- ***Just Transition***
- ***Consultation with the Business Community***
- ***Strategic Communication***

## Introduction

Dublin Chamber is the largest business membership organisation for the capital city region, representing over 1,300 business from across the Greater Dublin Area, employing 300,000 nationally. Dublin Chamber has been at the forefront of driving the green agenda within the Dublin business community over the past decade and more.

The National Planning Framework (NPF), Project Ireland 2040 outlines in its environmental and sustainability goals a focus on resource efficiency and a transition to a low carbon economy. The NPF sets targets out to 2050 that directly apply to Dublin as Ireland's largest urban region. The NPF also proposes "*an aggregate reduction in carbon dioxide (CO<sub>2</sub>) emissions of at least 80% (compared to 1990 levels) by 2050 across the electricity generation, built environment and transport sectors*". Dublin Chamber supports this ambition.

However, Ireland is failing to meet its EU emissions targets, and the gap between these targets and actual emissions is growing.

Carbon tax currently applies to carbon dioxide emissions from the burning of turf, coal and other fossil fuels. It is charged at €20 per tonne of CO<sub>2</sub> and is applied at the point of sale. To date, all revenue from the Carbon Tax has gone directly to the Exchequer. The Climate Change Advisory Council has advised that the country's current Carbon Tax rate does not reflect the costs of climate change, and that reducing our emissions and paying for the cost of the transition will be almost impossible without a substantial increase. The ESRI has also stated that Carbon Tax will need to be dramatically increased if Ireland is to achieve its EU emissions targets. International comparators show that Sweden already taxes carbon at €112 per ton, Switzerland has an €81 tax, while Finland's is €62 a tonne.<sup>1</sup>

## Carbon Tax Increases and Revenue Allocation

An increased Carbon Tax will not be the silver bullet for Ireland to achieve its climate change targets, nor will it be the catalyst for making Dublin a truly sustainable and resilient city. It is, however, a vital component of Ireland's overall efforts. Existing carbon tax rates are insufficient to amend current behaviour. We believe that Ireland needs to increase the Carbon Tax more swiftly than has been proposed by the Joint Oireachtas Committee on Climate Action.<sup>2</sup> We believe the Carbon Tax should be increased to €80 per ton by 2025. An increase of €10 per tonne in Budget 2020 is appropriate, with further increases in successive budgets. Each step in the move to a carbon tax of €80 per tonne should

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<sup>1</sup> Irish Examiner <https://www.irishexaminer.com/breakingnews/business/columnists/no-escaping-increases-in-carbon-taxes-923664.html>

<sup>2</sup> Report of the Joint Committee on Climate Action Climate Change: A Cross-Party Consensus for Action. March 2019  
[https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint\\_committee\\_on\\_climate\\_action/reports/2019/2019-03-28\\_report-climate-change-a-cross-party-consensus-for-action\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint_committee_on_climate_action/reports/2019/2019-03-28_report-climate-change-a-cross-party-consensus-for-action_en.pdf)

be clearly flagged to enterprise and others impacted by the increase in order to allow them to properly prepare. Increases should be made on an incremental basis.

We note that the ultimate goal of a carbon tax is not to raise revenue but rather to encourage a change away from emissions-producing behaviours.

Revenue from the Carbon Tax, without any policy change, is set to bring in €440 million in 2019. This is a substantial sum. The revenue from Carbon Tax increases can have a significant impact on accelerating and easing the change to a low carbon economy if it is channelled into that purpose.<sup>3</sup>

The use of Carbon Tax revenue should reflect Ireland's commitment to achieving its emissions targets and the need to support overall sustainability and resilience. If an increased Carbon Tax is to succeed in encouraging businesses and members of the public to switch to lower carbon behaviours, these options must be made available. Revenue from the tax should therefore be ring-fenced and funnelled into urban public transport infrastructure, innovation for sustainability, and seeding and leveraging investment in the research and development of new technologies, as well as toward Just Transition measures.

Conversely, if the State fails to re-invest resultant tax receipts into sustainable infrastructure and technologies, its commitment to a more sustainable economy will inevitably be called into question. Dublin Chamber recommends that Government track and report on implementation and delivery of sustainable infrastructure and technology funded by Carbon Tax revenue.

Cities are particularly suited to becoming low carbon spaces as they have greater population densities. Reliance on cars in cities can be greatly reduced by reducing urban sprawl, improving spatial planning and improving transport infrastructure and services. An improved public transport offering in Dublin, provided through more sustainable technologies, has the power to significantly reduce national carbon emissions.

There are a number of issues associated with roll out, impact on business, and the use of resultant revenue that need to be clarified ahead of a carbon tax increase in order to ensure public 'buy in' and to avoid unnecessary and adverse impacts on the business community. These issues are further detailed below in *9 Principles for an Impactful Carbon Tax*.

## 1. City Planning

With better city planning, greater core density, and alignment of residential development with employment centres, Government can make Dublin significantly more sustainable. A policy focus on Ireland's cities in particular, by virtue of their density, has the potential to dramatically reduce national carbon emissions. This is acknowledged in the NDP, which notes that compact growth is required for sustainable urban development in order to reach national objectives, including being a low carbon and

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<sup>3</sup> Dept of Finance Carbon Tax Consultation Paper p.2

resilient State.<sup>4</sup> Investment in energy efficient housing and the building stock will be key to making cities like Dublin more sustainable places to live.

*We call on Government to focus on the sustainability of our cities, and the capital in particular, leading the way for the entire country by compensating for areas where reducing carbon emissions will be more challenging. Ring-fenced revenue should be used to improve city infrastructure and services in support of compact growth.*

## 2. Sustainable City Infrastructure

By virtue of their density, cities are more environmentally sustainable than their less urban counterparts on a per person basis. Sustainable infrastructure will have the most benefit in the capital for this reason. Dublin Chamber advocates an 'infrastructure first' approach to Dublin's overall environmental sustainability and city resilience. Through investment in the necessary public transport infrastructure to support subsequent housing, urban population will gravitate to low carbon transport options. Therefore Carbon Tax revenue should be used to support development of the necessary infrastructure for cities, as well as being used to support a Just Transition. For example, investing in public Electric Vehicle (EV) charging infrastructure and incentivising retail businesses, specifically petrol stations, to install fast charge stations would be a positive and simple step. Similarly, district heating systems are energy efficient and well suited to densely populated areas. Dublin's district heating system, which focuses on the Docklands and Poolbeg area is the kind of infrastructure project necessary for a more sustainable city.<sup>5</sup>

There are also aspects of sustainable city infrastructure that should be considered 'low hanging fruit' but which are progressing far too slowly. Deployment of LED lighting systems should be accelerated. Dublin's cycling infrastructure has great potential to move to a zero carbon commute, if it was made safer. Unfortunately, the pace of improvement in this regard has been extremely slow.<sup>6</sup> Similarly if grants were made available for businesses to create changing room space for cyclist employees, this would further encourage energy efficient city commutes.

*We call on Government to commit to and deliver sustainable city infrastructure so that there will be viable alternatives to emission-producing practices.*

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<sup>4</sup> National Development Plan, p.9

<sup>5</sup> DCC District Heating System <http://www.dublincity.ie/ddhs>

<sup>6</sup> Dublin Chamber Submission to DCC on Draft Climate Action Plan March 2019 [http://www.dublinchamber.ie/getattachment/108f7d63-1e97-460a-b0c0-3d21feffaa54/Dublin-Chamber-Submission-to-Dublin-City-Council-re-Draft-Climate-Change-Action-Plan\\_March-2019.pdf?lang=en-IE](http://www.dublinchamber.ie/getattachment/108f7d63-1e97-460a-b0c0-3d21feffaa54/Dublin-Chamber-Submission-to-Dublin-City-Council-re-Draft-Climate-Change-Action-Plan_March-2019.pdf?lang=en-IE)

### 3. Public Transport

Transport produces 23% of Ireland's emissions.<sup>7</sup> Without making substantial progress on public transport infrastructure, Ireland will not be able to meet its carbon targets. Dublin Chamber members still rely heavily on cars for their commute, with over half reporting that they use their cars to get to work. The CSO shows that the number of cars under current license in the State is 1,943,869; of this number, 503,266 are in Dublin.<sup>8</sup> By improving the transport infrastructure for Dublin in particular, the number of cars on Irish roads could be drastically decreased. Dublin's cycling infrastructure is also improving at far too slow a pace and needs to be drastically improved to encourage a zero carbon transport option that will reduce city congestion as well as emissions.

A fixed proportion of ring-fenced Carbon Tax revenue should be allocated to improving public transport, piloting cleaner public transport, such as hydrogen and bio-methane busses, toward providing additional public transport services, and to funding new cycling infrastructure.

We support the MetroLink project as a piece of public transport infrastructure that will have significant impact on emissions levels for the Greater Dublin Area. MetroLink will move people towards using public transport for decades to come.

*We call on Government to continue to invest in Dublin's public transport offering as the most impactful and immediate means of reducing emissions in a way that benefits those from all socio-economic backgrounds.*

### 4. Use Pilot Schemes to Good Effect

At a time when there are many prospects for improving energy efficiency and introducing newer technology to make a city smarter, it can be difficult to be sure what will work best in the Irish context. Dublin should pilot different technologies and match different renewable sources to projects of corresponding sizes in order to progress a number of options, thus mitigating against unforeseen issues that may arise in some areas. Cities lend themselves well to piloting projects due to size, and Dublin is of the necessary density to appropriately gauge success.

Our public transport system in particular should pilot a number of different projects. Hydrogen buses, bio-methane buses, hybrid electric and others should be piloted for Dublin's fleet. The use of hydrogen buses has been implemented to good effect in Scottish cities and they have also been piloted in Belfast.<sup>9</sup>

*We call on Government to use the ring-fenced revenue from the Carbon Tax to trial new technologies for renewable energy sources and low carbon transport options.*

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<sup>7</sup> EPA 2017

<sup>8</sup> CSO Number of Cars by County 2014

<sup>9</sup> Scottish Cities Alliance <https://www.scottishcities.org.uk/>

## 5. Embrace Smart City Innovation

We call on Government to be ambitious, positive and expedient in relation to adoption of new technologies that can aid in moving the city toward a low carbon environment. Policymakers must make every possible effort to support new, cost effective and energy efficient solutions. For example, e-scooters are a cost effective and accessible mode of urban transport; indeed, an electric scooter requires a significantly lower financial commitment than an electric car.

An e-scooter sharing system similar to that of Dublinbikes could be introduced with little or no cost to the Exchequer if brought in in collaboration with private industry; there are many interested in the Irish market internationally. It is vital that such options are supported by relevant Government Departments in regulatory processes. Failure to embrace new technologies and adapt to their presence in our existing urban landscape does not bode well for Ireland's ambition to become a low carbon economy.

Innovation in the renewable energy and energy efficiency spaces should be actively encouraged by Government. This could be achieved, for example, through a Prize Scheme with an open call to apply for funding for an innovative proposal to support the move to a low carbon economy. The focus of such research could be on finding solutions to sustainability problems that are particularly acute in, or relevant to, Ireland.

*We call on Government to be open in their thinking and to support smart, cost effective, and energy efficient urban solutions, in particular, by providing regulations to support e-scooter technology.*

*We call on Government to incentivise innovation in carbon reduction by launching an open scheme to award the best innovation idea from any sector with prize funding.*

## 6. Housing & Commercial Building Stock

A critical step in delivering national carbon targets is ensuring that future buildings are designed to be increasingly sustainable by being both low carbon and highly energy efficient. Development of the skillsets needed to deliver such improvements will itself help to safeguard the economic future of the city.

A considerable amount of Dublin's city housing stock needs to be retrofitted to improve energy efficiency. Older houses in the core of the city need to be able to access grants for retrofitting in the context of the planned increase in Carbon Tax.

We encourage Government to create a market for retrofitting projects through using the size of the State property portfolio to develop economy of scale. If the Government were to lead by example through supporting the retrofitting of all State-owned buildings, including schools, hospitals, nursing homes etc. as well as those of semi-state organisations, this would support the retrofitting industry, enabling the market through economy of scale.

Similarly, business specific investment to aid the business community to retrofit their buildings to energy efficient standards must continue. We acknowledge the work being done in this area by the Sustainable Energy Authority of Ireland (SEAI).

## **7. Just Transition**

The ESRI's research into compensation options for households adversely impacted by an increased Carbon Tax shows that while there is no ideal option, there are a number of viable means of providing support to those who are vulnerable utilising existing welfare channels. However, Dublin Chamber argues in order for the tax to be truly impactful it needs to support renewables and new technology.<sup>10</sup> Therefore, any Carbon Tax compensation scheme should be in conjunction with significant investment in infrastructure and innovation. Development of a better and low-carbon public transport system will significantly aid a fair transition.

In addition to any compensation scheme, a proportion of revenue should also be assigned to a just transition fund. This should provide for training opportunities for those whose job security is impacted by the turn to a low carbon economy. People trained to help deliver our low carbon targets will be well positioned to support future economic growth. This 'Just Transition Fund' could also be charged with providing for those in a vulnerable economic position in other ways.

The 'Just Transition Fund' should be in existence for a period of 5 years, at which point its performance and necessity can be reviewed with a view to phasing it out in the future. The Fund should be coordinated by a Just Transition Taskforce as suggested by the Joint Committee on Climate Action's April 2019 report. Dublin Chamber recommends that urban interests are represented on such a committee, noting that the Joint Committee proposal neglects to include the urban interest in its steering committee proposal.

*We call on Government to set up a Just Transition Fund and a Just Transition Committee. This committee should include representation from the business community.*

## **8. Business Community Consultation**

The impact of Carbon Tax on SMEs and on particular business sectors is a concern. As the economic engine of the country, Dublin in particular must remain competitive for domestic business and for Foreign Direct Investment. It is essential that public policies are fully aligned in relation to climate change measures. The Government must encourage early investment in carbon and energy efficient infrastructure so that the private sector can contribute to achieving national targets. Grant opportunities for businesses to increase energy efficiency and to undertake energy efficiency audits should be better

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<sup>10</sup> ESRI Carbon Taxes and Compensation Options. June 2019  
<https://www.esri.ie/publications/carbon-taxes-and-compensation-options>

communicated. We acknowledge the work in this area by the Sustainable Energy Agency Ireland in relation to SMEs in particular.

*Public consultation with the business community must take place in order to avoid any adverse impact on competitiveness. We support of the Oireachtas Joint Committee's proposal for a consultation period on its impact on the SME sector.*

*It is essential that the Government publicly announces a clear roadmap to €80 per tonne, with the planned increases for each year flagged well in advance. This will be critical if the business community is to plan ahead and make informed investment and strategic decisions during the transition period. Announcing increases annually on a piecemeal basis will only create unnecessary business uncertainty.*

*Increases to the Carbon Tax must be accompanied by greater guidance for businesses on how to become part of the circular economy.*

## **9. Strategic Communication**

Finally the introduction of an increased Carbon Tax must be achieved with serious consideration for a campaign to ease its roll out. Recent history demonstrates that the introduction of such new taxes or charges can encounter significant public opposition. This is particularly so when the necessity and potential benefits of such a tax are not properly communicated, and the benefits to consumers and businesses are not made clear.

*We call on Government to plan the increase in Carbon Tax to include provision for its successful introduction, with options for people and businesses to reduce consumption communicated effectively.*

*Ahead of the Carbon Tax increase, the Government should publish data on the impact that the Carbon Tax will have on the general public and the business community. Government also should clearly establish what the Carbon Tax revenue will be used for ahead of its roll out.*

## **Conclusion**

Carbon Tax will be an essential part of a wider effort to reduce emissions and this opportunity should not be lost due to a poor civic communications programme. In its introduction, policymakers must remain cognisant of the pitfalls encountered in the roll out of Water Charges and similarly the fuel increase in France.

The success of the Carbon Tax will be predicated on public reaction. There must be 'buy in' from the public and from businesses, who need to be provided with a clear roadmap to €80 per tonne. Dublin Chamber recommends that Government increases the Carbon Tax as part of a comprehensive plan and in consultation with the above outlined *Principles for an Impactful Carbon Tax*.

Finally, revenue from an increased Carbon Tax needs to be ring-fenced toward efforts to create a low carbon economy. The desired outcome of the proposed policy change is to eliminate emission producing behaviours. However, this can only be achieved in a progressive manner by ensuring that our transport infrastructure provides suitable low carbon alternatives and that energy efficiency measures are accessible to make this possible.