



The Carbon Tax Increase- What it will be spent on

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Minister Donohoe has committed that all of funds raised by increases in the carbon tax will be ring-fenced 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.

A carbon tax increase of €6 a tonne is expected to raise €90m in 2020¹. This means that €90m in additional funding will be provided in 2020 for new schemes or increases to the budgets of existing schemes that are focused on climate change. These are increases that would not have taken place in the absence of an increase to the carbon tax and the increased funding is additional to that provided by the National Development Plan.

All funds are ring-fenced for these schemes only. Departments will not be allowed to use the carbon tax revenues for any other purpose, other than those schemes detailed below. This guarantees that all funds raised by the carbon tax will go towards climate action.

Table 1: Disbursement of Additional Carbon Tax Receipts in 2020

Increased Carbon Tax Spending – 2020			
	Revenue € m - 2020	Expenditure € m - 2020	Department
Revenue Raised from a €6 carbon tax increase in 2020	90		
Protecting the Vulnerable			
1. Fuel Allowance		21	DEASP
2. Energy Poverty Efficiency Upgrades		13	DCCAE
A Just Transition			
3. Aggregated Housing Upgrade Scheme		20	DHPLG
4. Peatlands Rehabilitation (non Bord na Mona)		5	DCHG
5. Just Transition Fund		6	DCCAE
Investing in the Low Carbon Transition			
6. Greenways/Urban Cycling		9	DTTAS
7. Continuation of Electric Vehicle Grants		8	DCCAE
8. Further Investment in EV Charging Infrastructure		3	DCCAE/DTTAS
9. ODA - Green Climate Fund		2	DCCAE
10. Green Agricultural Pilots		3	DAFM
Total Expenditure		90	

¹ Due to delayed commencement in 2020, this sum is lower than the revenues that would be raised over a full year. Over a full year revenues would be expected to reach €130m.

Protecting the Vulnerable

ESRI research demonstrates that the impact of small increases in the carbon tax on household costs is extremely limited. However the burden falls unequally. Since their income is lower, energy costs typically represent a higher proportion of overall household costs for the less well-off in society. In addition, low income households are far more likely to live in a home with poor energy efficiency. This suggests that increasing the carbon tax without taking any compensatory measures is likely to be regressive because it imposes a greater burden (relative to resources) on lower income households.

To counteract this, more than one third of the funds raised by the increased carbon tax will be devoted to ensuring that the least well off in society are protected from the increase. This will be achieved through the following schemes:

- **Increasing the fuel allowance by €2 per week - €21m**

This will increase the income of households who get the fuel allowance by €2 per week, which means an annual increase of €56. Based on analysis in previously published ESRI carbon tax studies, this will leave these households better off than before the increase in the carbon tax. This ensures that the most vulnerable in society are protected from the increased carbon tax.

- **Free energy efficiency upgrades - €13m**

The SEAI-run Warmer Homes scheme provides free energy efficiency upgrades to households deemed to be in or at risk of energy poverty. This reduces the energy required to adequately heat a home, thus reducing a household's exposure to increases in energy costs. This will be more effective in the long run at reducing heating costs than increases in the fuel allowance. €13m in extra funds will be provided for this scheme in 2020.

A Just Transition

Decarbonising our economy means our air will be cleaner, our homes warmer and more comfortable, we will have secure energy supplies and there will be new jobs in sustainable industries. It will however, mean disruption in the short term and it is the Government's duty to ensure that no one cohort of citizens, workers, communities or enterprises is disproportionately impacted by this. This can be achieved by building a just transition that leaves no worker or community behind.

This involves creating new schemes which can target interventions at areas of the country that are at risk of disruption and job losses as a result of a changing economy. The first area where this is being experienced in Ireland is the midlands, where job losses are already taking place due to reductions in peat harvesting. The schemes that will be targeted at supporting a just transition for the midlands in 2020 are:

- **New Aggregated Housing Upgrade Scheme - €20m**

€20m will be dedicated to the creation of a new energy efficiency scheme as committed to in the Climate Action Plan. This scheme will upgrade the energy efficiency of the social housing stock in the midlands. But it will do so in a different way than has been done before. It will focus on upgrading much larger batches of homes in distinct, compact geographical areas and allow private homeowners to opt-in. This will determine the savings that can be achieved through a larger scale and more structured approach to the renovation of our housing stock. It will also create new, sustainable employment (estimated at 400 jobs) in the region. The specific design of the project will be driven by the Retrofit Taskforce which has been established by the Minister for Communications, Climate Action & Environment.

- **Peatlands Rehabilitation - €5m**

The rehabilitation of former peat production areas has a range of environmental benefits including the sequestration of greenhouse gas emissions and a much greater level of bio-diversity through the restoration of heathland, grassland and woodland habitats to areas previously harvested for peat. This funding will triple the budget allocated for peatland rehabilitation, supporting around 100 new full-time environmentally sustainable jobs in these areas. There will even be benefits to eco-tourism as some of the peatlands rehabilitated to date have already been turned into successful tourist attractions.

- **Just Transition Fund - €6m**

Creating a just transition will require the active participation of those local communities affected. Government is determined to give them a vehicle to make their voice heard. A Just Transition Commissioner will be appointed who will engage with local stakeholders to determine what their priorities might be. This can be supports for local enterprise, training courses for the new employment opportunities that will be available in the low carbon transition or other innovative ideas like linking greenways in the region. €6m will be available for this Just Transition Fund in 2020.

Investing in the Low Carbon Transition

The remainder of the funds raised by the increased carbon tax will go towards programmes than can help all citizens to reduce their carbon footprint. Unlike 2009, when the carbon tax was introduced, there are now a range of Government supports available to householders and businesses who want to reduce their emissions and hence their exposure to the carbon tax. These programmes will be boosted in 2020 by the additional carbon tax revenues.

- **Greenways & Urban Cycling - €9m**

Greenways provide mixed-use trails for walkers, cyclists and other non-motorised transport. They provide climate friendly amenities to local communities and can often boost local eco-tourism. An additional €4.5m will be provided for new greenway projects in 2020. This will focus on those projects that were not successful in the first call for projects and a particular focus will be on projects that might be impacted by Brexit or could tie-in with “The Hidden Heartlands” tourism brand.

An additional €4.5m will also be made available for new urban cycling investments. This increased funding will provide for new pedestrian protection measures in Dublin and further funding for active travel in regional cities, including projects in Waterford and Limerick

- **Continuation of Electric Vehicle Grants - €8m**

€8m will be allocated to maintain grants at their current level for individuals purchasing electric cars. Spend on electric vehicle grants has more than doubled in each of the last two years and without this additional allocation of funding for 2020, these grants would have to have been cut quite substantially. Instead the Government will continue to support individual motorists who want to make the switch to an electric vehicle.

- **Extra investment in Electric Vehicle Charging Infrastructure - €3m**

A further €3m will be provided for new Electric Vehicle Infrastructure. This is in addition to €10m support to develop the public charging network from the Climate Action Fund and the €1m already announced this year to support the development of on-street charge points. This funding will double the number of Local Authority on-street charge points planned for 2020 from 200 to 400, it will also provide for a new scheme to support the installation of charge points at apartment blocks and will roll-out fast chargers to taxi ranks at transport hubs around the country.

- **Doubling Ireland's Contribution to the Green Climate Fund - €2m**

Ireland is committed to delivering a just global transition. In recognition of this Ireland will double its annual contribution to the Green Climate Fund. This fund provides much needed financial support to reduce greenhouse gas emissions in developing countries, and helps vulnerable societies adapt to the unavoidable impacts of climate change.

- **Green Agricultural Pilots - €3m**

As part of the Government's Climate Action Plan a number of ambitious new measures have been put forward to reduce greenhouse gas emissions from the agricultural sector. Along with improvements in farming practice, the development of new sustainable business models for lower carbon intensity farming is required. This will also enhance the protection of bio-diversity and water quality. €3m will be allocated to pilot new agri-environmental schemes to support these objectives in 2020.



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