An Roinn Caiteachais
Phoiblí agus Athchóirithe
Department of Public
Expenditure and Reform

Spending Review 2021: Non-Exchequer Funds under the Aegis of the Department of the Environment, Climate and Communications

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Executive Summary

- The Department of the Environment, Climate and Communications (DECC) is responsible for three non-Exchequer Funds in the Environment and Climate expenditure areas: the **Environment Fund (EF)**, the **Energy Efficiency National Fund (EENF)** and the **Climate Action Fund (CAF)**. This Review set out to establish the **rationale** and **key inputs/outputs** of these funds, to review their **delivery**, and to explore their **sustainability** over time.

- There is **a clear rationale for public funding for all three funds**. However, the **non-Exchequer funding rationale is less clear** for the two funds still in active operation:
    1. There is a clear rationale for public non-Exchequer funding for the CAF, but that it is dependent on the fund's effectiveness in achieving its objectives. At this early stage in its development, it is not possible to state whether this is the case.
    2. The non-Exchequer public funding rationale for the EF in its current form is questionable due to (i) relatively weak grounds for hypothecation of revenues, and (ii) a reliance on varying income for funding of non-discretionary items.

- Regarding the EENF, this Review finds there was a rationale for non-Exchequer public funding at the outset of this Fund in 2014. However, the Review findings align with the 2018 conclusion of the Comptroller and Auditor General that the complex structure used by the Fund appears to have resulted in a disproportionately high level of costs. With a number of projects completed, the **State's assets at end-2020 in respect of the EENF amounted to €35.8m**. This compares to seed investment in the EENF of the €35m. Total fees and expenses that can be considered to be attributable to the State's shareholding have amounted to c. €2m.

- The findings of this Review accord with and confirm the conclusions of the **2017 Spending Review on the Environment Fund**, in that:
    1. Environmentally unfriendly behaviour (exemplified by landfill and plastic bag use) has been on a consistent downward trend, indicating achievement of some of the objectives. This trend has continued since the publication of that paper;
    2. Core policy activities were funded from the EF outside the traditional Voted expenditure system; and
    3. The consistent decline in the EF income presents a risk that some essential commitments which are/were being met from EF could ultimately be transferred to the

Exchequer. This risk has already borne fruit in that a number of EF projects are now being funded from the Vote of DECC.

- The Review finds that the CAF is at an early stage in its development, with a relatively low level of operation in the period post-establishment but prior to being put on statutory footing in 2020.

- This Review therefore recommends:
    1. **Clarifying the rationale for the Environment Fund**’s status as a non-Exchequer fund through amending its underlying legislation and/or governing regulations, including:
        - A **requirement to publish guidelines** in advance of any further payments being made from the fund; and
        - The **introduction of expenditure controls** to ensure expenditure reflects the likely variability of levy incomes, and poses no risk that the Exchequer will be required to meet future EF liabilities.
    2. DECC urgently addressing the risks to the Exchequer by **giving consideration to alternative sources of income** and to the **appropriate level of spending on the EF** in order to maintain current levels of funding for longstanding core activities of the fund. Any new revenue generating measures should be accompanied by **robust income projections** and all expenditure measure should be managed within this estimate.
    3. The **early adoption of a Programme Logic Model (PLM)** for future evaluation of both the EF and the CAF which may be used to assess the effectiveness of both funds going forward. The PLMs as proposed in this paper will allow for evaluation of performance against the overarching objectives of the funds, and should also be tailored to capture performance of individual projects receiving funding.
    4. Given the limited operation of the CAF to date, **the CAF should be evaluated once more over the short to medium term**. Three years post-statutory footing would appear to be an appropriate time for this, in consideration of the expected increase in activity from 2022 onwards.
    5. **Reporting on amounts transferred from the EENF to the CAF**, and a note on the return to the EENF from the Qualified Investment Fund, IEEI, to be included in the published accounts of the CAF.

Contents

1 Introduction

1.1 Context and Rationale for Review

The Department of the Environment, Climate and Communications (DECC) is responsible for Government policy in relation to climate change mitigation and adaptation, energy supply, the protection of the environment, the telecommunications sector, and the regulation, protection and development of the natural resources of the State. Specific strategic goals for each area are outlined in the Department's latest Statement of Strategy 2021-2023.

DECC has a gross expenditure allocation of €731m for 2021, provided from the Central Fund/Exchequer through the Departmental Vote (Vote 29). In addition to this, the Department also has responsibility for a number of non-Exchequer Funds.

The **Environment Fund (EF)** was established in 2001 to encourage and support environmentally friendly behaviour. Receipts from the Plastic Bag Levy and the Landfill Levy accrue to the EF, and from this balance the EF funds discretionary environmental initiatives, including Local Authority waste management initiatives such as the Anti-Dumping Initiative and waste enforcement, and provides grant assistance to environmental Non-Governmental Organisations and Green Schools.

A 2017 Spending Review of the EF found that the levies had achieved the desired behavioural change of improving the quality of the environment and increasing recycling rates. The Spending Review recommended considering exploring alternative sources of income, potentially reducing expenditure, the appropriateness of continuing to fund activities not within the remit of the Fund's "parent" Department, and the appropriateness of using the EF – rather than Voted moneys – to fund core environmental policy initiatives.

In the intervening years DECC has undertaken a number of actions to stabilise the EF, including bringing core environmental policy initiatives on to the Vote and researching methods of increasing income. However, income has decreased since 2016, and further significant decreases were recorded in 2020.

The **Climate Action Fund (CAF)** was initially one of four funds established as part of the National Development Plan (NDP) 2018-2027 and was subsequently established on a statutory basis, with effect from 1 August 2020, on the commencement of the National Oil Reserves Agency (Amendment) and Provision of Treasury Services Act, 2020.

A key objective of the Fund is to provide support for projects, initiatives, and research that contribute to the achievement of Ireland's climate and energy targets, and for projects and initiatives in regions of the State, and within sectors of the economy, impacted by the transition to a low carbon economy. The Climate Action Fund is resourced from proceeds of the levy paid to the National Oil Reserves Agency (NORA) in respect of relevant disposals of petroleum products, after the funding requirements of NORA have been met. In addition, approximately, €21m in CAF income comes from the winding down of the **Energy Efficiency National Fund (EENF)**, which was in turn funded from €35m unspent from the Carbon Revenue Levy Account. Receipts from offsetting the emissions associated with official air travel from 2020 onwards will also accrue to the CAF. Around €500m is expected to accrue to the Climate Action Fund to 2027.

The EF, the EENF, and the CAF are the subject of this Review.

1.2 Review Objectives

The objectives of this review are:

- to establish the key inputs and outputs of the non-Exchequer Funds for which DECC is responsible;
- to review the delivery of those Funds; and
- to explore their sustainability over time.

This involves:

- establishing the rationale for the Funds;
- setting out costs and funding;
- reviewing how Calls are organised and have progressed to date; and
- setting out a Programme Logic Model (input, activities, outputs, outcomes, and impacts) for future evaluation.

1.3 Data Sources

Financial information and detail regarding income and expenditure items on the EF and CAF have been drawn from DECC internal records, published Revised Estimates, and the Appropriation Accounts of DECC and of the Environment Fund. Information relating to the EENF has been sourced from DECC internal records and published reports of the Comptroller and Auditor General.

Detail on the operations of the Funds and the governance and reporting arrangements applicable to each fund come from DECC internal records and correspondence.

1.4 Limitations

While the data analysis conducted for this Spending Review was comprehensive, there were a small number of data limitations which could not be resolved within the Review timeline. These are due to the level of detail available with certain datasets and the relevance of the available data to the Review. Though the subject of non-Exchequer Funds appears narrow, there is significant scope for variety within this subject, and differences in governance structure, reporting requirements, and periods of operation between the three funds under review have meant that some data gaps persist as they (i) had not been collected, (ii) are not publically available, or (iii) are not yet available for analysis. Where this is the case, these instances have been noted in the body of the Review.

While this Spending Review points to expenditure pressures on certain spending areas, cost control is ultimately a matter for consideration by the relevant policy Department.

2 Overview of Funds

This Chapter outlines the founding legal bases of each of the funds under review, details their sources of funding, and outlines the income and expenditure trends of each Fund. While financial information on the CAF is somewhat limited due to its recent commencement in operation, more detail is available on the EF and the EENF. We find that recent reductions in income to the EF due to a reduction in plastic bag use, lower use of landfill sites, the Poolbeg incinerator coming on-stream, and the impact of the Covid-19 pandemic have had a significant effect on the Fund, with expenditure exceeding income in each of the last three years. We also find that there has been limited return on the State's investment from the EENF.

2.1 Legal Bases and Sources of Funding

The **EF** was established by Section 74(9) of the Waste Management Act, 1996 (No. 10 of 1996) to provide a hypothecated Fund for environmental initiatives. The Fund was established with effect from 17 July 2001 to be managed and controlled by the Minister for the Environment and Local Government. This function transferred in 2016 to the Minister for Communications, Climate Action and Environment, now Minister for the Environment, Climate, and Communications (MECC). The 2001 Act provided that environmental levies in respect of plastic bag sales and landfill sites would accrue to the EF, and the Act also gave the Minister the authority to pay amounts into the EF from Voted funds, with the consent of the Minister for Public Expenditure and Reform.

Levies are applicable to:

i. Plastic bags, by the Waste Management (Environmental Levy) (Plastic Bag) Regulations 2001 (S.I. 605 of 2001) as amended by the Waste Management (Environmental Levy) (Plastic Bag) (Amendment) (No. 2) Regulations 2007 (S.I. No. 167 of 2007), raising the rate to the current level of €0.22 per standard bag; and

ii. Landfill by the Waste Management (Landfill Levy) Regulations 2002 (S.I. No. 86 of 2002), subsequently replaced by the Waste Management (Landfill Levy) Regulations 2011 (S.I. No. 434 of 2011). Further amendments, mainly in relation to an increase in the levy rate, were made in 2012 and 2013 by the Waste Management (Landfill Levy) (Amendment) Regulations 2012 and the Waste Management (Landfill Levy) (Amendment) Regulations 2013 – raising the rate to the current level of €75 per tonne of waste.

The collection of levies on plastic bags and landfill use is a form of Pigouvian taxation, where the imposition of a tax on certain goods attempts to correct for the negative externalities (the costs to others) inherent in the production of those goods.[1] In this case, the negative externalities are the environmental harm caused by plastic pollution and landfill, and the levy imposed attempts to reduce these negative consequences. Levies of this nature are often imperfect, and come with a number of practical implications, including the need to set a price to the individual good (currently €0.22 per plastic bag; €75 per tonne of waste) and decisions on how to use the revenue collected. In an ideal world, the imposition of the levy (in combination with targeted use of the levies collected) would negate the negative externality - in this case reducing plastic bag and landfill pollution to zero. In practice, noting that a certain amount of plastic bag and landfill use is to be expected given the lack of alternatives, the EF uses a combination of (i) the imposition of the Pigouvian levies and (ii) expenditure of the resulting revenue on environmentally beneficial programmes to reduce the environmental harm of these products.

Section 74 (9) of the Waste Management Act, 1996 (as inserted by Section 12 of the Waste Management (Amendment) Act, 2001) specifies the environment and waste management purposes for which payments may be made from the Fund. These purposes, and those of other Funds under review, are discussed further in **Chapter 3 – Rationale**.

The **EENF** was established in 2014 under the European Union (Energy Efficiency Obligation Scheme) Regulations 2014, which provided for the collection of contributions from energy suppliers as penalties for non-delivery of energy saving obligations. This followed a 2013 Government Decision to approve the use of €35m from the Carbon Revenue Levy account for investment in energy efficiency to be matched by private sector funding. The Fund was also to be managed and controlled by the MECC, and the Regulations provide that the MECC may, with MPER consent, pay into the Fund monies from central government sources or any other source, and may provide funding in order to further its objectives, or for the alleviation of energy poverty, or both. In 2014 Government decided to establish the EENF and to use a Qualified Investor Fund (QIF) - Ireland Energy Efficiency Investment plc - as its investment vehicle. It was set up with the expectation that the QIF would generate an annual return for the investors of at least 8%, net of fees and expenses.

The **CAF** was initially established as one of the Project Ireland 2040 Funds by Government Decision in 2018, and subsequently put on statutory footing with the passage of the National

[1] Sandmo A. (2008) Pigouvian taxes. In: Durlauf S.N., Blume L.E. (eds) The New Palgrave Dictionary of Economics. Palgrave Macmillan, London.

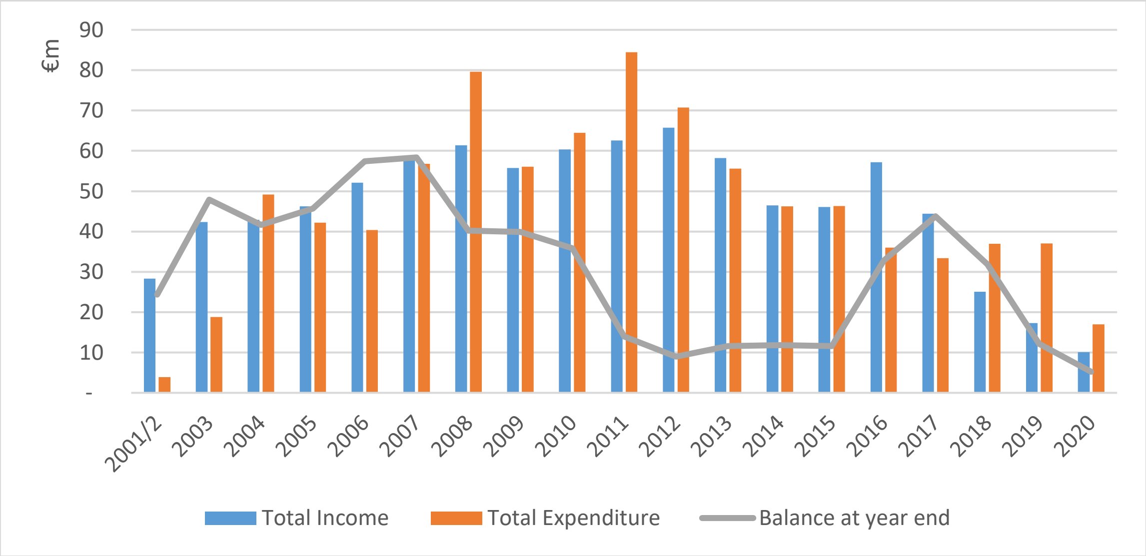
Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020, which amended the National Oil Reserves Agency (NORA) Act 2007. Section 37A (2) provides that, in each financial year, the M/ECC may, following consultation with NORA, MPER and the Minister for Finance, give a direction to NORA to pay amounts into the Climate Action Fund. Under 37A (3), the sum specified in the direction is calculated having regard to the proceeds of the NORA levy both collected and recovered in that financial year, and the combined actual and estimated income and expenses of NORA to ensure that NORA has sufficient funds to carry out its functions in the financial year in question and in the subsequent year. The NORA levy is paid by oil companies and oil consumers on the sale of petroleum products, and is currently set at a rate of €0.02 per litre. Section 37B (9) of the amended act outlines the purposes for which amounts can be expended from the Fund.

2.2 Income and Expenditure Trends and Analysis

2.2.1 ENVIRONMENT FUND

Figure 2.1 shows income and expenditure trends and the recorded surplus at year-end from 2002 to date using data from audited EF annual accounts. These are published on the Department's website and include an outline of the sources of income and expenditure for the financial year on an accruals basis.

Figure 2.1 Income and Expenditure Trends on the Environment Fund

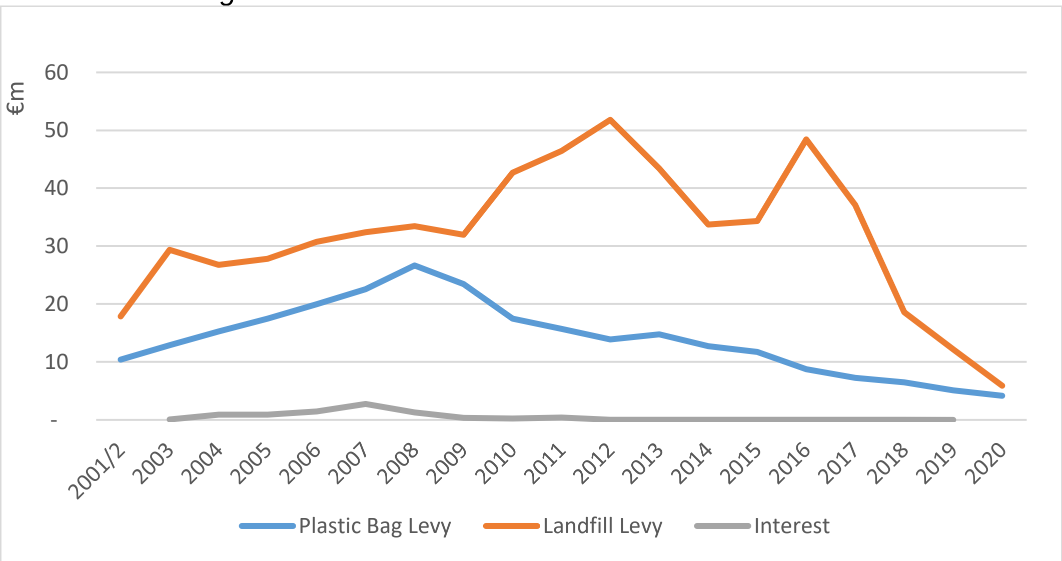


Source: DECC Figures, Environment Fund Published Accounts 2002-2020.

As income exceeded expenditure in the initial years of operation, the EF had accumulated a surplus in excess of €58.4m at end-2007. Due to significant reductions in Exchequer allocations during the economic downturn, this surplus was used to support the funding of activities in the environment, heritage, waste management, and Met Éireann areas of the then Environment, Heritage and Local Government (DEHLG) Vote, and had reduced to €8.9m in 2012. Expenditure reductions were implemented from 2012 to address this imbalance, and by 2018 a balance of €43.7m had accumulated.

However, income has been in decline since 2016 without a corresponding reduction in expenditure, and following on from the Spending Review 2017, DPER and DECC agreed in 2018 that certain 'core' programmes would be moved from the Fund to the Vote over a period of three years, starting with Budget 2019 (at an additional estimated cost of €3-5m per year over 3 years). However, levies declined more sharply than anticipated. Expenditure exceeded income in subsequent years, and DECC recorded a deficit on the EF of c.€20m in 2019. In anticipation of a similar deficit in 2020, DECC transferred core programmes to the Vote in 2020 and funded other non-core programmes from the Vote in 2020 from within savings arising in that year. Figure 2.2 shows trends in income to the EF.

Figure 2.2 Income Trends on the Environment Fund



Source: DECC Figures, Environment Fund Published Accounts 2002-2020.

To challenge income decline, DECC proposed the introduction a series of new environmental levies and launched a public consultation in November 2019, with the primary purpose of assessing the proposal for levies on disposable coffee cups. The consultation elicited a wide range of responses on this question, with differing views on the desirability of such a levy, the appropriate rate and scope of same, and the preferred chargeable transaction, i.e. at wholesaler to retailer versus at retailer to consumer. On foot of these responses, Regulatory Impact Assessments (RIAs) were prepared for approval, but at that point the 2020 General Election took place, and as such no policy decision was taken prior to the formation of the current Government. The commitment to introduce a levy on disposable cups was re-affirmed in the Waste Action Plan for a Circular Economy, published in September 2020. In addition to a levy, the Plan also committed to banning disposable coffee cups within the five-year lifespan of the Plan. In that regard, DECC is currently drafting the Circular Economy Bill, the General Scheme of which has been approved by Government. DECC has stated a new public consultation on the levy design will be required, and following that, and the passage of the legislation through the Oireachtas, secondary legislation will be required to introduce both the levy and the subsequent ban.

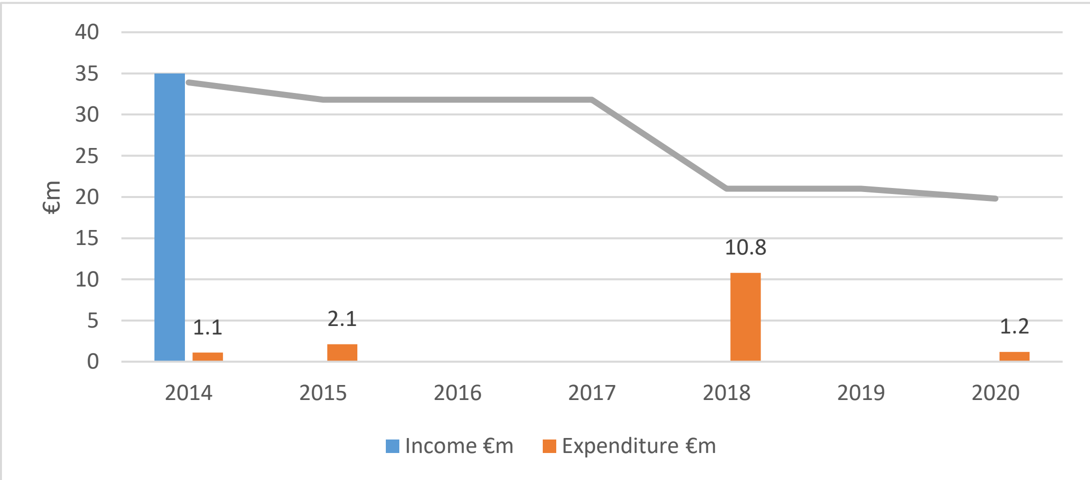
The two main drivers of income to the EF are (i) the price at which the levies are set and (ii) behavioural change as reflected in the tonnage of landfill waste and units of plastic bag usage. Further detail on these metrics and the operation of the EF is included in **Section 4.2 Fund Activities to Date**.

2.2.2 ENERGY EFFICIENCY NATIONAL FUND

The EENF received €35m in seed funding upon the dissolution of the Carbon Revenue Levy Account, which had mainly comprised the accumulated levy receipts paid by electricity producers in respect of their carbon emissions.[2]

The Department established a Qualifying Investor Fund (QIF), which was called Ireland Energy Efficiency Investments plc (IEEI) and was managed by Sustainable Development LLP (SDCL). The purpose of IEEI was to pool the resources of the EENF and private investors to fund energy efficiency projects.

Figure 2.3 Income and Expenditure Trends on the Energy Efficiency National Fund 2014-2020



Source: Comptroller and Auditor General, 2018, DECC Figures.

[2] Electricity Regulation (Amendment) (Carbon Revenue Levy) Act 2010.

As stated above, the EENF invested €13.7m in IEEI, comprising €2.9m drawn down between May 2014 and October 2015 and €10.8m in May 2018. While operational costs are all incurred at the overall Fund level, the C&AG noted in 2018 that some €1.7m could be considered attributable to the State based on its shareholding, and a further €0.3m was paid in preliminary fees and charges.[3] The C&AG concluded that the “complex structure used to invest in the EENF resulted in a disproportionately high level of costs to date. Effectively, it will cost the State at least €2 million in fees and expenses out of a total transfer from the EENF of €14 million.”[4]

Since 2018, the EENF has not invested any further in IEEI, and the balance remaining in the Fund of just over €20.2m is to be transferred to the CAF in 2021, in line with a Government Decision dated 5th November 2019. In addition, MECC received notice of a distribution payment of €1.2m (i.e. a return on investment) in October 2020. Once any tax liabilities arising on this amount are paid to Revenue, the balance remaining will be transferred to the CAF.

The latest valuation of the State’s holdings in IEEI, as of 31st December 2020, was €13,614,596.92 (300,906.38 shares x €45.245). The State’s share in IEEI has been used in a number of investments, including in energy projects in the Mater and St James Hospitals.

Of the EENF’s €35m funding, only c. 40% had been invested in projects by the time the Fund closed in 2018, with the remainder (as well as any return on investment and less any tax liabilities due) to be transferred to the CAF.

Seed funding from Carbon Revenue Levy Account	**€35m**
A. Balance of EENF not invested in IEEI	€21m
B. Current valuation of interest in IEEI (31 December 2020)	€13.6m
C. Return on investment	€1.2m
State’s assets in respect of EENF	**€35.8**
To be transferred to CAF (A + C)	€22.2m[5]

[3] Preliminary charges were payable directly to the Investment Advisor and were made up of two parts: (i) reflection of the management fee that would have been payable by the investor had they made the commitment before the close of the Offer Period, and (ii) a portion retained as an asset of the Fund for the benefit of all investors and is a means of compensating earlier investors.
[4] https://www.audit.gov.ie/en/find-report/publications/2018/2017-annual-report-chapter-09-the-energy-efficiency-national-fund.pdf.
[5] Less any tax liability from the return on investment.

2.2.3 CLIMATE ACTION FUND

There were no CAF receipts or expenditure on the Fund in 2018 or 2019 as the first project only reached the delivery stage at the end of 2019 and transfers of accumulated balances from the NORA Levy surplus and the EENF Balance had not yet taken place. Developments in both of these respects meant that the first transactions under the CAF were recorded in 2020. Income to the Fund in 2020 was €28m from the proceeds of the NORA levy. As stated previously, the balance of the EENF and any future return on investments will be transferred into the CAF.

3 Rationale

In order to review the delivery of the funds under examination in this paper and establish a model for continued evaluation, it is necessary first to establish that there is a continued rationale for (i) public funding in the relevant areas of expenditure, and (ii) the use of a non-Exchequer funding model to provide it. These items will be considered in turn. While we find a clear rationale for public funding in each of the areas of expenditure, the case for the use of non-Exchequer Funds is mixed, particularly with regard to the Environment Fund.

3.1 Rationale for Public Funding

At the outset, it is worth noting the challenge posed by the ongoing climate and biodiversity crisis. Ireland ratified the Paris Agreement in 2016,[6] and in May 2019 the Oireachtas declared a national climate and biodiversity emergency.[7] The *Programme for Government: Our Shared Future* commits to an ambition of more than halving Ireland's greenhouse gas emissions over the course of the decade 2021 – 2030 and to reaching net zero emissions by 2050, of meeting at least 70% of electricity demand by renewable power by 2030, and of retrofitting at least 500,000 homes to a B2 BER rating by 2030, and to doing so from a Just Transition perspective. This ambition is underpinned by the Climate Action and Low Carbon Development (Amendment) Act 2021, which places these targets on a legislative footing, with binding carbon budgets for greenhouse gas emissions allocated on a sectoral basis. Ireland has also committed to achieving the United Nations Sustainable Development Goals nationally by 2030, as well as supporting global efforts to implement them.

Given the scale of this challenge, public funding to achieve the necessary reductions in greenhouse gas emissions and increases in energy efficiency and renewable energy is therefore warranted. That said, public expenditure will not be the only means of doing so, and will need to be complemented by taxation, regulation, and behavioural change across all aspects of society.

The three funds under examination in this Review all relate to the above challenge. The stated purposes and objectives of the three funds, as drawn from their founding legislation or regulations, are outlined in Table 3.1 below.

[6] The objective of the Paris Agreement is to hold the increase in the global average temperature rise to well below 2°C above pre-industrial levels, and to pursue efforts to limit warming to 1.5°C.
[7] https://www.oireachtas.ie/en/debates/debate/dail/2019-05-09/32/

Table 3.1. Stated Rationale for Funds under Review

Fund	Purpose/Objectives
Environment Fund (EF)	To facilitate, assist, support or promote initiatives, activities in the State, or in an international or trans-national context, with respect to: (i) the prevention, reduction, recovery, recycling, re-use of waste; (ii) training, research and development, monitoring and reporting, and management of the activities mentioned in this sub-article in relation to the protection and / or improvement of any aspect of the environment, (iii) meeting national mandatory and voluntary contributions to national and international organisations concerned with the protection of the environment and/or sustainable development.[8]
Energy Efficiency National Fund (EENF)	(a) To support the delivery of energy efficiency improvement programmes and other energy efficiency improvement measures, and (b) To promote the development of a market for energy efficiency improvement measures. Without prejudice to the Fund's objectives, the Fund may be used for the alleviation of energy poverty.[9]
Climate Action Fund (CAF)	(a) To support projects that seek to reduce, or support the reduction of, greenhouse gas emissions in the State; (b) To support projects that seek to increase the production, or use, of renewable energy in the State; (c) To support projects that seek to improve energy efficiency in the State; *(d) to support projects that seek to increase climate resilience in the State;*

[8] S.I. No. 478/2003 - Waste Management (Environment Fund) (Prescribed Payments) Regulations 2003.
[9] S.I. No. 131/2014 - European Union (Energy Efficiency Obligation Scheme) Regulations 2014.

(e) to support nature based projects that enhance biodiversity and seek to reduce, or increase the removal of, greenhouse gas emissions or support climate resilience in the State;

(f) To support initiatives involving potentially innovative solutions to— (i) reduce greenhouse gas emissions in the State, (ii) increase the production or use of renewable energy in the State, (iii) increase energy efficiency in the State,*(iv) increase climate resilience in the State, (v) increase the removal of greenhouse gas in the State, (vi) enhance biodiversity through nature based projects that seek to reduce, or increase the removal of, greenhouse gas emissions or support climate resilience in the State;*

(g) To support research in relation to— (i) reducing greenhouse gas emissions in the State, (ii) increasing the production, or use, of renewable energy in the State, (iii) increasing energy efficiency in the State*, (iv) increasing climate resilience in the State, (v) increasing the removal of greenhouse gas in the State, (vi) enhancing biodiversity through nature based projects that seek to reduce, or increase the removal of, greenhouse gas emissions or support climate resilience in the State;*

(h) To support projects and initiatives in regions in the State and within sectors of the economy impacted by the transition to a low carbon economy.[10]

***Plain text above details the original purposes on establishment of the CAF, *italicised text* above details the additional purposes inserted by the Climate Action and Low Carbon Development (Amendment) Act 2021.**

In relation to the **EF**, the 2017 Spending Review found that there is a clear rationale for the collection of levies to encourage desired behavioural change, with the dual objectives of driving down plastic bag usage and increasing recycling rates by driving waste away from

[10] S.37B - NORA (Amendment) and Central Treasury Services Act 2020 (as amended) and as amended by the Climate Action and Low Carbon Development (Amendment) Act 2021.

landfill, and contributing to the achievement of national environmental targets.[11] Equally, there is a clear public policy rationale for public spending on environmental initiatives as outlined in the long-term investment plans such as the National Planning Framework (NPF) and the National Development Plan (NDP).[12]

Regarding energy efficiency and the **EENF**, in addition to the commitments above, there are binding targets at EU level[13] of reducing energy consumption through improvements in energy efficiency by at least 32.5% by 2030. While noting that the operation of the EENF (2014-2018) was prior to the introduction of this target, the predecessor 2012 Energy Efficiency Directive also provided an impetus for action to reach a 20% energy efficiency target for 2020 and in which public funding was seen as providing a "supporting role to trigger and leverage private capital investments in energy efficiency projects to increase take up and impact of energy efficiency policies."[14] In addition, DECC advises that there was limited appetite on the part of the banking sector to provide such funding at the time of establishment of the fund. Ireland was coming out of a significant financial crisis and lack of access to credit was considered to be a major issue for all sectors of the economy. It was anticipated that the Fund would finance two main types of energy efficiency projects in the public and commercial sectors: Energy Performance Contracts (EPCs), where funding is lent to an Energy Services Company, and direct lending to client companies.

Regarding the **CAF,** the stated purposes of the fund as outlined in legislation are closely linked to State's Programme for Government commitments, specifically including support for projects within a just transition (in subsection *(f)*) thereby providing a strong rationale for public funding.[15] A requirement of the CAF in the first call for funding was that projects funded must provide additionality; in order to receive support projects must demonstrate that in the absence of support from the Fund they would not otherwise be developed.

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11 As required under the Landfill Directive 1999/31/EC; the Waste Framework Directive 2008/98/EC; the Packaging Directive 94/62/EC; the WEEE Directive 2002/96/EC; the End of Live Vehicles Directive 2000/53/EC, and the Batteries Directive 2006/66/EC.

12 National Strategic Outcome No.9 under the NPF is 'Sustainable Management of Water, Waste and other Environmental Resources', and environmental protection is promoted throughout. See: https://npf.ie/wp-content/uploads/Project-Ireland-2040-NPF.pdf.

13 Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency.

14 Janeiro, L., Groenenberg, H., Surmeli-Anac, N., Monschauer, Y., Förster, S., (2016) Public funding for energy efficiency in the EU: Monitor 2016. Ecofys. p.1.

15 There is also a Programme for Governments commitment on the use of CAF funds to ensure carbon tax increases are progressive, protecting against fuel poverty through targeted social welfare measures, a national retrofitting programme, and green farming and forestry incentives.

3.2 Rationale for non-Exchequer Funding

The EF, the EENF, and the CAF are referred to throughout this paper as 'Non-Exchequer Funds' or 'Extrabudgetary Funds' (EBFs), as, unlike Government Departments and Agencies, they receive funding from earmarked revenues, not amounts directly voted from the Oireachtas. While they are classed as general government transactions, expenditure and income amounts are not included in the annual budgetary process. Ireland had 39 such EBFs at end-2019,[16] many much larger than the Funds under examination here, including the Social Insurance Fund, the Local Government Fund, and the National Pension Reserve Fund.

As stated in a 2010 International Monetary Fund Technical note,[17] the existence of EBFs can be attributed to both budgetary system failures and political economy factors. In some cases, these factors can be compelling and warrant the establishment of an EBF. For instance, demands on social insurance funds are expected to rise in periods of economic difficulty, so providing funding on an annual budgetary basis rather than on an ongoing basis would result in shortfalls when the funds are most needed and excesses returned to the Central Fund rather than accumulated during periods of stronger economic performance. On the other hand, widespread use of EBFs removes resources from central control and the budgetary process, thereby undermining "the soundness of fiscal policy, fiscal discipline, and transparency,"[18] particularly where hypothecation of revenues is concerned. The note concludes that the establishment of EBFs should continue to be regarded as a second-best approach,[19] and that Governments should "be encouraged to carry out a systematic review of their EBFs with a view to reducing the number of funds to the minimum necessary to achieve essential policy objectives."[20] The suggested criteria to form part of such a review include the economic, governance, and political economy case for establishment, financial classification and reporting, governance and administration, administrative and legal basis, and the arrangements for audit and presentation to the legislature. As many of these aspects are considered later in this paper, this section will focus on the first element: the case for establishment of each of the Funds as EBFs.

As stated by the DPER Secretary General in the foreword to the 2019 update to the Public Spending Code, "[i]t is not enough for a proposal to be a good use of funds – for a project to

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[16] https://www.cso.ie/en/releasesandpublications/ep/p-rpbi/registerofpublicsectorbodies2019/centralgovernment/

[17] Radev, D. and Allen, R., (2010). Extrabudgetary Funds. Technical Notes and Manuals 2010(09), International Monetary Fund. This note outlines a set of criteria on which to evaluate and reform EBFs which form the basis of this assessment.

[18] *Ibid* p.9.

[19] *Ibid* p.13.

[20] *Ibid*. p.14.

proceed it must be the best means to a particular policy goal."[21] In the Irish context, the basis and use of EBFs to achieve policy goals has been discussed in many fora, and the results of discussions are of relevance to this treatment. A notable example concerned the collection of funds accumulated by the Local Government Fund (LGF) through the hypothecation of motor taxation revenue, and the use of such funds on somewhat unrelated items. Items funded under the LGF included part provision of water services, roads, public transport infrastructure, and certain other local government initiatives. A lack of clarity on income and expenditure, and the Government Decision to continue funding for water services from the LGF after the establishment of Irish Water were both heavily criticised by the Committee on Public Accounts in 2015.[22] This scrutiny resulted in a series of changes proposed in Budget 2018[23] with the aim of bringing the LGF back in line with its original purpose[24]. These considerations inform this review.

3.2.1 ENVIRONMENT FUND

There are three interrelated issues with the rationale for the EF as an EBF: a mismatch between income and expenditure, the hypothecation of environmental levies, and the reliance on varying income for funding non-discretionary items.

While there was a clear public policy rationale for both EF levies and expenditure in the environment area, the 2017 Spending Review found that though income was collected in respect of waste and recycling, the application of expenditure was not limited to these areas. The remit for expenditure on the EF was in some ways too broad, allowing for expenditure on built and natural heritage, subscriptions to international organisations and to meteorological bodies, and environmental initiatives that were perhaps more appropriate to the Voted funds of the Department such as landfill remediation, EPA administration costs, and costs of the Radiological Protection Institute. While this has been remedied somewhat in the interim - all public funding for the EPA is now directly through the Vote and activities not under the remit of DECC are no longer funded from the EF - it may be the case that the criteria for expenditure set out in the Waste Management Act are too broad and allow for a mismatch between expenditure and income areas. The latest set of audited accounts show that expenditure on many of the areas identified in 2017 has continued[25] and expenditure on heritage and other

[21] https://www.gov.ie/en/publication/public-spending-code/
[22] https://www.oireachtas.ie/en/debates/debate/committee_of_public_accounts/2015-02-05/
[23] Department of Finance (2017) Budget 2018 – Macroeconomic and fiscal outlook, pp.39-40.
[24] Including removing hypothecation of the motor tax for local government use, and providing funding for Irish Water and the Department of Transport through general taxation.
[25] https://www.gov.ie/en/publication/f6b84-environment-fund-accounts/

areas not necessarily linked to waste and pollution reduction continued into 2020 before ceasing in 2021.

In addition, earmarking of revenues has long been criticised,[26] and stands in opposition to current Government policy. While there are a number of earmarked or ring-fenced taxes in operation, the Minister for Finance has repeatedly stated that the "Department of Finance is opposed to the hypothecation of Exchequer receipts as it reduces the flexibility of the Government to prioritise and allocate funds as necessary at a particular time. This constrains expenditure decisions and can distort the allocation of resources resulting in reduced value for money and sub-optimal outcomes."[27] While this is the position in general, there are reasons for engaging in earmarking for specified purposes where constraints are desirable. Additional Carbon Tax revenue, for instance, is being used to protect those most exposed to higher fuel and energy costs, to support a just transition for displaced workers, and to invest in new climate action. Expenditure items related to the Carbon Tax are published in the REV and are subject to performance metrics to assess achievement of aims.[28] Without similarly narrow constraints and evaluation, the case for earmarking funds to the EF, and consequently its existence as an EBF, is lessened.

A further issue with earmarked revenues, and with those of the EF specifically, is that EBFs are required to rely on varying incomes year-to-year, rather than a stable revenue afforded by receiving funding through Voted funds in the usual manner. This has proved a problem with the EF. As the EF achieves its objective of encouraging environmentally behaviour (i.e. decreased plastic bag and landfill usage), income levels fall, and expenditure must be reduced to meet this shortfall. Consequently, funding for discretionary items must be stopped, leaving non-discretionary items at risk. The effects of this have already been seen. Following the reduction in the use of plastic bags and landfill, the Poolbeg Waste to Energy Plant coming on-stream, and further decreases in income in 2020 as a result of the Covid-19 pandemic, EF income has been severely reduced, leading to a number of core and discretionary initiatives (with a cost of €10.58m) being funded from Voted funds in 2020. In addition, some €18m of expenditure from the Environment Fund has been transferred to the Vote from 2021 on a permanent basis. However, there remains an uncertain level of income for 2021 and years

[26] For example: McCleary, W. (1991). The Earmarking of Government Revenue: A Review of Some World Bank Experience. The World Bank Research Observer, 6(1), 81-104. Retrieved April 2021, from http://www.jstor.org/stable/3986462.

[27] https://www.oireachtas.ie/en/debates/question/2018-05-22/128/, See also: https://www.oireachtas.ie/en/debates/question/2019-06-11/138/#pq_138, and https://www.oireachtas.ie/en/debates/question/2020-07-14/276/#pq_276.

[28] https://igees.gov.ie/wp-content/uploads/2020/01/The-Use-of-Carbon-Tax-Funds-2020.pdf

beyond, drawing into question whether there is a rationale for the existence of the EBF for revenue collection and expenditure in this area.

3.2.2 ENERGY EFFICIENCY NATIONAL FUND

With the EENF currently in the process of being wound down and the balance transferred to the CAF, the decision to use an EBF for this funding appears to have been robust. An EBF appears to have been the preferred approach at that time due to (i) the EBF source of the funds, (ii) the funding model (i.e. pooling resources with the private sector), and (iii) the lack of alternative funding arrangements to meet national energy efficiency targets, with the country in the process of exiting a significant financial crisis and a lack of access to credit being considered as a major issue for all sectors of the economy.

3.2.3 CLIMATE ACTION FUND

As noted above, there appears to be a strong rationale for public spending on the CAF, though the case for using of an EBF to do so appears mixed. Ireland's insufficient policy response to climate change up to 2018,[29] the very significant levels of investment required to fund the necessary climate action measures identified in the NDP, and the need to leverage investment by public and private bodies all lend support to the establishment of the CAF as an EBF. However, its success depends on the ability to spend the accumulated funds on effective projects. Construction sector capacity, the willingness of public and private bodies to participate and to seek funding for projects, and the willingness of the private sector to invest will also be essential to the successful achievement of the CAF objectives.

[29] Torney, D. (2020) "Ireland's Policy Response to Climate Change: An Historical Overview" in D.Robbins et al. (eds.), *Ireland and the Climate Crisis*, Palgrave Studies in Media and Environmental Communication. pp. 37-54.

4 Operation of Funds

The three funds under review are at various stages of operation, with the EF entering its second decade with funding issues and an unclear future, the EENF having closed in 2018 and the balance in the process of being transferred, and the CAF in its third year in existence and its first year on a statutory footing. This chapter first considers the governance and reporting arrangements for each of the three funds, and finds that while the governance frameworks for the EF and CAF are set out in legislation, the EENF operated under the relevant EU Directive. The chapter then provides a review of the delivery of the funds to date, noting that activities have included the funding of projects across the broader public service.

4.1 Governance Structures

The accounts of the **EF** are submitted to the C&AG for audit annually and are then laid before each House of the Oireachtas in accordance with the legislation, and along with the C&AG's report. The Secretary General of DECC is the Accounting Officer for the Fund, and the MECC is the responsible Minister. DECC monitors revenue and makes revenue projections based on historical trends and information provided available. The Division that monitors this within the Department is Waste – Plastics, Remediation and Producer Responsibility Division (WPRPRD).

WPRPRD seeks bids from appropriate areas of the Department for funding initiatives that are in line with the provisions of Section 74(9) of the Waste Management Acts 1996 (as amended).[9] WPRPRD makes a submission to the Minister annually, seeking approval for allocations based on the bids and the projected revenue to the Fund for the year ahead. Following approval by the Minister, individual subheads within the EF are controlled at Principal Officer-level within the appropriate area, subject to procedures outlined in the procedures manual. EF administrators provide advice as required, and all Principal Officers are reminded of their obligations regarding spending when notified of allocations from the Fund. WPRPRD monitors and reports to senior management on the EF income and expenditure. Accounts Division prepares the EF annual accounts, which the C&AG audits annually.

Local Authorities have the statutory role of remitting revenue from Landfill Levies to the Fund account. DECC's Accounts and WPRPRD divisions monitor this revenue. The Revenue Commissioners, under a service level agreement with DECC, collect Plastic Bag Levy (PBL) revenue and remit it to the Fund account.

The General Scheme of the proposed Circular Economy Bill 2021, which proposes to establish a successor fund to the EF and introduce new levies, has been approved by Government and is now moving to drafting with the Office of the Parliamentary Counsel. There are no proposed changes in objectives or governance to the EF in 2021.

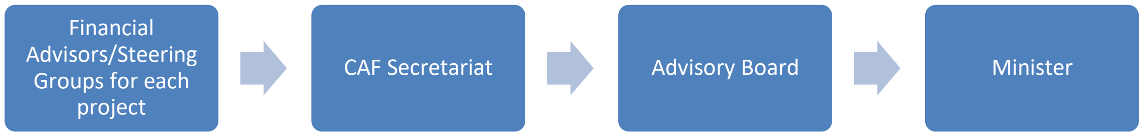
The **EENF** managed disbursements to a Qualifying Investment Fund (QIF) called Ireland Energy Efficiency Investments (IEEI), operated in accordance with the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) and regulated by the Irish Central Bank. The Fund was audited annually in accordance with the relevant regulatory provisions. Sustainable Development Capital LLP was appointed as investment advisor to the IEEI following a competitive procurement process run by the NTMA and DECC. The directors of IEEI plc appointed Sanne Group Administration Services (Ireland) Limited (SANNE) to provide certain administrative and accounting services, effective 3 April 2018. SANNE's predecessor was Northern Trust. The Department's Energy Efficiency and Affordability Division managed the EENF itself and disbursements to the QIF. While the Department had no operational control over the management of the QIF, a DECC representative was a member of an investment advisory committee, which advised on general investment strategy and was to be consulted by the investment advisor and the QIF in relation to potential conflicts of interest. The advisory committee received quarterly activity reports but did not make decisions on investments, or decide on their timing, which was within the remit of the investment manager and the directors of the QIF. In addition to the information it received from participating in the investment advisory committee, the Department as a shareholder also received regular investment valuation statements detailing the current net asset value of the QIF per share and the total number of shares owned. NewERA acted as informal advisors to DECC in this regard. Oversight of the IEEI is currently managed by the Business Energy and Gas Division of DECC.

In terms of governance, the **CAF** has had two phases: pre- and post-statutory establishment. As noted above, the CAF was established by Government Decision in 2018, and subsequently put on statutory footing in 2020. The original 7 projects under Call 1 were selected in 2018 in advance of the establishment of the statutory fund. The Governance structure for Call 1 was based on a modified PRINCE2 project management format common to many State Bodies.[30] An advisory board was set up to provide advice to the MECC on the operation of calls and selection of suitable projects. Selected projects were then assigned to a relevant steering

[30] An overview of this format is available at https://www.ops.gov.ie/app/uploads/2021/03/20210308_OPS2020-Project-Management-Guide-to-Certification_v1.5.pdf

group and financial advisers to assist DECC to comprehensively validate the project for final approval. These roles are set out in the flow chart in Figure 4.1 below.

Figure 4.1: Climate Action Fund 2018-2021 – Roles in Governance



The CAF was put on statutory footing in 2020. Under the CAF legislation, financial guidelines, applying to all future funding from the CAF, must be published before any payments may be made from the statutory fund. The financial guidelines were published in June 2021[31] and apply retrospectively to all projects approved for funding from the CAF, including under Call 1 and any CAF funding to be provided in relation to the Bord na Móna peatlands restoration.

The MECC is responsible for all income and expenditure recorded to the Fund and the accounts of the CAF are to be submitted to the C&AG for audit annually and are then laid before each House of the Oireachtas, along with the C&AG's report. Section 37B(9) of the Act (as amended) provides the criteria under which the Minister may make payments from the CAF, and the guidelines give further detail. MECC may provide funds from the Climate Action Fund to support certain projects, initiatives, and research in line with stated objectives. In line with Section 37B(10), the MECC may also publish an invitation on the Department's website inviting proposals to avail of support from the Climate Action Fund for certain projects and initiatives. The MECC may also nominate another party to invite proposals to avail of funds from the Fund.

Reporting for projects is determined in Letters of Offer, which set out the ongoing reporting arrangements and terms and conditions and are issued to the grantee once projects are fully validated and signed off by the Advisory Board. Letters of Offer specify the frequency and content of reports both for the duration of the project and after completion, and set out the reports and documentation to be submitted in support of drawdown requests. In addition, ongoing progress reports are provided on a quarterly basis. Examples of the typical mandatory reporting requirements as set out in Letters of Offer are set out in **Appendix 1.**

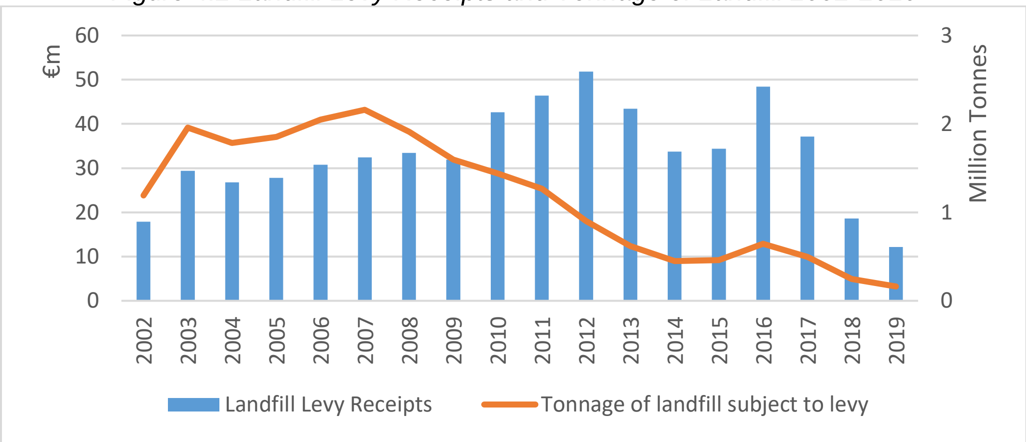
[31] Guidelines are available at https://www.gov.ie/en/publication/de5d3-climate-action-fund/

4.2 Fund Activities to Date

In total, income to the **EF** over the period 2001-2020 was €880m, and expenditure of €875m has been recorded. The key performance indicators for the EF are the tonnage of waste to which the landfill levy applies, the number of plastic bag units sold, and the levy rates which apply to each.

Figure 4.2 shows the tonnage of landfill waste subject to the levy and the related receipts to the EF. While landfill has significantly decreased from a peak of 2.16 million tonnes in 2007 to 0.16 million tonnes in 2019, receipts have been more variable due to changes in the levy rate, and peaked in 2012 at €52m, with another highpoint in 2016 of €48m. Receipts have decreased significantly from 2016.

Figure 4.2 Landfill Levy Receipts and Tonnage of Landfill 2002-2019

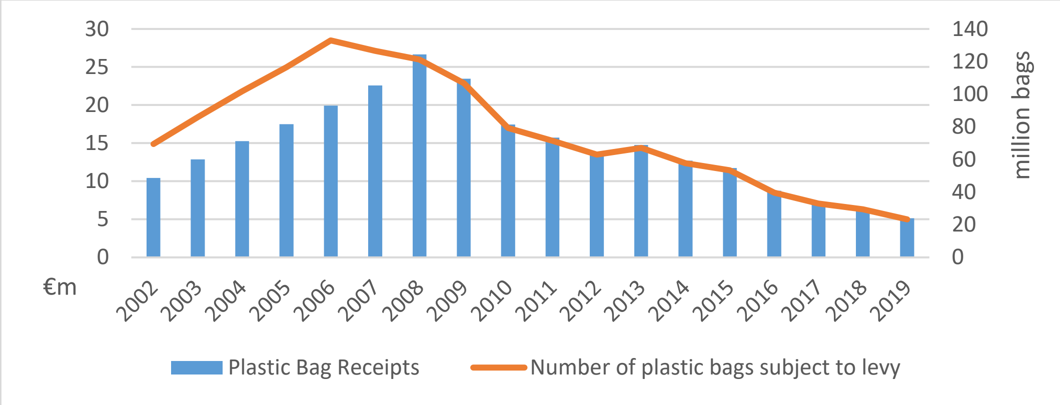


Source: DECC and CSO Figures.

The levy was set at €15 per tonne from 2002 to 2006. It increased to €20 a tonne in 2006, €25 a tonne in 2009 and €30 per tonne in February 2010. The Environment (Miscellaneous Provisions) Act 2011 provided for greater flexibility in the setting of the levy. Following indications of three year increments to the industry, the levy increased to €50 per tonne on 1 September 2011, to €65 per tonne from 1 July 2012, and finally increased to its current level of €75 per tonne on 1 July 2013.

Similarly, Figure 4.3 shows the units of plastic bags to which the levy applies sold over the period 2002-2019, and the related receipts to the EF. The levy was set €0.15 per bag in 2002 and has been increased once, to €0.22 in 2007. The 2007 increase was introduced to address the issue of the steady increase in plastic bag usage between 2003 and 2007. Plastic bag usage has steadily declined from 2008 to date.

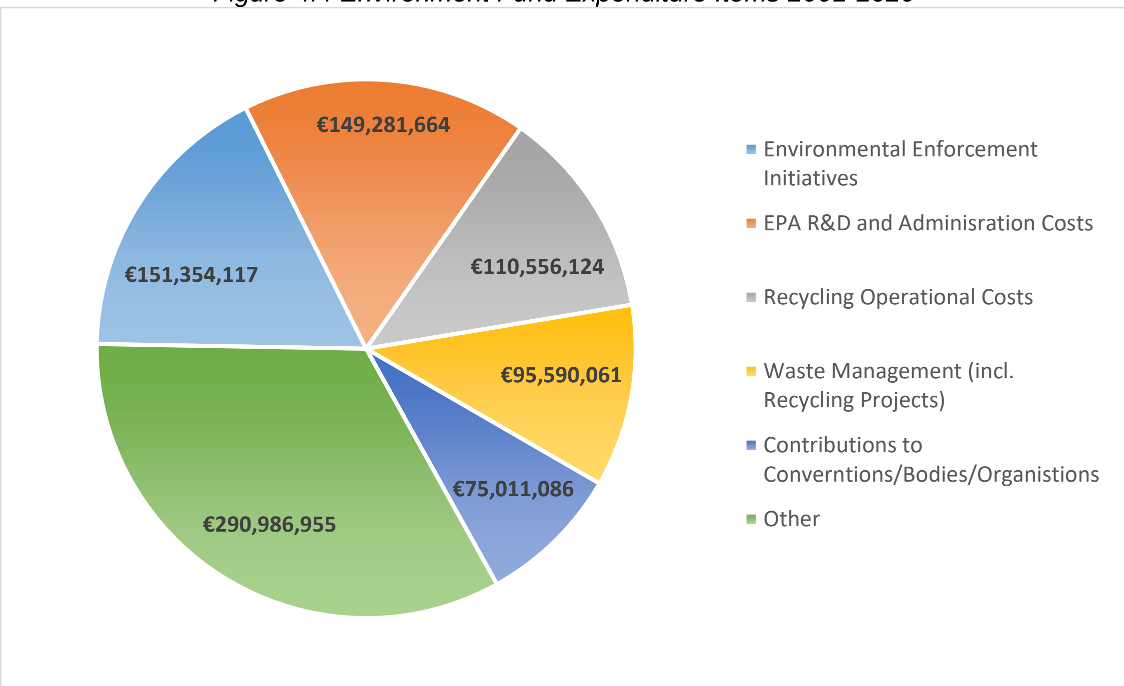
Figure 4.3 Plastic Bag Levy Receipts and Units Sold 2002-2019



Source: DECC and CSO Figures.

As shown in both figures, environmentally unfriendly behaviour (exemplified by landfill and plastic bag use) have been on a consistent downward trend, indicating achievement of some of the EF objectives, or at least the objectives of the levy imposition. The EF has provided funding of c. €875m to a diverse range of projects and programmes throughout the years of its operation. Of over 30 individual items on which EF expenditure has been used, approximately 66% of all expenditure has been spent in five areas. These are shown in Figure 4.4.

Figure 4.4 Environment Fund Expenditure Items 2001-2020



Source: Environment Fund Accounts 2002-2020.

Environmental Enforcement Initiatives, the largest individual expenditure area, supports the provision of local authority waste enforcement staff under the Local Authority Enforcement Measures Grant Scheme. This grant scheme has facilitated local authorities in enforcing national waste legislation and dealing with national waste enforcement priorities, while ensuring a highly visible waste enforcement presence on the ground. Funding from this subhead is also provided to the three Regional Waste Enforcement Regional Lead Authorities (WERLAs), who are responsible for coordinating waste enforcement actions within regions, setting priorities and common objectives for waste enforcement, ensuring consistent enforcement of waste legislation across the three existing waste management planning regions while still leaving local authority personnel as first responders on the ground to specific breaches of waste legislation. While this area of funding has continued, it should be noted that for a number items, including for the second-largest expenditure line, EPA Research and Development and Administration costs, funding has moved from the EF to Departmental Vote funding in 2021. The 2017 Spending Review found there was an overlap between this line of expenditure and core Vote areas. Similarly, Built and Natural Heritage projects, which received a total of €50.5m in EF funding and for which there was also a core Vote overlap, are now funded by the Department of Housing, Local Government and Heritage following the formation of the current government.

Regarding future sustainability of the EF, with the decreasing income since 2018 and the continued support for a wide range of programmes in the environmental policy area, the question arises as to sustainability of income to the fund from plastic bag and landfill levies alone to sustain continued expenditure, if the current trends on the EF are to persist.

As noted in Chapter 2, the imposition of Pigouvian taxes, such as the plastic bag and landfill levies, ideally results in a negation of the negative (environmental) costs of these products. Therefore if the tax is successful, plastic bags and landfill use reduces, which in turn reduces income to the Fund. In noting the reduced income above, the authors are cognisant that this represents a measure of success of the objective of the levy. The reduced income, however, needs to be matched by reduced expenditure to avoid the risk that funds would be committed above income levels, and result in a charge to the Exchequer.

Funding from the **EENF** was provided to the QIF, which was then invested in a number of public and private energy efficiency projects. There were two drawdowns from the EENF to the QIF, in 2014/5 and in May 2018. These projects are listed below, though, due to some commercial sensitivities, details are general.

Table 4.1 EENF Projects

Timing	Drawdown Amount	Projects
Pre 2018	€2,853,376	Tesco – LED Lighting Climote: remote-control heating systems
April/May 2018	€10,841,552	Mater Hospital Energy Retrofit St James's Hospital Energy Retrofit Custom House Square EPC Newleaf Rhode Biomethane Rhode Energy Storage Grange Power

Source: DECC.

As stated in Chapter 2, in 2020, the MECC as shareholder was to receive a return distribution payment from the QIF for the period ended 30 September 2020 in the amount of €1,212,308.97. This amount, less any tax liability that may arise, is to be transferred into the CAF. On 24th May 2021, the Fund Advisors notified DECC that a distribution payment of €12,053,663 had been approved, with the funds generated by the refinancing of the Mater Hospital investment. Breakdown of distribution among shareholders is yet to be determined, but should be repaid to MECC in 2021. The overall forecast performance of the IEEI is detailed in the SDCL Investors report, and the net Initial Rate of Return target outcome is as follows:

- Net Investor IRR - 7.05%
- Net Investor IRR (adjusted) – 10.3%

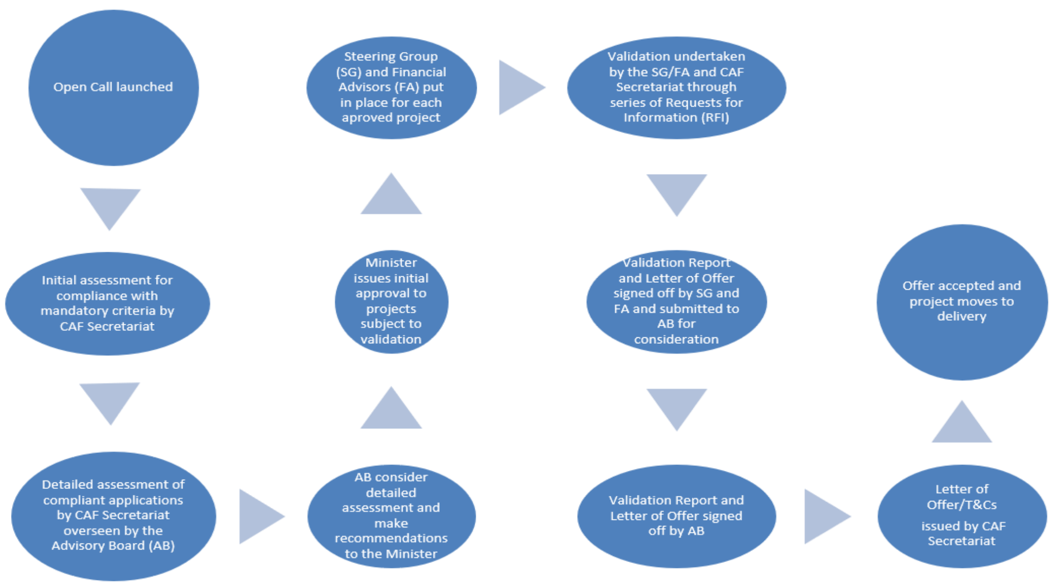
On establishment of the QIF in 2014, the initial investment horizon was 3 years, with an option to extend for a further year. This provision was included in the suite of Government Decisions which provided for the Minister's authority to act on behalf of the Government. A decision to extend the investment period for one year (by ordinary resolution, which was supported by a majority of the shareholders), was agreed in early 2017. As a result, the investment period expired on 8 May 2018. On 9 April the Board of the Fund initiated a process to seek unanimous shareholder agreement to change the investment policy. Following interaction between DECC, assisted by NewERA, and the Fund Manager, internal and external legal advice, and communication with DPER, a recommendation was made to the MECC not to support the shareholder resolutions being requested. This position was communicated to the Fund Manager and the other shareholders on 1 May 2018, thus ceasing further investments from the EENF in IEEI, the QIF.

The **CAF** is intended to have a number of calls for applications with varying scope and scale, intended to ensure the full objectives of the CAF are realised. DECC advises this may include calls focusing on specific sectors (such as electricity, transport, heat or agriculture) or specific areas (such as capacity building, innovation or community participation). The first call for applications aimed to provide grant funding to larger scale projects – seeking total support in excess of €1 million – that were scheduled to commence development in 2019 or 2020. The deadline for applications as part of the first call closed on 1 October 2018. Seven projects in the first call were approved to proceed to validation stage at a maximum CAF support level of €77 million. This process is summarised as follows:

- 97 applications received;
- 6 applications identified as having potential duplication/overlap. Following request for clarification, 5 projects withdrew;
- 68 applications did not meet mandatory requirements;
- 24 applications deemed to meet mandatory requirements;
- These 24 projects then underwent a detailed assessment;
- A total of 7 were approved for support, subject to validation with up to €77m in CAF support, leveraging a total of €300 million of investment.

The flow map below illustrates the steps taken in the validation process.

Figure 4.5 - DECC Validation Process - Call 1 - CAF



Six of the seven approved projects are from semi-states/local authorities. The remaining project is operated by a non-profit, independent energy agency operating in the South East of Ireland. Full details of projects approved under Call 1 are detailed in Table 4.2 below.

Table 4.2 CAF - Call 1 Projects

Organisation/ Project Lead	**Project Name**	**Maximum support approved**
ESB eCars	EV High Power Charging Infrastructure Development Project	€10,000,000
Gas Networks Ireland	GRAZE Gas – Green Renewable Agricultural Zero Emissions Gas	€8,474,430
Irish Rail	Hybrid Drive for Inter City Railcar (ICR 22000) fleet	€15,000,000
Dublin City Council	Dublin District Heating System	€20,000,000
South Dublin County Council	SDCC Tallaght District Heating Scheme	€4,447,952
Road Management Office	Local Authority Public Lighting Energy Efficiency Project	€17,470,000
3 Counties Energy Agency CLG	Driving HGV Efficiently into Brexit	€1,373,400
Total:		**€76,765,692**

Each project team was required to submit Financial Analysis/Cost Benefit Analysis. These are/were examined in detail by the National Development Finance Agency (NDFA) with the exception of one project which is being evaluated in-house due to NDFA being the advisers for that project team. To date, four projects have moved to delivery following the rigorous validation with the financial analysis continuing on the remaining three. The headings used to evaluate the Call 1 projects are discussed in **Chapter 5 – Evaluation**. For ease of reference, the mandatory and assessment requirements, as set out in the application form, are set out in **Appendix 2**.

The Bord na Móna post-extraction peatlands restoration project is intended to protect the storage of 100 million tonnes of CO_2 emissions, enhance biodiversity, create 310 jobs, and contribute to Ireland's target of being carbon-neutral by 2050. Through the implementation of the project, it is also estimated that over the period to 2050, 3.2 million tonnes of CO_2 emissions will be avoided (including an amount of future carbon sequestration), in comparison to a standard rehabilitation scenario. The project has been approved for funding of up to €108m from the EU Recovery and Resilience Facility (RRF) for the full amount and these funds will displace the existing CAF funding obligation. Bord na Móna, who are committed to a "brown to green" transition, will supplement this €108m investment with a further €18m. Many of those employed in the project will be former peat harvesters who have an intimate knowledge and long history of working on bogs, focussing on the Just Transition objective of the CAF.

The project will be administered by DECC and regulated by the National Parks and Wildlife Service (NPWS) of the Department of Housing, Local Government and Heritage. It will involve a number of diverse stakeholders including Bord na Móna, the EPA, relevant NGOs, local authorities, representative organisations and the local community. The framework for the project has been developed by DECC in collaboration with the NPWS, the EPA and Bord na Móna. In meeting the CAF requirement for additionality, the Scheme will exclusively fund improvements that go above and beyond the steps required to fulfil Bord na Móna's IPC licence obligations.

In terms of next steps for the CAF, further funding opportunities are in development. In early 2020, DECC held an open call for Expressions of Interest (EOI) to help inform the design of the next round of funding for the Climate Action Fund. At time of writing, DECC is currently developing a programme focused on community climate action and capacity building, to be funded from the Climate Action Fund. DECC advises that analysis on the feedback from a series of climate conversations with the public is ongoing and will help shape the community programme in terms of identifying where financial support is required, where capacity building is needed, and the types of projects and initiatives that are being considered at local level. As part of that community programme, €1m is being provided from the CAF for the Creative Climate Action initiative, a competitive fund of €2m supported by the CAF and the Creative Ireland Programme.

Regarding future sustainability of the CAF, in line with Government commitments and the expected excesses of income to the NORA Levy, the indications are that income will be sufficient to sustain expenditure on the fund. While there are no present concerns, the sustainability of funding arrangements for the CAF, namely the use of the excess proceeds of levies on petroleum products available once NORA has met its objectives, may be worthy of examination in a future study.

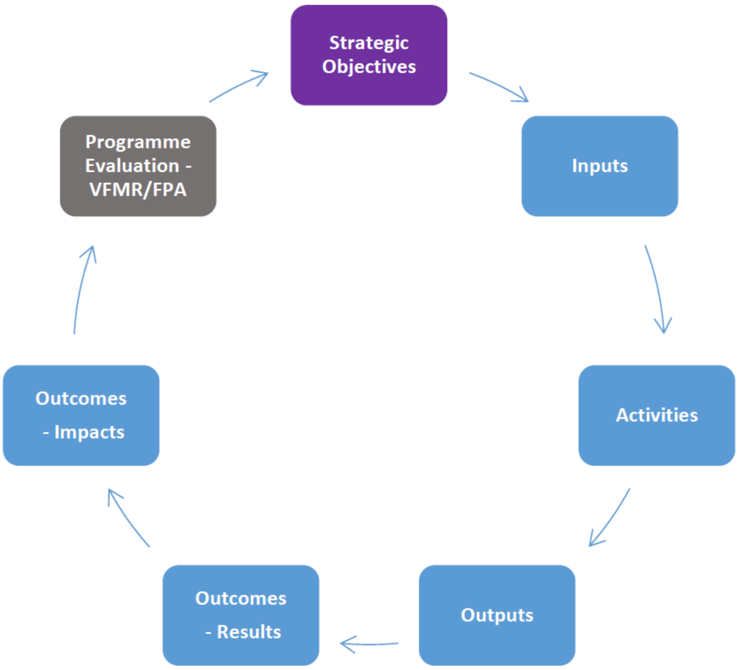
5 Evaluation

This chapter details the evaluation and monitoring frameworks currently in place for the EF and CAF, and to propose the development of a Programme Logic Model (PLM) for both Funds.

5.1 Programme Logic Model

Having established the rationale for funding in Chapter 2, this chapter proposes the development of a Programme Logic Model (PLM) for the Funds. A PLM is recommended as an appropriate evaluation framework in terms of linking policy objectives through to the outcomes,[32] and is widely used for these purposes in Value-for-Money reviews and evaluations, including in the 2020 Spending Review of the Disruptive Technologies Innovation Fund. The PLM details the inputs, activities, outputs, final outcomes, and impacts which emerge through the implementation of a programme. The Figures below show the key aspects of the PLM, and the standard set of definitions for each aspect.

Figure 5.1- Programme Logic Model Flow Chart



Source: Value for Money and Focused Policy Assessment Guidance - DPER 2018.

[32] As recommended by the Value for Money and Focused Policy Assessment Guidance published by the Department of Public Expenditure in 2018. See: https://www.gov.ie/en/publication/public-spending-code/.

Strategic Objectives	Describe the desired outcome at the end of the process. The objectives should ideally be described in both qualitative and quantitative terms.
Input	There are many inputs to programmes – physical inputs (e.g., buildings and equipment), data inputs (e.g., information flows), human inputs (e.g., grades of staff) and systems inputs (e.g., IT, procedures). The financial input is the budget made available to the programme. Inputs are sometimes referred to as resources.
Activity	Activities (or processes) are the actions that transform inputs into outputs. Activities are collections of tasks and work steps performed to produce the outputs of a programme.
Output	The outputs are what are produced by a programme. They may be goods or services.
Result	The results are the effects of the outputs on the targeted beneficiaries in the immediate or short term. Results can be positive or negative.
Impact	Impacts are the wider effects of the programme from a sectoral or national perspective. They include the medium to long term positive effects on the target beneficiaries.

Source: Value for Money and Focused Policy Assessment Guidance - DPER 2018.

5.2 Environment Fund

The Public Spending Code advises that a project or programme's strategic objectives must adhere to the **SMART** principle (be **s**pecific, **m**easurable, **a**ttributable, **r**ealistic and **t**ime-bound). As has been referenced above, the stated objectives of the EF (see **Section 3.1.** above) are considerably broader than those of the CAF. As an example, the strategic objectives include "the protection and / or improvement of any aspect of the environment." [33] While general improvements in environmental performance are obviously worthwhile and of benefit to the public, this objective does not align with the SMART principle, and consequently does not allow for the definition of a narrow set of outcome indicators. With this design flaw in mind, it is proposed that the PLM will primarily focus on the outcomes of the imposition of the levy, namely reductions in waste to landfill and reductions in plastic bags usage, and outline

[33] S.I. No. 478/2003 - Waste Management (Environment Fund) (Prescribed Payments) Regulations 2003.

any direct outcomes of the activities of the fund where possible. The definition of a narrower set of objectives should be considered in any reform of the EF, aiding in evaluation and thereby allowing DECC to better target measurable achievements in environmental performance improvements.

The above consideration poses a difficulty for the development of a PLM as the inputs do not directly flow to outcomes. Nevertheless, a framework for a PLM for the EF is proposed below. Set alongside the PLM are metrics which should aid measurement of performance in each area. Each aspect is discussed further below.

Table 5.1 Proposed PLM for the EF

		Metrics for Evaluation
Inputs	Government Funding	Financial Allocation: Amounts received from Revenue Commissioners comprising Plastic Bag Levy; Amounts received from LAs comprising Waste/Landfill Levies; Surplus balances; and interest
	DECC staff and staff time	Number of FTEs
Activities	Project Selection	Number of applications; number of applications approved; number of successful/unsuccessful projects by Region and sector
	Management of relationships, client meetings	Number of meetings organised/frequency by EF administrators
	Governance of Programme and Monitoring of the project progress	Projects started; offers withdrawn; projects terminated; projects completed. Project progress against pre-set milestones and indicators listed under Outputs as monitoring activities take place; assessment of issues affecting the progress and solutions adopted to address them

	Project closure	Final disbursal of funding from the EF; Project closure; Reporting to C&AG; audit and financial reporting requirements met
Outputs	**Specific to projects approved. See detail below in 5.2.3.**	
Results	Reduced use of landfill as a waste disposal method	Number of landfill sites in the State; Metric tonnage of waste disposed to landfill; Percentage of total waste disposed of in landfill
	Reduced plastic bag usage	Number of plastic bags sold; Percentage of total plastic bags covered by levy
	Project-specific results for EF-funded projects. See detail below in 5.2.4.	
Impacts	Improved environmental performance	See detail below in 5.2.4
	Change in behaviour and operations	Reductions in waste nationally; reductions in pollution; reduction in environmentally unfriendly behaviour, measured through qualitative assessment of business, individual and consumer habits

5.2.1 INPUTS

The total amount of income and surplus balances in each year make up the financial inputs to the EF. This is designed to comprise the proceeds of the Plastic Bag and Landfill Levies less any collection costs, any surplus existing on the EF from the previous year, and interest accruing in respect of this surplus. Income trends are discussed in detail in **Chapter 4**. Human resource inputs include the staff from DECC working on the EF and other Government Departments and Agencies involved, namely the Revenue Commissioners and the Local

Authorities involved in levy collection. The fund administrators within DECC manage income and expenditure and all financial reporting for the EF. The budget holders manage the delivery of approved funding for their projects, the project objectives, timelines and outputs (with the approved funding being the input, in addition to FTEs).

5.2.2 ACTIVITIES

The activities outlined here are focused on the administration of the EF, as detailed in **Section 4.2 Fund Activities to Date**. This includes the call for funding submissions, preparation of submissions for Ministerial approval and issuing of this to budget holders, ensuring compliance with the legislation, and the governance and reporting arrangements. The budget holders manage project delivery activities. The Fund administrators monitor income and expenditure. Finally, the income and expenditure to the EF is reported to and audited by the Comptroller and Auditor General and the accounts of the EF for the relevant year are published. According to the table above, each activity is linked to a set of indicators that measure or describe the type of associated tasks. The relationship between the activities and the outputs covered in the next section allow DECC EF budget holders to monitor the advancement of the projects, thereby linking activities undertaken at programme level and those undertaken by the EF administrators.

5.2.3 OUTPUTS

Outputs here have been defined as the direct good or service produced from the activities of the programme, and are generally observable during the execution of the project tasks and by the end of EF funding. These can vary considerably from project to project. Project-specific outputs should be clearly defined at the project approval stage, and should be closely monitored on an ongoing basis.

5.2.4 OUTCOMES (RESULTS AND IMPACTS)

As stated above, due to an overly broad set of strategic objectives allowing for any material increase in environmental protection or improvement to be considered an aim of the EF, the PLM will focus on the results of the imposition of the levy rather than the outcomes of the activities of the fund, namely reductions in waste to landfill and reductions in plastic bags usage. These are outlined in general terms above, and have been discussed in **Section 4.2.** While a number of initiatives heretofore funded from the EF have been moved to the Environment Programme of the ECC Vote from 2020/2021, the items funded from the EF are still widely varied. Funding from the EF is provided for the Community Environment Action Fund (CEAF), the Environmental Pillar, the Irish Environmental Network and core funding subvention for environmental NGOs on an annual basis. Results from this funding will vary.

Funding is also provided by way of grants to local authorities for anti-litter initiatives, for the National Spring Clean campaign, for the National Litter Pollution Monitoring System, for anti-dumping initiatives, and other specific projects. Results from these inputs will centre on pollution and litter reduction.

Given the breadth of objectives on the EF, the only impact it is possible to assign to the activities of the fund would appear to be improvement to the environment, which would in itself include an overly wide range of considerations to be enumerated in the table above.[34]

5.3 Climate Action Fund

For projects approved under Call 1, the application process specified clear, quantifiable metrics which were further interrogated during the validation phase before final approval, and which are clearly set out in Letter of Offer. These metrics largely mirror the purposes outlined in legislation, but also include an assessment of how projects relate to wider Government policy and a number of additional considerations. These are outlined in Table 5.2.

Table 5.2 Evaluation Metrics for the CAF

Factors Considered during Project Approval Process
Non-ETS Emission Reduction (ktCO_2e)
ETS Emission Reduction (ktCO_2e)
Increase in Renewable Energy (MWh)
Increase in Energy Efficiency (MWh)
Wider Government Policy
Cost Effectiveness of Non-ETS Emission Reduction (€/tCO_2)

[34] In consideration of what may be referred to by the term 'environment', Article 3(1) of the Access to Information on the Environment (AIE) Regulations analogously provides that "environmental information" constitutes information on: "(a) the state of the elements of the environment, such as air and atmosphere, water, soil, land, landscape and natural sites including wetlands, coastal and marine areas, biological diversity and its components, including genetically modified organisms and the interaction among these elements,…and (f) the state of human health and safety, including the contamination of the food chain, where relevant, conditions of human life, cultural sites and built structures inasmuch as they are, or may be, affected by the state of the elements of the environment referred to in paragraph (a) …". The breadth of results which could be considered possible impacts of EF investment is therefore considerably wide.

Cost Effectiveness of ETS Emission Reduction (€/tCO_2)
Cost Effectiveness of Renewable Energy (€/MWh)
Cost Effectiveness of Energy Efficiency (€/MWh)
Innovation, scalability and capacity building
Track record on delivery and risk
Quality of application
Partnerships

In consideration of these metrics, the primary purposes and the secondary objectives of the Fund, a PLM for the CAF is outlined below. Set alongside the PLM are metrics which should aid measurement of performance in each area. Each aspect is discussed further below.

Table 5.3 Proposed PLM for the CAF

		Metrics for Evaluation
Inputs	Government Funding	Financial Allocation: Amounts received from NORA Levy and EENF
	Co-Funding from Applicants	Amounts made available
	Human resources and staff time	Number of FTEs
Activities	Project Selection	Number of project applications; number of projects approved; number of successful/unsuccessful projects by Region and sector
	Management of relationships, client meetings	Number of meetings organised/frequency by CAF administrators
	Conferences, webinars, networking, site visits to Ireland, ministerial visits, personal development initiatives	Number of events organised/frequency of Social Media posts, Press Releases, TV & Radio appearances, Ministerial events,

		Presentations / stands at events, No. of case studies [e.g., in official reports]
	Governance of Programme and Monitoring of the project progress	Projects started; offers withdrawn; projects terminated; projects completed. Project progress against pre-set milestones and indicators listed under Outputs as monitoring activities take place; assessment of issues affecting the progress and solutions adopted to address them
	Project closure	Final disbursal of funding from the CAF; Project closure; Reporting to C&AG
Outputs	**Specific to projects approved. See detail below in 5.2.3.**	
Results	Reduced non-ETS emissions	Pre- and post-project measurement of non-ETS emissions in kilotons of Carbon Dioxide equivalent ($ktCO_2e$)
	Reduced ETS emissions	Pre- and post-project measurement of ETS emissions in $ktCO_2e$
	Increased Renewable Energy	Pre- and post-project measurement of renewable energy in MegaWatt hours (MWh); % of gross final energy consumption from renewable resources; % electricity demand generated from renewable sources; % heat demand from renewable resources; % transport demand from renewable resources
	Increased Energy Efficiency	Pre- and post-project measurement of energy efficiency of relevant premises in MWh; % of buildings with BER rating of B2 or higher

	Achievement of wider socio-economic policy objectives	Number of district heating networks; number of electric vehicles (EVs); Number of EV charging stations; Number of climate-related jobs created; Measured improvement in air quality; Reduction in fuel poverty; Measured increase in bio-diversity, community resilience, etc.
	Leveraged funding from private sector	Level of investment by participating project partners during and post the CAF project (amount invested, pre-post comparison); Successful applications for further funding at national and European level; Level of private investment (pre-post comparison as above); Level of private investment in climate-related projects post-CAF (Pre-post comparison)
Impacts	Changes in jobs/employment reflecting Just Transition	Reduction in jobs in climate-intensive industries; Creation of new jobs/upskilling opportunities in green industries; (survey of roles through firms post CAF)
	Change in behaviour and operations	Qualitative assessment of business, individual and consumer behaviour

5.3.1 INPUTS

The total amount of financial support to be made available to beneficiaries of the CAF is expected to be in the region of €500m to 2027. Of this, a total of €186 million has been committed to date, to 7 projects from Call 1, to the Bord na Móna project, and to Creative Climate Action. As noted above in relation to the Bord na Móna project, this project will be funded in full from the EU Recovery and Resilience Fund (RRF). Receipt of NNRP funding will substantially reduce the €186 million commitment referred to above making further funding available for the CAF to fund other projects.

5.3.2 ACTIVITIES

The activities outlined here are focused on the administration of the CAF, as detailed in **Section 4.2 Fund Activities to Date.** This includes the application, validation, award, governance and reporting arrangements. These activities are monitored through ongoing progress reports at a project level and also monitored at a fund level in terms of a profile providing a breakdown of the applications and successful projects. Further detail on this aspect is included in **Appendix 2**. According to the table above, each activity is linked to a set of indicators that measure or describe the type of associated tasks. The relationship between the activities and the outputs covered in the next section allow DECC CAF staff to monitor the advancement of the projects, thereby linking activities undertaken at project level and those undertaken by the CAF administrators.

5.3.3 OUTPUTS

Outputs here have been defined as the direct good or service produced from the activities of the programme, and are generally observable during the execution of the project tasks and by the end of CAF funding. As with the EF, these vary considerably from project to project. As an example, the Call 1 project outputs would include the number of EV charging points produced by the ESB eCars project, as well as the number of regions served by increased charging infrastructure, increased range of EVs and other direct outputs. As an example of less tangible outputs, investment in district heating schemes will produce a number of pipes laid and energy systems installed, a number of houses connected, a number of users availing of the scheme, among other direct outputs.

5.3.4 OUTCOMES (RESULTS AND IMPACTS)

The outcomes presented here are the changes which occur as a direct result of the outputs. All outcomes should be strongly linked to the stated strategic objectives of the programme, in this case helping Ireland to achieve its climate and energy targets. Measurement of these targets and the extent to which projects contribute to them are critical in the evaluation to gauging the success of the CAF. A distinction is traditionally made between results, with outcomes over the short- to medium- term, and impacts, which are the longer term outcomes. This is maintained in the CAF PLM, however, noting the 2030 timeframe for many of the Programme for Government climate ambitions, results and impacts are somewhat linked. Longer term impacts include the change in employment reflecting a Just Transition, and the changes in behaviour and business operations required to sustain the changes targeted by the CAF, with the potential to measure individual, business, and consumer behaviour through survey and other data.

6 Findings and Recommendations

6.1 Findings

This Review sought to:

- establish the rationale and key inputs/outputs of the non-Exchequer Funds for which DECC is responsible, namely the Climate Action Fund (CAF), the Energy Efficiency National Fund (EENF) and the Environment Fund (EF);
- review the delivery of those Funds; and
- explore their sustainability over time.

Regarding the **EF**, while there is a clear rationale for public funding, the non-Exchequer funding rationale is somewhat questionable due to:

i. inconsistency between income and expenditure areas,
ii. relatively weak grounds for hypothecation of revenues, and
iii. a reliance on varying income for funding of non-discretionary items.

The findings of this Review accord with and confirm the conclusions of the 2017 Spending Review, in that:

(i) environmentally unfriendly behaviour (exemplified by landfill and plastic bag use) has been on a consistent downward trend, indicating achievement of some of the EF objectives, or at least the objectives of the levy imposition;

(ii) core policy activities were funded from the EF outside the traditional Voted expenditure system. While this practice appears to have ceased in the interim, certain items may remain more appropriate to the Vote of DECC than an extra-budgetary fund; and

(iii) the consistent decline in the EF income presents a risk that some essential commitments which are/were being met from EF could ultimately be transferred to the Exchequer. This risk has already borne fruit in that a number of EF projects are now being funded from the Vote of DECC.

This Review proposes the adoption of a Programme Logic Model for future evaluation, and outlines the metrics for evaluation that may be used to assess the effectiveness of the EF (or equivalent) going forward. The PLM as proposed will allow for evaluation of performance against the overarching objectives of the EF, but also should be tailored to capture performance of individual projects receiving EF funding.

Regarding the **EENF**, this Review finds there was both a rationale for public funding for expenditure in the area and a rationale for the use of a non-Exchequer fund. However, the Review findings align with the 2018 conclusion of the Comptroller and Auditor General that the complex structure used to invest in the EENF appears to have resulted in a disproportionately high level of costs, with c. €2m that could be considered attributable to the State's shareholding . The Review finds that EENF funding was invested in eight projects, three of which have been completed at time of writing. The State's assets at end-2020 in respect of the EENF amounted to **€35.8m**, comprising an existing balance of €21m, a return on investment received of €1.2m, and a current valuation of the State's interest in the investment fund of €13.6m. This compares to the initial balance in the EENF of the €35m unspent from the Carbon Revenue Levy Account. As the balance and any future returns will be transferred to the CAF, future sustainability of the EENF itself is not relevant to this Review.

Regarding the **CAF**, this Review finds that there is a clear rationale for public non-Exchequer funding for the Fund, but that it is dependent on the CAF being effective. The Review finds that the CAF is at an early stage in its development, with a relatively low level of operation in the period post-establishment but prior to being put on statutory footing in 2020. To date, four projects have moved to delivery stage following validation, and financial analysis is continuing on the remaining three approved projects under Call 1. Further calls have since been launched, and guidelines have been published for the future operation of the Fund. In order to assess the effectiveness going forward, this Review proposes the adoption of a Programme Logic Model (PLM), and outlines the metrics for evaluation under this Model. The PLM proposed will allow the evaluation of performance against the overarching objectives of the CAF and can also be tailored to capture the performance of individual projects receiving CAF funding.

6.2 Recommendations

In consideration of the above, this Spending Review recommends that:

1. There should be a clear rationale for all public expenditure and for the use of non-Exchequer funds. Clarifying the rationale for the Environment Fund's status as a non-Exchequer fund could take place through amending its underlying legislation and/or governing regulations:
    i. A requirement to publish guidelines in advance of any further payments being made from the EF. This requirement exists in respect of the CAF, and would provide an

opportunity to ensure spending is discretionary and projects are an effective and efficient use of funds; and

ii. The introduction of expenditure controls to ensure expenditure reflects the likely variability of levy incomes, and poses no risk that the Exchequer will be required to meet future EF liabilities.

2. DECC should urgently address the risks to the Exchequer by giving consideration to alternative sources of income and to the appropriate level of spending on the EF in order to maintain current levels of funding for longstanding core activities of the fund. Any new revenue generating measures should be accompanied by robust income projections and all expenditure measure should be managed within this estimate.
3. Future evaluation of the CAF and EF would be assisted by the early implementation of the proposed PLMs. Models should be tailored to individual projects to capture project-level performance, but should also capture the overarching objectives of the Funds as outlined in the respective legislative bases. Reporting of performance against certain metrics used in the PLM should be included in annual reporting on each fund.
4. Given the limited operation of the CAF to date, the CAF should be evaluated once more in the medium term. Three years post-statutory footing would appear to be an appropriate time for this, in consideration of the expected increase in activity from 2022 onwards.
5. Reporting on amounts transferred from the EENF to the CAF, and a note on the return to the EENF from the Qualified Investment Fund, IEEI, is to be included in the published accounts of the CAF. DECC is required to publish an annual statement of accounts of the CAF to be considered by the Comptroller and Auditor General and laid before the Houses of the Oireachtas.

The intended outcomes of these recommendations are to bring about: a clearer rationale for the use of public funds for expenditure in these areas; effective and efficient use of public resources to tackle environmental harm and the effects of climate change; and a reduced risk to the Exchequer in the operation of these non-Exchequer funds.

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Appendix 1 – CAF – Examples of Reporting Requirements for Call 1

6. Example 1 - Ongoing Reporting

A quarterly report shall be provided to the Minister by the Applicant, in electronic format, providing the following information, as a minimum:

- *An update on the progress of delivery of the project*
- *Milestones achieved*
- *Financial data (that can be used for monitoring purposes by the Department) relevant to the revenues, overall project expenditure as well as the funding received from the Climate Action Fund*
- *Updated timelines for the project as it progresses*

Specific provision for post completion reporting eg. bi-annual reports to the Minister, in electronic format, for a period of for example, XX years, which will include detailed outputs pertinent to the specific project.

- Example 2 - Drawdown Reporting

Capital grant payments up a maximum of the amount set out in the Letter of Offer, and no more frequently than quarterly, shall be made retrospectively subject to the following milestones or conditions:

A report shall be submitted by the Applicant setting out the work completed and requesting payment to include;

- Detail and location of work completed;
- Eligible costs (as defined under Article 56 of the General Block Exemption Regulation) associated with the work
- The Department will make payment to the Applicant within 30 days of receiving the payment request. During this time the Department will have the opportunity to verify that the relevant work has taken place.
- The Applicant shall provide all reasonable assistance to the Department and its agents to facilitate verification and inspection;
- Where the Department, acting reasonably, deems that further works are required the Department will notify the applicant of this view, and following consultation with the

Applicant the Department will set a timeframe within which corrective measures are to be completed;

- A maximum of XX% of the support will be paid by the end of 20XX;
- The last date a request for payment will be accepted is X years after the date of acceptance of the Letter of Offer;
- The final 10% of support will not be paid until the construction phase of the identified project is deemed to be complete
- The Department will undertake to verify that the identified project has been completed within 30 days of the Applicant’s final funding request. If the Department is not satisfied that the construction phase is complete following a request for final payment, it will set out the grounds for not verifying, and allow the Applicant a reasonable period to carry out any further works or corrective measures; and
- If the Applicant does not agree with the Department not verifying any works they may raise this as a dispute.

Appendix 2 – CAF – Mandatory and Assessment Requirements for Call 1

Mandatory Requirements:

- Additionality: Demonstrate that in the absence of support from the Fund the project would not be developed, deliver inferior benefits or be significantly delayed.
- Public Spending Code: Demonstrate compliance with the Public Spending Code.
- Evaluation indicators: Demonstrate how the impact and outputs of the project can be measured and verified to confirm delivery of expected outcomes.
- Risk analysis: Detail risks to project delivery and demonstrate how contingencies will be put in place.
- Capacity: Demonstrate financial and operational capacity to deliver the project.
- Tax Compliance: Demonstrate tax compliance for the lead applicant and all project partners.

Assessment Requirements:

- Contribution to Ireland's climate and energy targets: Detail the level of emission reduction (CO_2e), increased renewable energy (MWh) and reduced energy use through energy efficiency (MWh) by year for the lifetime of the project. Direct impacts and indirect impacts (in the case of enabling infrastructure such as district heating networks and electric vehicle charging) should be shown separately.
- Secondary objectives: Set out how the project will contribute to other Government policy priorities including:
  - innovation and capacity building towards the development of climate change solutions capable of being scaled and delivering change beyond a once off impact;
  - generate wider socio-economic benefits such as job creation, air quality improvements, reduction in fuel poverty, bio-diversity and community resilience and development; and leverage non-Exchequer sourced investment.
- Track Record: Detail the track record to the lead applicant and all project partners in project delivery.
- Community Involvement: Detail the level of collaboration and involvement of communities in the project.
- With a maximum score of 100 marks, the 24 projects were assessed/scored on;

> Contribution to Ireland’s climate and energy targets, and wider Government policy priorities (30% weighting): An assessment will be carried out based on the level of emission reduction (CO_2e), increased renewable energy (MWh) and reduced energy use through energy efficiency (MWh). This includes direct impacts and indirect impacts (such as in the case of enabling infrastructure such as district heating networks and electric vehicle charging). The timing of contribution to targets and the contribution to secondary objectives such as environmental impacts and addressing climate resilience will also be considered in the assessment.

> Cost-effectiveness (30% weighting): An assessment will be carried out based on metrics including cost per unit of emission reduction (€/tCO_2e), renewable energy (€/MWh) and energy efficiency (€/MWh), the proportion of funding requested, and leveraging of private sector investment.

> Innovation & Quality (30% weighting): An assessment will be carried out based on the level of innovation and scalability, capacity building, track record on delivery, quality of application and risk.

> Partnerships (10% weighting): An assessment will be carried out based on the level of collaboration between parties including involvement of communities.

An Roinn Caiteachais Phoiblí agus Athchóirithe
Department of Public Expenditure and Reform

Tithe an Rialtas. Sráid Mhuirfean Uacht,
Baile Átha Cliath 2, D02 R583, Éire
Government Buildings, Upper Merrion Street,
Dublin 2, D02 R583, Ireland

T:+353 1 676 7571
@IRLDeptPer
www.per.gov.ie