Rialtas na hÉireann
Government of Ireland

Climate Action and Low Carbon Development (Amendment) Bill 2021

Regulatory Impact Assessment

May 2021

Prepared by the Department of
The Environment, Climate and Communications
gov.ie

Table of Contents

1 Climate Action and Low Carbon Development (Amendment) Bill 2021 – Part 1 and Part 2

1.1 Summary of Regulatory Impact Analysis

Department: Environment, Climate and Communications	**Title of Legislation:** Climate Action and Low Carbon Development (Amendment) Bill 2021 – Part 1 and 2
Stage: Bill was approved by Cabinet on 23 March 2021	**Date:** May 2021

Related Publications:

Climate Action and Low Carbon Development Act 2015

National Adaptation Framework 2018

National Development Plan 2018-2027

Report of the Citizens' Assembly on How the State Can Make Ireland a Leader in Tackling Climate Change (April 2018);

Report of the Oireachtas Joint Committee on Climate Action: Climate Change – A Cross Party Consensus for Action (March 2019);

Climate Action Plan 2019 to Tackle Climate Breakdown (June 2019);

Programme for Government – Our Shared Future (June 2020);

Joint Oireachtas Committee Report on Pre-Legislative Scrutiny of the Climate Action and Low Carbon Development (Amendment) Bill

Available to View or Download at:

https://www.gov.ie/en/publication/984d2-climate-action-and-low-carbon-development-amendment-bill-2020/

https://www.oireachtas.ie/en/bills/bill/2021/39/

Contact for Enquiries: john.finnegan@decc.gov.ie	**Telephone:** 01 678 2000

Policy Objectives Being Pursued:

The next ten years are critical if we are to address the climate and biodiversity crises which threaten our safe future on this planet. The Climate Action and Low Carbon Development (Amendment) Bill 2021 will amend the Climate Action and Low Carbon Development Act 2015 to significantly strengthen the statutory framework for governance of climate action by the State in order to realise our national, EU and international climate goals and obligations.

The Bill strongly reflects the view of the Report of the Citizens' Assembly on How the State Can Make Ireland a Leader in Tackling Climate Change; the Oireachtas Joint Committee on Climate Action Report 2019; the provisions set out in the 2019 Climate Action Plan; the Programme for Government; and the Report on the Pre-Legislative

Scrutiny published on 18 December 2020.

The Bill commits us, in law, to move to a climate resilient and climate neutral economy by no later than 2050, and will drive implementation of a suite of policies to help Ireland achieve this goal.

Policy Options Considered:

Do nothing. Existing 2015 Act remains; or

Enactment of amending legislation to put in place updated arrangements to ensure successful transition to a climate neutral and resilient economy and society.

Preferred Option:

Option 2, this will provide a strengthened statutory underpinning to support the transition between now and 2050 to a climate neutral economy.

Option	Costs	Benefits	Impacts
1	Delayed action or inaction to reduce emissions will have the consequential effect of requiring greater emissions reductions over a shorter timeframe. This will make achieving targets more difficult and will incur higher long term transition costs than might otherwise be necessary. Failure to implement policies to meet currently legally binding EU 2030 targets could result in a cost to the Exchequer of up to €1.75 billion. Failing to adapt to climate impacts will also incur significant economic and financial costs. Ongoing cost of not adapting to climate change – storm damage over 2 years 2017-2018 cost insurers €84m.	No benefits identified.	Inaction against climate change, retaining status quo, risks severe consequences, including for the viability of the State's economy, infrastructure, public health, biodiversity and ability to produce food. Loss of public support and 'buy-in' for major social and economic changes that the transition to a low carbon economy / society will require over the coming decades. Failure to 'close the gap to target' outlined most recently in the Climate Action Plan 2019. Consequences for Ireland's reputation at EU level and internationally.
2	Administrative and operational costs expected.	Support the long-term sustainability of the economy, in terms of	Protect and maintain the State's wider environment and

	Detailed costs to implement specific actions and measures will have to be assessed when carbon budgets; sectoral emission ceilings; and related plans and strategies being prepared and considered to ensure that our transition is fair, and every sector participates and makes the required contribution.	both job creation and competitiveness. Introducing a stronger governance framework and accountability structure and embedding a system of carbon budgets and sectoral emission ceilings will ensure shared responsibility across all sectors. Helps improve awareness about the co-benefits of climate policy such as the health benefits coming from reducing emissions and how people's quality of life can improve.	biodiversity, in tandem with our long-term economic competitiveness and social prosperity, and the individual health and well-being of our citizens. Underpin the long-term, sustainable competitiveness of the economy. Achieve a positive climate impact, and ensure mitigation and adaptation policies and measures are developed and implemented economy-wide. Likely be greater impact to certain sectors and industries at varying levels.

1.2 Description of Policy Context and Objectives

Climate Change

Climate policy in Ireland has been developed in the context of national and EU commitments to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) and agreements made under that Convention since 1992 e.g. the Kyoto Protocol which Ireland ratified in 2002 and the Paris Agreement which Ireland ratified in 2016.

Evidence for warming of our climate system is beyond dispute. Observations show that global average temperatures have now increased by more than 1^{o}C since pre-industrial times. The projections of future global and regional climate change indicate that continued emissions of greenhouse gases will cause further warming and changes to our climate. These changes, which will get worse over time, are already causing extensive direct and indirect harm to Ireland and its people. These changes have also made our existing fossil-fuel based economic model redundant. The Intergovernmental Panel on Climate Change's Special Report, Global Warming of 1.5^{o}C, published in October 2018, confirmed that the international community has a limited window for real action to reduce emissions to ensure that current and future generations can live sustainably in a low-carbon and climate-resilient world.

Observations show that Ireland's climate is changing. The observed scale and rate of change is consistent with regional and global trends. The most immediate risks to Ireland are predominantly those associated with changes in extremes, such as floods, precipitation and storms. No matter whether global efforts to reduce greenhouse gas emissions are successful, the effects of climate change will continue to impact on our economy and society due to past and current emissions. Adaptation to address the current and future risks posed by a changing climate is therefore urgent, and essential to successfully transition to a climate resilient economy and society by 2050.

Many of the impacts of climate change can already be observed in Ireland. Average temperature has increased roughly in line with global temperatures, at around 0.8°C higher than in 1900. Rainfall has increased, as has the average river flow. In the future, these impacts are expected to grow. Sea level rise, alongside heavier rainfalls and a general intensification of the hydrological cycle, may lead to worsening impacts from flooding, particularly for coastal communities. Changes in climatic conditions may create severe challenges for agriculture and forestry, as well as presenting threats to Ireland's biodiversity.

EU Policy Response to Date

The European Green Deal, published in December 2019, is the European Commission's new growth strategy which aims to make Europe the first climate-neutral continent by 2050, while boosting the competitiveness of European industry and ensuring a just transition for the regions and workers affected. It includes a number of legislative proposals, new strategies and action plans, financing instruments and non-legislative initiatives, which span all sectors.

The European Commission's 2030 Climate Target Plan proposes to raise the EU's ambition on reducing greenhouse gas emissions to at least 55% below 1990 levels by 2030, committed in the European Green Deal communication. This level of ambition for the next decade will put the EU on a balanced pathway to reaching climate neutrality by 2050.It is in line with the Paris Agreement objective to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C.

Following guidance from the December 2020 European Council, the EU submitted an updated and enhanced Nationally Determined Contribution (NDC) target of at least a 55% reduction in greenhouse gas emissions by 2030 compared to 1990 to the UNFCCC.

The EU's climate legislative and policy frameworks separates greenhouse gas emissions into two categories, namely the Emissions Trading System (ETS) and the non-ETS. The ETS includes large energy users, such as electricity, cement and large pharmaceutical plants. Emissions from agriculture, transport, the built environment, and small industry are in the non-ETS sector. These are dealt with by Member States through legally binding targets for emissions reductions.

Ireland's current non-ETS targets are to achieve a 20% reduction in non-ETS sector emissions by 2020 and 30% by 2030 (relative to 2005 levels), with annual binding emissions limits set for each individual year to 2030. Revised targets for each Member State, in line with increased overall EU reduction target of 55%, will be determined under revised legislative proposals later this summer.

National Policy Response

It is the responsibility of Member States to define and implement national policies and measures to limit emissions from the sectors covered under the non-ETS sector.

The Climate Action and Low Carbon Development Act, enacted in December 2015, established existing statutory governance framework for climate action in Ireland. It included a national transition objective (of reaching a low carbon, climate resilient and environmentally sustainable economy by the end of the year 2050); and required the development of a series of successive national climate strategies to reduce emissions and adapt to climate change impacts – the National Mitigation Plan and National Adaptation Framework.

The National Mitigation Plan and the National Adaptation Framework were published in 2017 and 2018.

Ireland's Emission Profile

Ireland's overall emissions profile is distinctive against its EU peers. It includes a large agricultural sector and dispersed rural population, this makes Ireland's non-ETS targets challenging. Current projections indicate Ireland will not meet our 2020 targets, and systemic change is necessary to ensure we achieve future 2030 targets.

Proposed new Climate Change Legislation

Since early 2018, a series of key reports and Government policies have all consistently expressed the view that the existing climate governance framework set out in the 2015 Act needed to be improved to ensure Ireland would meet existing and future obligations at national, EU and international level.

The Report of the Citizens' Assembly on How the State Can Make Ireland a Leader in Tackling Climate Change (April 2018) noted that it was implicit in the mandate the Assembly received in the Oireachtas Resolution, that climate change was real, happening and must be tackled. The Report of the Oireachtas Joint Committee on Climate Action Climate Change: A

Cross-Party Consensus for Action March 2019 noted that it was key that the State would immediately undertake significant actions across all relevant sectors and recommended measures included a comprehensive governance framework for climate policy.

Against this background, the Climate Action Plan 2019 to Tackle Climate Breakdown set out an ambitious course of action over the coming years to address this issue and provide a clear pathway for emission reductions in Ireland, in line with our EU targets. It referred to the central priority that climate change will have in our political and administrative systems into the future, and that the Plan set out a series of new governance arrangements that were to be put in place. It also included a commitment to bring forward new legislation, amending the 2015 Act, and determined a number of key provisions to be included in the Bill. Government approved priority draft of the Bill along the lines of the General Scheme in December 2019.

The Programme for Government Our Shared Vision underlined the urgency of the climate and biodiversity crisis, which threatens our safe future on this planet. It identified the Climate Bill as a key commitment. It acknowledged in order to deliver this expanded and deepened climate ambition, far-reaching policy changes will be developed across every sector.

A draft text of the Bill was published on 7 October 2020 and then underwent an extensive pre-legislative scrutiny by the Joint Oireachtas Committee on Climate Action. To inform its deliberations, the Joint Committee heard from a number of stakeholders including officials from the Department and expert witnesses. It also considered written submissions from interested parties/individuals. The Joint Committee's resultant report was submitted to the Minister on 18 December 2020.

In response to the pre-legislative scrutiny report and its recommendations, further revisions were made to the text of the Bill. The Climate Action and Low Carbon Development (Amendment) Bill 2021 was subsequently approved by Cabinet on 23 March 2021.

At its meeting February 2021, Government approved priority drafting of new Heads to the Climate Action and Low Carbon Development (Amendment) Bill which will provide amendments to the Electricity (Supply) (Amendment) Act 1954 to increase the ESB's Statutory Borrowing Limit, and amendments to the Petroleum and Other Minerals Development Act to introduce a statutory ban on future oil and gas exploration. Consideration of these amendments are assessed and considered separately.

Objectives of the Bill

The ultimate objective of the Climate Action and Low Carbon Development (Amendment) Bill 2021 is to significantly strengthen the statutory framework for governance of climate action by the State in order to realise our national, EU and international climate goals and obligations.

Key elements of this new strengthened statutory framework include:

- establishing a commitment of a climate neutral economy by no later than 2050 in law;
- introducing a legal requirement for Government to adopt a series of three successive, five-year economy-wide carbon budgets and sectoral emission ceilings for each relevant sector, that will require Government, Ministers and public bodies to plan in an effective manner to meet climate targets;
- expanding the Climate Change Advisory Council from eleven to fourteen members, and providing that future appointments to the Council provide for a greater range of relevant expertise;
- strengthening the role of the Climate Change Advisory Council, enabling it to propose appropriate carbon budgets to the Minister;
- providing that the first two five-year carbon budgets proposed by the Climate Change Advisory Council should equate to a total reduction of 51% over the period to 2030, relative to a baseline of 2018;
- replacing the former process of developing a series of successive National Mitigation Plans by introducing a requirement to adopt annual revision to the Climate Action Plan, and prepare a National Long Term Climate Action Strategy at least once every five years;
- improving accountability arrangements with a greater role for the Oireachtas – Ministers will have to account for their performance towards sectoral targets and actions before an Oireachtas Committee each year;
- providing that the Minister request, within 18 months of the enactment of the Bill, each Local Authority to prepare a Climate Action Plan to include both mitigation and adaptation measures, and that these plans must be updated not less than once every five years. Local Authority Development Plans must be aligned with their Climate Action Plan;
- Public Bodies will be obliged to take account of Climate Action Plans in the performance of their functions.

1.3 Identification and Description of Policy Options

Option 1 – Do Nothing

Retaining the 2015 Act would mean continuing with the current governance framework. The existing 'national transition objective' of reaching a low carbon, climate resilient and environmentally sustainable economy by the end of the year 2050 would continue to be Ireland's long-term policy objective. The existing policy process of a series of successive limited cross sectoral National Mitigation Plans (NMPs) and National Adaptation Frameworks (NAFs) being prepared to assist in the pursuit and achievement of the national transition objective would continue. The Climate Change Advisory Council would continue to provide advice to Government on the development of national climate strategies. The Annual Transition Statement process where Ministers present both written and oral annual statements to the Oireachtas would continue. The 2015 Act does not provide carbon budgeting process.

Option 2 – Develop and Enact Amending Legislation

The development and enactment of amendment to the 2015 Act would establish a stronger statutory basis to underpin the pursuit of a new national long term climate objective – 'the national climate objective' of transitioning to a climate neutral economy by no later than the end of 2050 and maintaining this objective in subsequent years.

Key amendments to the Climate Action and Low Carbon Development Act 2015 will include:

- establishing a 2050 target in law – known as the 'national 2050 climate objective' by committing to climate neutral economy;
- introducing a legal requirement for Government to adopt a series of three successive, economy-wide carbon budgets and sectoral emissions ceilings for each relevant sector;
- strengthening the role of the Climate Change Advisory Council, enabling it to propose appropriate carbon budgets to the Minister;
- providing an opportunity for an Oireachtas Committee to consider the Government's recommended carbon budgets as part of the approval process for carbon budgets;
- replacing the former process of developing a series of successive National Mitigation Plan by introducing a requirement to annually revise the Climate Action Plan and prepare at least once every five years a National Long Term Climate Action Strategy;
- improved accountability arrangements with a greater role for the Oireachtas – Ministers will have to account for their performance towards sectoral targets and

actions before an Oireachtas Committee each year; this will replace the Annual Transition Statement process;

- provisions to streamline the preparation of future Sectoral Adaptation Plans;
- a requirement for all Local Authorities to prepare individual Climate Action Plans which will include both mitigation and adaptation measures.

1.4 Costs, Benefits and Impact Analysis of Options

Costs

Option 1

As noted earlier, the international community has a limited window for real action to reduce emissions to ensure that current and future generations can live sustainably in a climate-resilient society and economy, where there is a balance between emissions by sources and removals by sinks of greenhouse gases in the second half of this century, in line with Article 4 of the Paris Agreement.

The prevailing economic perspective on climate action is that the longer it is delayed, the more costly it will become. Failure to rapidly move to a carbon-neutral economic model will have far reaching negative impacts on the economy and the public finances; it will also undermine the long-term, sustainable competitiveness of the economy and lock Ireland into a redundant fossil-fuel based economic model. If climate is not integrated across all relevant sectors, it will undermine new opportunities for further job creation in the green economy, including the retrofitting and renewable energy sector, the circular economy, clean mobility, green and blue infrastructure, sustainable agriculture and the bio-economy.

The lack of a clear long term emission target commitment, as well as medium term objective for 2030 and embedding a system of carbon budgeting may limit the ability to achieve the systems change and ambitious policies required to meet our international commitments and current binding EU targets.

In the context of the increased ambition of the European Green Deal; Ireland's failure to meet our 2020 emissions targets and the challenge of achieving our current EU 2030 targets before a further revision in 2021, indicates the existing governance structure in the 2015 Act no longer fit for purpose, and amendments are required.

Failure to undertake the necessary climate actions will result in significant costs. These include compliance costs arising from failing to meet our legally binding EU obligations. While Covid-19 will have an impact on the final quantity of credits required, pre-pandemic estimates of the additional costs of the compliance requirement with our 2020 EU climate targets were in the region of €6 million to €13 million, depending on the price and final quantity of credits required. This estimate is in addition to the costs already incurred from previous purchases and agreements entered into by the State, amounting to some €117 million in total since 2007. There would also be a very significant costs to the Exchequer from not implementing any policies to achieve compliance with our 2030 EU targets, which would not only lock Ireland into a high carbon trajectory that would be unsustainable in the long-run, but would require significant and escalating compliance costs currently estimated as up to €1.75 billion over the next decade.

In addition to climate targets, Ireland also has binding energy targets. In order to meet Ireland's obligations for 2020 under the Renewable Energy Directive, there are mechanisms under the EU Framework to allow Member States to purchase 'statistical transfers' from other Member States to comply with their 2020 obligations. Fund transfers of €50,000,000 for the above were paid and completed by the end of 2020. Additional volumes may be required to be purchased under the Agreements in 2021 depending on the final energy statistics for 2020.

The Clean Energy Package regulatory framework includes a binding renewable energy target for the EU for 2030 of 32% with a review clause by 2023 for an upward revision of the EU level target. As part of the European Green Deal increased ambition, it is expected that the EU wide 2030 target for renewable energy will increase as part of the forthcoming revision to the Renewable Energy Directive under the EU Commission's 'Fit for 55 package' to reduce emissions by at least 55% by 2030. This will mean greater ambition will be required by 2030 to reflect and meet increased targets.

Delayed action or inaction to reduce emissions will have the consequential effect of requiring greater emissions reductions over a shorter timeframe. This will make achieving targets more difficult and will incur higher long term transition costs than might otherwise be necessary.

Failing to adapt to climate impacts will also incur significant economic and financial costs. Detailed quantitative data on the costs of adapting to the direct and indirect impacts of climate change will need to be further developed at sectoral level over time. Existing data, summarised in the National Adaptation Framework, identifies the scale of some of the potential costs involved. The direct damage costs of extreme weather events are regularly quantified using the value of insurance claims associated with these events. For example, it has been reported that the cost of insurance claims due to 2017's Storm Ophelia related damaged was €45 million, with 2018’s Storm Emma reported as costing Irish insurers an estimated €39 million.

Inaction may negatively impact our international reputation given that Ireland has already signed up to the objectives of the 1992 Convention and the 2015 Paris Agreement, and remain labelled as a ‘climate laggard’.

Costs

Option 2

The introduction of carbon budgeting and sectoral emission ceilings, together with the supporting plans and strategies, will likely result in administrative and operational costs for Government Departments and other public sector bodies over the coming decades. However, much of this expenditure and requirement for further climate policy and ambitious measures has been anticipated as outlined in the current National Development Plan 2018-2027 and at EU level as part of the May 2020 Next Generation EU recovery package. The costs are considered necessary to address climate change and meet our EU targets. Benefits will offset costs in the long term.

The uncertainty around the Exchequer investment costs out to 2050 associated with climate action (or inaction) is acknowledged, but the imperative to decarbonise and adapt to climate change is beyond scientific and economic dispute. Therefore, amending legislation requires Government to endeavour to implement measures that deliver the best possible value for money and maximise as far as practicable the net benefits to society, while fully reflecting social cost of carbon in pursuit of the national climate objective.

Benefits

Option 1

There is no benefit associated with not strengthening Ireland’s statutory climate governance structure as the transition to net-zero emissions is inevitable and required through our international and EU commitments. This option ignores recent EU policy developments as well as the commitment in the 2020 Programme for Government. Although in the short term costs of mitigation and adaptation policy measures would be avoided, delayed action would only lead to higher financial costs in the medium to long term as a steeper level of emissions reduction would be needed to meet increasingly ambitious EU targets.

Option 2

The amending legislation will support the long-term sustainability of the economy, in terms of both job creation and competitiveness. Introducing a stronger governance framework and accountability structure and embedding a system of carbon budgets and sectoral emission ceilings will ensure shared responsibility across all sectors.

Introducing these amendments would fulfil commitments under the Climate Action Plan 2019 and Programme for Government; and recommendations in the Report of the Oireachtas Joint Committee on Climate Action Climate Change: A Cross-Party Consensus for Action March 2019 and the Joint Oireachtas Committee on Climate Action Pre-Legislative Scrutiny Report on the Bill December 2020.

National climate policy will have a new clear long term objective to achieve over the next 30 years and this will improve both planning and coordination of emissions reduction efforts across the whole of Government over the coming three decades. It will provide certainty about Ireland's long-term climate objective and how it will be achieved. This will provide a clear signal to both businesses and citizens.

Introducing a strengthened framework to support increased reduction in emissions will have significant co-benefits such as improvements in air quality through more sustainable transport methods; improvements in public health due to clear air due to more energy efficient, warmer homes and improvements in biodiversity as wildlife is less affected by pollution.

Enacting target in line with EU ambition will provide certainty about Ireland's long-term climate objective and enact the State's commitment to delivering on objectives of the Paris Agreement.

Impacts

Inaction against climate change, retaining status quo under Option 1, risks severe consequences, including for the viability of the State's economy, infrastructure, public health, biodiversity and ability to produce food.

Option 2 would strengthen the statutory framework for more effective governance of the State's climate ambition aims to protect the State's wider environment and biodiversity, in tandem with our long-term economic competitiveness and social prosperity, and the individual health and well-being of our citizens.

Enacting a 2050 climate neutrality objective, and establishing the necessary framework to support it, is the first step but will need to be reinforced by credible ongoing policy development and implementation. The key policy instruments of carbon budgets; long-term climate action strategies; climate action plans; national adaptation frameworks; and sectoral adaptation plans; and the measures that may be approved in the context of these plans, will have an impact on climate impact and mitigation potential, and may have an impact on such as on national competitiveness, socially excluded and vulnerable groups, environment, employment, North-South and East-West relations.

However, such impacts will have to be assessed when the above plans are being prepared and considered to ensure that our transition is fair, and every sector participates and makes the required contribution.

The Bill proposed sets a framework to achieve a positive climate impact, and ensure mitigation and adaptation policies and measures are developed and implemented to achieve the long-term goal of climate neutrality and resilience. The strengthened governance framework provided through the legislation will assist in ensuring quality regulation of the societal and economic transition to 2050 and beyond.

Certainty on the strategic direction of climate policy, underpinned by this legislation and the key instruments of carbon budgets; long term climate action strategies; climate action plans; national adaptation frameworks; and sectoral adaptation plans will underpin the long-term, sustainable competitiveness of the economy as we transition from a redundant fossil-fuel based economic model to a carbon-neutral one. As noted earlier, the transition will support further job creation through the development of new and emerging sectors.

The overarching principles the Minister and Government will have regard to when preparing and adopting any plans and strategies referred to above are developed to ensure such matters are taken into account, and reflected in how we frame and implement the necessary changes, as well as managing their impacts.

The pathway to a climate-neutral economy will likely impact certain sectors and industries at varying levels, and will be an important consideration in the development of alternative job opportunities. Appropriate policy planning and cooperation will be necessary to manage employment related migratory flows and ensure sustainable, balanced and fair regional development. Increased cooperation will be necessary with neighbouring jurisdictions in adapting to climate change threats such as rising sea levels, coastal inundation, and flooding; as well as harnessing mitigation opportunities in areas such as electricity interconnection, and the development of our significant offshore wind potential.

As outlined, the pathway to a climate-neutral economy will likely impact certain sectors and industries at varying levels and will need careful consideration in the development of alternative job opportunities. Those most negatively impacted by climate change are more often the most vulnerable members in society. It will be important that the transition protects the most vulnerable members in society and socially excluded groups from the negative effects of climate change, including, for example, in relation to fuel poverty and access to appropriate transport options.

The nature, composition and geographical distribution of employment in the economy will vary over time with associated migration of the labour force, including on a cross-border basis. Appropriate policy planning and cooperation will be necessary to manage migratory flows and ensure sustainable, balanced and fair regional development. Increased cooperation will be necessary with neighbouring jurisdictions in adapting to climate change threats such as rising sea levels, coastal inundation, and flooding; as well as harnessing mitigation opportunities in areas such as electricity interconnection, and the development of our significant offshore wind potential. It is important to note that in carrying out their functions under the Bill, the Minister and Government must have regard to the requirement for a just transition, so that the move to a climate neutral economy is managed in such a manner that will maximise employment opportunities; reduce inequalities; promote social justice; and support persons and communities that may be negatively affected by the transition.

The introduction of new climate legislation would result on compliance burdens on Government Departments and public bodies, to develop new policy, implement measures and carryout reports relating to compliance with the national commitments. However the strengthened governance framework provided through the legislation will assist in ensuring quality regulation of the societal and economic transition to 2050 and beyond.

1.5 Consultation

The Bill has been informed by, and strongly reflects the recommendations as set out in the Report of the Citizens' Assembly on 'How the State Can Make Ireland a Leader in Tackling Climate Change' and the Oireachtas Joint Committee on Climate Action Report 2019; the provisions set out in the 2019 Climate Action Plan; the Programme for Government – Our Shared Future and the Joint Committee on Climate Action's Report on the Pre-Legislative Scrutiny of the Climate Action and Low Carbon Development (Amendment) Bill published on 18 December 2020. The Government has accepted the majority of the 78 recommendations made by the Joint Committee.

Key elements of the Bill such as the 2050 target being established in law; economy-wide carbon budgets including all greenhouse gases; and that greater role for the Climate Change Advisory Council to propose carbon budgets reflect the recommendations of the Citizen's Assembly and also that of the Joint Oireachtas Committee report.

The first recommendation of the Citizen's Assembly (approved by 97% of members) was to ensure climate change is at the centre of policy-making in Ireland, as a matter of urgency a new or existing independent body should be resourced appropriately, operate in an open and transparent manner, and be given a broad range of new functions and powers in legislation to urgently address climate change.

The Joint Committee on Climate Action recommended that a new climate action governance framework should be established via legislation. Key elements the Committee suggested were:

- a target of net zero economy-wide emissions by 2050;
- provision for a 2030 emissions target, consistent with an emissions reduction pathway to the 2050 target, following receipt of advice from a newly mandated and renamed Advisory Council;
- provision for five-yearly carbon budgets, consistent with the emissions reduction pathway to 2030 and 2050 targets, following receipt of advice from the Advisory Council;
- provision for a stronger mandate, expanded secretariat and budget be should be given to the Climate Action Council; and that the mandate would include responsibility for developing and proposing five-yearly carbon budgets; and
- Strengthening the statutory obligation on public bodies to require that they perform their functions in a manner consistent with the 2050 target and interim targets.

The Climate Action Plan 2019 was the subject of a High Level Stakeholder Forum in January 2019 at which over 200 attendees from a range of sectors provided their views to the Minister. The outcomes of the Forum informed the development of the Plan which first included an action to bring forward amending legislation.

The Bill is also currently undergoing a Strategic Environmental Assessment (SEA) which also involves a public consultation.

1.6 Enforcement and Compliance

The Environmental Protection Agency annual greenhouse gas inventory and projection reports and the Climate Change Advisory Council annual report will inform monitoring of compliance with national and sectoral progress towards each carbon budget and sectoral emissions ceiling.

Each year, the Climate Change Advisory Council must report by 15 September, following which relevant Ministers will be required to give account to an Oireachtas Committee on the following matters: performance both in implementing Climate Action Plan actions and in adhering to their sector's emissions ceiling under the carbon budget period.

Where Ministers are not in compliance with the targets, they will need to outline what corrective measures are envisaged. Ministers will have to attend the Committee and respond to any recommendations made by the Committee within three months. This 'comply or explain' approach will ensure greater scrutiny and accountability is provided.

The carbon budgets will be prepared and updated every five years, and relevant sectors will also be assigned sectoral targets. The annually updated Climate Action Plan will ensure actions are targeted at each sectoral level to achieve the carbon budgets, but also provides for more regular review and updating to ensure we stay on course, with corrective actions introduced if necessary. However at the end of a five year carbon budget period, any excess emissions will be carried forward to the next budget period, which will be reduced accordingly.

The Bill will also strengthen the existing provision under Section 15 of the 2015 Act. Public bodies will have a general obligation to perform their functions, in so far as practicable, in a manner consistent with the requirements of the various plans and strategies under the legislation, and furthering the achievement of the national climate objective.

1.7 Review

The new governance framework envisages more frequent updating and publication of policies than is currently provided for. A system of carbon budgeting with three five-year economy-wide budgets included in each carbon budget programme.

From 2021 onwards, the Climate Action Plan will be updated annually. This provides a further review mechanism and opportunity to re-adjust or refocus actions to ensure targets are achieved. National Long Term Climate Action Strategies will also be prepared at least once every five years

As noted above, the Climate Change Advisory Council annual report will review compliance with the carbon budget and with each sectoral emissions ceiling for that period, and provide recommendations considered necessary to comply with the sectoral emission ceilings. This report will inform the scrutiny of Ministers w each year before the Oireachtas Committee.

1.8 Publication

This Regulatory Impact Analysis will be made available on the Government of Ireland's website (http://www.gov.ie).

2 Climate Action and Low Carbon Development (Amendment) Bill 2021 - Proposed Amendments to the Petroleum and Other Minerals Development Act 1960 – Part X

2.1 Summary of Regulatory Impact Analysis (RIA)

Department/Office: Department of the Environment, Climate and Communications	**Title of Legislation:** Climate Action and Low Carbon Development (Amendment) Bill 2021- Amendments to the Petroleum and Other Minerals Development Act 1960 – Part X
Stage: Committee Stage	**Date:** May 2021
Related Publications: Climate Action and Low Carbon Development (Amendment) Bill 2021	
Available to View or Download at: https://www.gov.ie/en/publication/a77ee-amendments-to-the-petroleum-and-other-minerals-development-act-1960/	
Contact for Enquiries: Geoscience Policy Division	**Email:** gspd@decc.gov.ie

What Are the Policy Objectives Being Pursued?

- To give effect to the Programme for Government commitment to end the issuing of new licenses for the exploration and extraction of gas, on the same basis as the previous decision in relation to oil exploration and extraction.

What Policy Options Have Been Considered?

1. Do nothing (i.e. do not legislate and continue to implement the commitment on an administrative basis)
2. Enact Heads of Bill as proposed

Preferred Option:

Option 2 is the preferred option as it gives legislative effect to the Programme for Government commitment.

Option	Costs	Benefits	Impacts
1. Do nothing	No direct cost		Potential lost revenue in relation to unexplored areas not currently under authorisation
2. Enact legislation to end the issuing of new petroleum authorisations, with saving provisions to allow existing authorisation holders to continue to apply to progress through the licensing stages	No direct cost	Gives legislative certainty to the Programme for Government commitment. The legislation governing petroleum exploration and extraction will reflect Government policy set out in the Programme for Government	Potential lost revenue in relation to unexplored areas not currently under authorisation

2.2 Statement of Policy Problem and Objective

Ireland operates a concession system whereby petroleum exploration companies are given an exclusive right to explore for petroleum within defined acreage offshore, through a licensing system which progresses from a Licensing Option to Exploration Licence, Lease Undertaking and Petroleum Lease, in the event of a commercial find. Progression between authorisations is dependent upon fulfilment by the authorisation holder of work programme obligations. The statutory framework underpinning this system is set out in the Petroleum and Other Minerals Development Act 1960.

The Programme for Government recognises that climate change is the single greatest threat facing humanity. It also recognises that there is a need to harness Ireland's natural resources to meet our needs, without compromising the ability of future generations to meet theirs. To that end, the Programme for Government contains a commitment to end the issuing of new licences for the exploration and extraction of gas on the same basis as the decision taken in 2019 by the previous Government in relation to oil exploration and extraction. The Minister made this commitment effective immediately: the Department is no longer accepting new applications for exploration licences for natural gas or oil, nor will there be any future licensing rounds.

2.3 Identification and Description of Options

The following options were considered:

1. **Do Nothing**

   This option would leave the Programme for Government commitment on an administrative basis, with the Minister for the Environment, Climate and Communications not accepting applications for new petroleum exploration and production.

2. **Enact legislation to end the issuing of new petroleum authorisations, with saving provisions to allow existing authorisation holders to continue to apply to progress through the licensing stages**

   This option would limit the power of the Minister to grant authorisations. The Minister would only retain the power to grant a petroleum authorisation in relation to an existing authorisation. This would ensure that holders of existing authorisations could continue to apply to progress towards exploration and production for oil and/or natural gas as per their existing terms. Implementing this option will ensure that the legislative framework reflects Government policy set out in the Programme for Government commitment on petroleum.

2.4 Analysis of Costs, Benefits and Other Impacts for Each Option

Option 1

Without bringing forward new legislation, the Minister would retain the power to grant authorisations under the Petroleum and Other Minerals Development Act 1960, however would limit himself on an administrative basis to doing so only in cases where the applicant is an existing authorisation holder and where the application is in respect of an existing authorisation. This policy would be set out in a Policy Statement.

There would be no new direct costs associated with this option.

This option would result in potential lost revenue to the State in the form of direct tax revenue from a potential find in an area not currently under authorisation and tax revenue arising from economic activity associated with its potential development, as the Minister no longer grants authorisations in respect of new exploration activities. However, the potential for future revenue to be generated in relation to acreage currently under authorisation would remain, as existing authorisation holders could continue to apply to progress through the licensing stages.

Whilst this option would fulfil the requirements of the Programme for Government on an administrative basis, it would not provide certainty to stakeholders. In addition, it would allow a situation to remain whereby the legislation governing the exploration for and extraction of petroleum did not reflect Government policy as set out in the Programme for Government.

Option 2

In order to give statutory effect to the Programme for Government commitment, amendments to the Petroleum and Other Minerals Development Act 1960 would be sought to prohibit the granting of Petroleum Prospecting Licences; Licensing Options; Exploration Licences; Lease Undertakings; and Petroleum Leases. Saving provisions would be provided to allow the Minister to grant a petroleum authorisation in relation to an existing authorisation. This would ensure that holders of existing authorisations could continue to apply to progress towards exploration and production for oil and/or natural gas as per their existing terms. Whilst authorisations in place would therefore not be affected by the changes to the 1960 Act, they would remain subject to Ministerial consent, and would still be required to meet environmental, technical and financial standards.

There would be no new direct costs associated with this option.

As with option 1, this option would result in potential lost revenue to the State in the form of direct tax revenue from a potential find in an area not currently under authorisation and tax revenue arising from economic activity associated with its potential development, as the Minister no longer grants authorisations in respect of new exploration activities. However, the potential for future revenue to be generated in relation to acreage currently under authorisation would remain, as existing authorisation holders could continue to apply to progress through the licensing stages.

2.5 Consultation

Whilst the Heads have not been subject to specific consultation, Government approval was granted to their publication on gov.ie on 23 March 2021. A number of representations have been received in relation to the Programme for Government commitment, in addition to parliamentary questions on the issue. A more formal consultation has not been undertaken given that the decision to end the issue of new licenses for the exploration and extraction of natural gas on the same basis as the previous decision in relation to oil exploration and extraction is a Programme for Government commitment and as such requires implementation.

2.6 Enforcement and Compliance

Enforcement of the two options would be via the existing section 6 of the Petroleum and Other Minerals Development Act 1960, which created an offence for any person other than the Minister to search for petroleum unless they hold a petroleum prospecting license, exploration licence, reserved area licence or a petroleum lease.

2.7 Review

The operation of the amendments to the Petroleum and Other Minerals Development Act 1960 will be kept under review to ensure that it is giving effect to the Programme for Government commitment.

2.8 Publication

This RIA will be published on gov.ie.

3 Climate Action and Low Carbon Development (Amendment) Bill 2021 - Proposed Amendments to the Electricity (Supply) (Act) 1954 – Part XX

3.1 Summary of Regulatory Impact Analysis

Department/Office: Department of Environment, Climate & Communications	**Title of Legislation:** Climate Action and Low Carbon Development (Amendment) Bill - Amendment of the Electricity (Supply) (Act) 1954 – Part XX
Stage: Heads of Bill	**Date:** May 2021
Related Publications:	
Available to View or Download at: www.decc.gov.ie	
Contact for Enquiries: Jenny O'Hora Principal Officer Corporate Governance Division	**Telephone:** (01) 678 2712

What Are the Policy Objectives Being Pursued?

- To allow ESB to make significant capital investment by increasing their Statutory Borrowing Limit to €12bn. This level of investment is required as part of their efforts to transition to reliable, affordable low-carbon energy aligned to the Government's Climate Action Plan and associated 2030 targets.

What Policy Options Have Been Considered?

1. Do nothing.
2. Draft a stand-alone piece of legislation to give effect to these amendments.
3. Insert these amendments into the proposed Climate Action Bill which will amend the Electricity (Supply) (Act) 1954.

Preferred Option:

Option 3 above is the preferred option as it can achieve the objectives of the legislation within the shortest timeframe.

Option	Costs	Benefits	Impacts
1. Do nothing	Cannot be quantified.	No benefits	If the necessary investment does not go ahead, ESB would not be able to achieve the actions assigned to them in the Climate Action Plan and as a result the Government would not reach their 2030 targets.
2. Draft a stand-alone piece of legislation	Cannot be quantified	Will allow ESB and its subsidiaries to make significant capital investment to transition to affordable low-carbon energy aligned with achieving Climate Action Plan goals and associated 2030 targets.	The Act would be updated. However, it would be too slow and would impact on delivery of ESB actions within the Climate Action Plan and associated 2030 targets.
3. Insert provisions into the proposed Climate Action Bill	Cannot be quantified	Will allow ESB and its subsidiaries to make significant capital investment to transition to affordable low-carbon energy aligned with achieving Climate Action Plan goals and associated 2030 targets in the shortest possible timeframe.	These amendments are urgent. Will ensure that ESB are in a position to make this capital investment thus facilitating the transition to affordable low-carbon energy whilst also meeting Climate Action Plan goals and associated 2030 targets. This will progress faster in this manner rather than have a stand-alone Bill.

3.2 Statement of Objectives

The key objectives of these Heads are to enable ESB to make substantial capital investment leading the transition to reliable, affordable, low-carbon energy which aligns to the Climate Action Plan and associated 2030 targets. This will require a significant level of investment by ESB in its business, in particular in electricity network assets and renewable generation assets. In order to deliver on this investment ambition and raise the external funding contemplated, ESB are seeking an increase to their Statutory Borrowing limit; bringing it to €12bn overall.

In facilitating the increase in their Statutory Borrowing limit and resulting investment, ESB plan to deliver the following by 2030:

- a more than 50% reduction in CO2 emissions from the ESB generation portfolio relative to 2019
- Having more than 10GW of low-carbon energy assets connected to the electricity network in ROI;
- A renewable generation portfolio of 3.5GW; and
- Investment in the electric vehicle charging infrastructure to support the uptake of electric vehicles in Ireland.

3.3 Impacts

The legislation would have a positive impact on Ireland's efforts to achieve 70% renewable electricity by 2030 with ESB targeting more than 10GW of low-carbon energy assets connected to the electricity network in Ireland by 2030. The enactment of these provisions will also lead to affordable, reliable, low-carbon energy for consumers in the future.

The Bill is not expected to have any appreciable impact on North-South and East-West relations, employment, gender equality, people with disabilities or rural communities.

3.4 Consultation

The Department has consulted with Department of Public Expenditure & Reform, Department of Finance, Newer and ESB on the matter.

3.5 Enforcement and Compliance

There are no compliance burdens arising. The amendments will ensure that ESB and its subsidiaries are able to borrow up to €12bn in order to achieve the level of investment identified in their Corporate Plan. ESB will still require Ministerial consent on the projects they undertake over €50mn.

3.6 Review

The operation of provisions to be enacted as part of the Climate Action and Low Carbon Development (Amendment) Bill will be kept under review by the Department.