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# Carbon Tax – the Irish case

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# Context

- Leadership by the Green Party
- Limited public opposition
- Government need for the income
- Support for a 'green' economy
- Support from the academic and wider policy community
- Doesn't include the main business and farming opponents
- Effective engagement and good planning

# Features of the Irish Carbon Tax

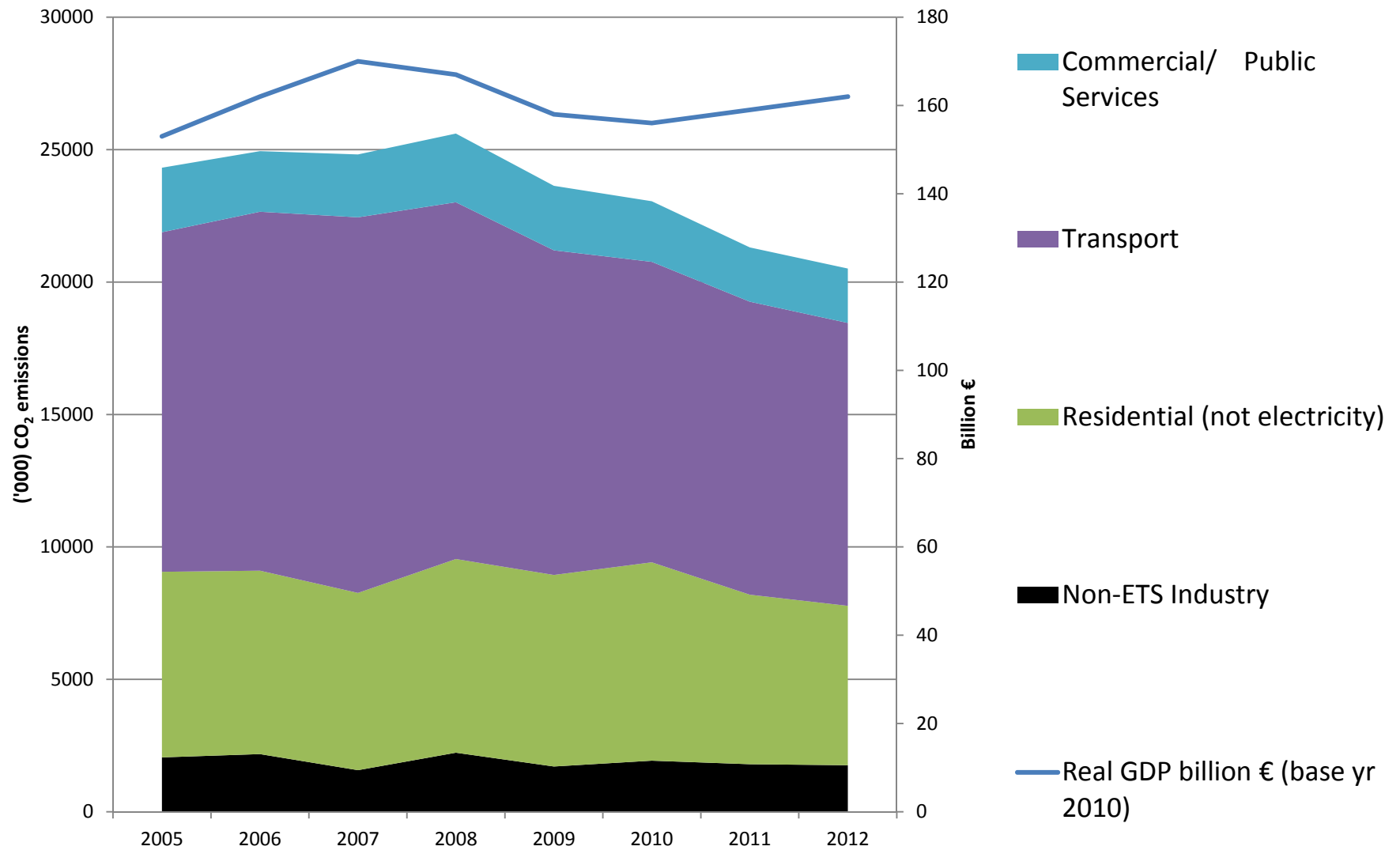
- The tax applied to CO<sub>2</sub> emissions from certain non-ETS sectors (e.g. transport fuels, and energy – but not agriculture):
  - 2009: Transport fuels (petrol and auto-diesel)
  - 2010: Non-transport fuels (kerosene, marked gas oil, fuel oil, LPG and Natural Gas)
  - 2013: Solid fuels (Coal and commercial peat)
  - Methane, wood and nitrous oxide emissions are not taxed. Exemptions for the agriculture sector are put in place.
- The rate started at €15 per tonne of carbon dioxide in 2010 and 2011; later in 2013 it was extended to additional fuels (e.g. coal) and increased to €20 per tonne.

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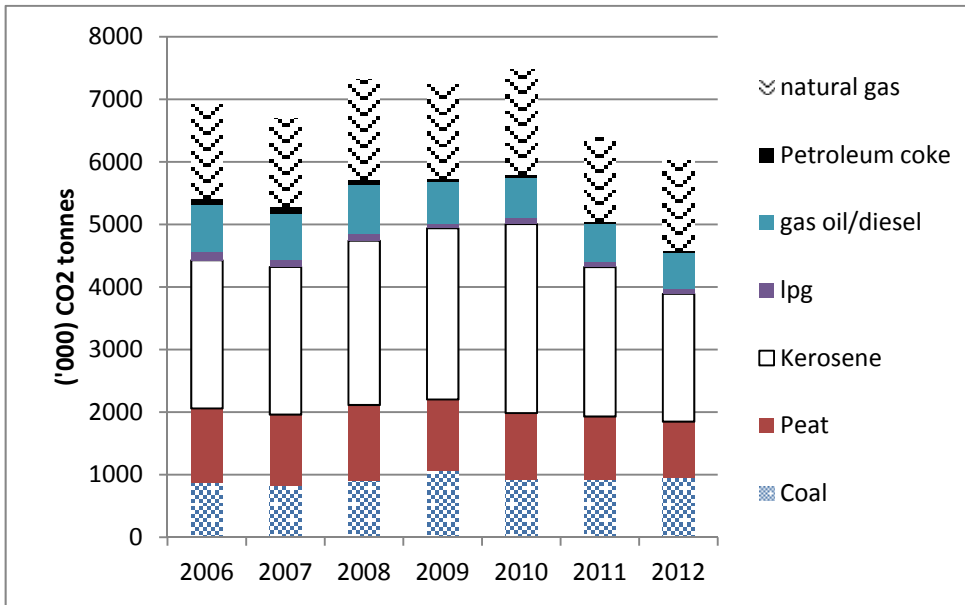
- Ireland’s carbon tax is an “upstream tax” – it is therefore applied to upstream suppliers of coal, at natural gas processing facilities, and at oil refineries: e.g. included in the price at the gas station
- Retailers collect VAT and excise duties already, and can collect the carbon tax as well without additional administrative burden

Fuel Type	Unit	Pre-tax price in December 2012, EUR	Carbon tax increase (including VAT) EUR	% change in price
Petrol	Litre	1.503	0.056	3.7%
Auto-diesel	Litre	1.454	0.065	4.5%
Kerosene	1 000 litres	880	57.54	6.5%
Marked Gas Oil	1 000 litres	920	62.45	6.8%
LPG	1 000 litres	900	37.30	4.1%
Natural Gas	107 kilocalories GCV	0.068	0.004	5.9%
Coal/Peat	Tonne	365	59.80	16%
Peat	Bale	3.9	0.52	13%

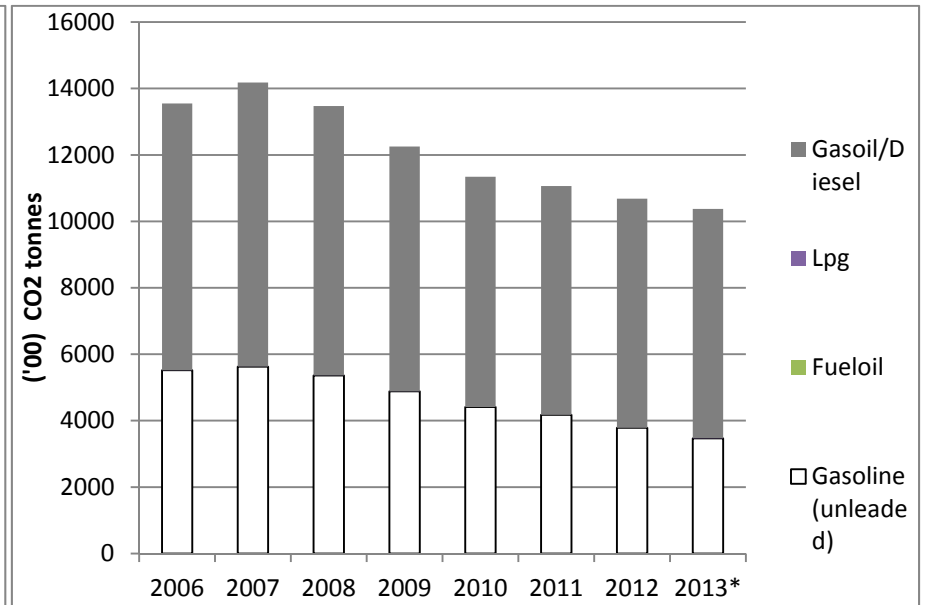
# Emissions vs. GDP (Non ETS, excl agri)



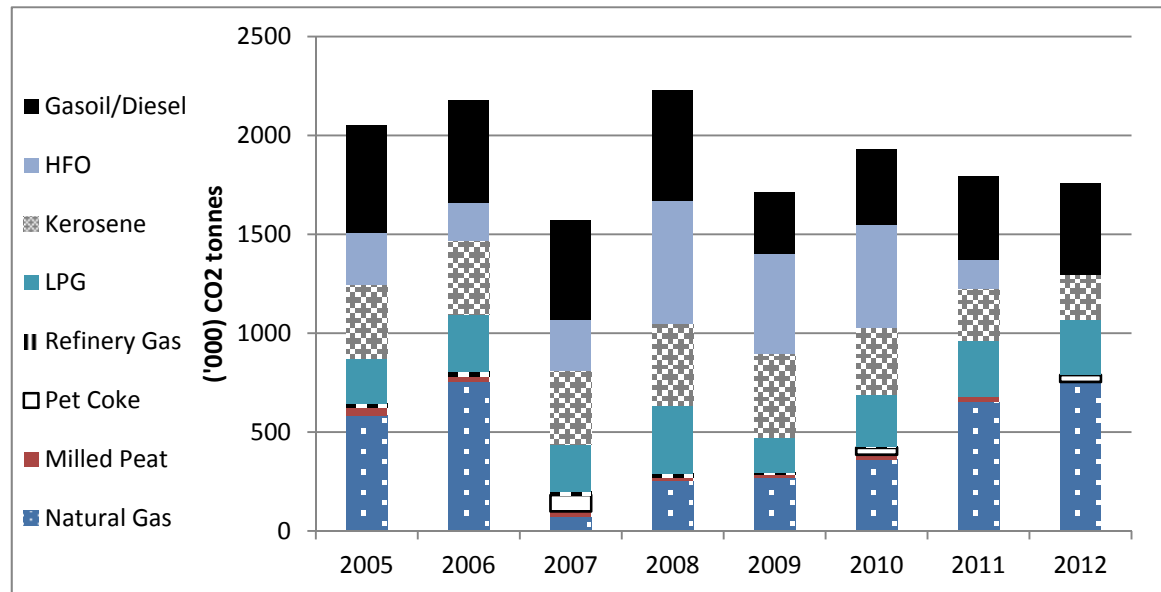
**Residential CO<sub>2</sub> emissions per fuel type per year, not including electricity**  
(1 000 tonnes of CO<sub>2</sub>)



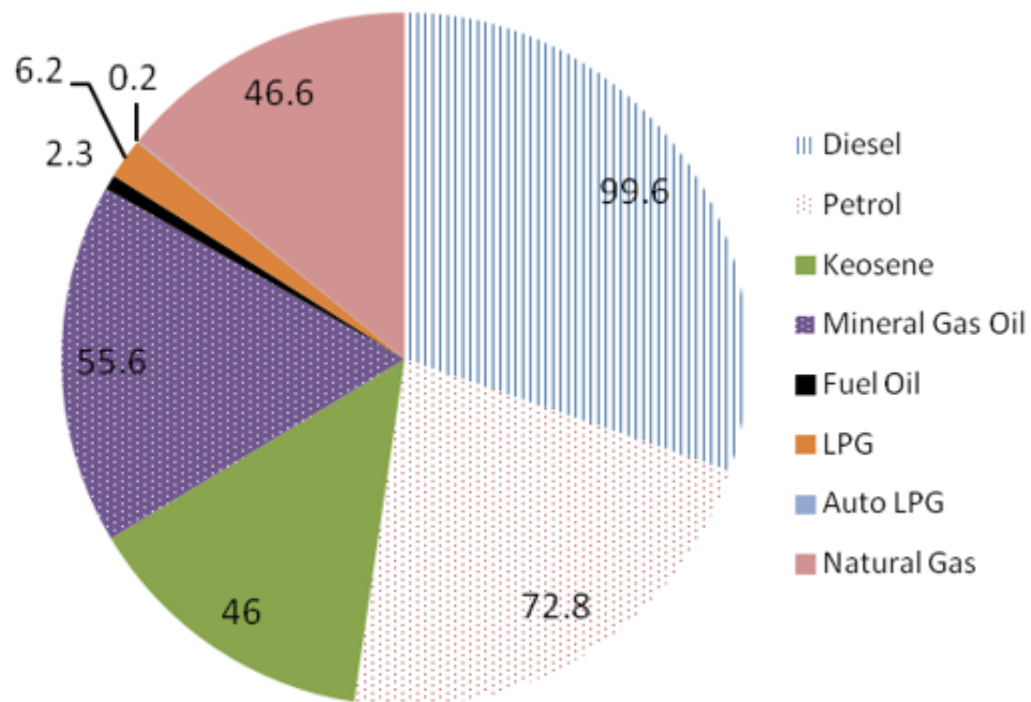
**CO<sub>2</sub> from the transport sector (1 000 tonnes of CO<sub>2</sub>)**



**Industry emissions per fuel type per year, not including electricity**  
(1 000 tonnes of CO<sub>2</sub>)



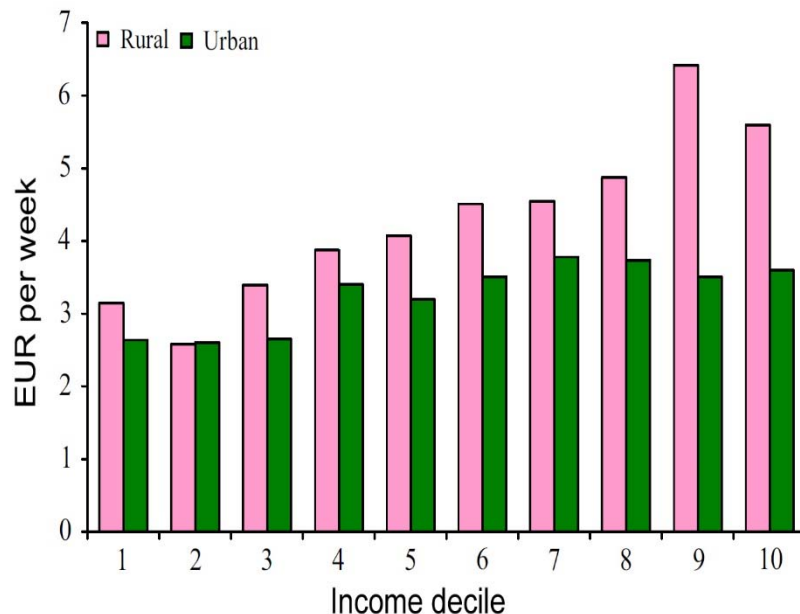
# Revenues



- 418 mEUR of revenues in 2015
- Equivalent to 2,2% of tax receipts in 2015

# Equity

Impact of a €20 per tonne CO<sub>2</sub> carbon tax per income decile.



Prior to the introduction of the carbon tax in 2010 there were a number of schemes in place to tackle fuel and energy poverty of low-income householders.

According to the Government, The key priority will be to fund further sustainable energy programmes.

“The yield from the Carbon Tax will be used to boost energy efficiency, to support rural transport and to alleviate fuel poverty. The Carbon Tax will also allow us to maintain or reduce payroll taxes”

As anticipated, costs for fuel-related assistance in Ireland indeed increased since the introduction of the tax and the Department of Social Protection took action to reduce it.



# Competitiveness

- Given that taxes had to be raised somehow, it seems plausible that the negative economic impact in terms of jobs and employment would have been more severe if, instead of the carbon tax, income taxes had been raised further, albeit by only 2.5%.
- OECD (2009) concludes: *“A revenue-neutral growth oriented tax reform would ... be to shift part of the revenue base from income taxes to less distortive taxes such as recurrent taxes on immovable property or consumption.”*

# Other Environmental taxes in Ireland

- Transport taxation (VRT and annual taxes based on emissions, taxes on fuels)
- Buildings Energy programmes (Energy rating, Smart metering programmes, ...)
- Landfill tax (€75 per tonne – goes to ‘Environmental Fund’)
- Waste charges (pay as you throw)
- Water charges coming in 2014
- Plastic bag levy (22 cents per bag, usage dropped from 1 billion to 85 million in 1<sup>st</sup> year)