Community Law & Mediation

Centre for Environmental Justice

# BUDGET 2022 SUBMISSION

## Carbon Taxation: Economic justice must underpin environmental objectives

## About Community Law & Mediation and the Centre for Environmental Justice

Community Law & Mediation (CLM) is an independent community law centre and charity based in Dublin (Coolock) and Limerick. It was established in 1975 and assists more than 4,000 people annually through its services which include free legal advice and advocacy; mediation and conflict coaching; and information and community education.

CLM also campaigns on behalf of the community for law reform, and for the safeguarding of rights already enshrined in law, in areas such as environmental justice, employment, equality, housing, education, disability rights, social protection, family and child law.

In February 2021, it launched a new Centre for Environmental Justice. The Centre, which is the first of its kind in Ireland aims to empower communities experiencing disadvantage in relation to environmental justice issues that affect them.

### Budget 2022 Recommendations:

- Do not increase the rate of carbon taxation in Budget 2022
- Cap the level of electricity energy demand that can be accommodated by the grid, and place a moratorium on data centre development until this policy is developed
- Provide enhanced supports and retrofit programmes to address energy poverty on a cross-departmental basis

Community Law & Mediation (CLM) is not opposed to a carbon tax in principle, but believes that fuel poverty and lack of public transport infrastructure threaten to undermine the potential gains of any carbon tax measures brought in under Budget 2022.

## Background

The COVID-19 pandemic and resulting economic shock are unfolding in the context of a longer-term climate and biodiversity emergency. It is clear that the impacts of these converging crises are unevenly distributed. Those living in poorly insulated homes are more likely to suffer respiratory issues resulting from inadequate insulation, and they are also more likely to be essential workers, thus at higher risk of contracting the virus. Moreover, energy poverty is rising in Ireland due to an increase in household electricity consumption in lockdown [1] and volatile international wholesale gas prices [2].

It is furthermore clear that without structural change, Ireland's emissions are likely to continually increase. Lockdown led to reductions in emissions of only 5.6% in 2020.[3] If Ireland is to meet its 51% emissions reduction target by 2030 in accordance with Ireland's 2021 Climate Action and Low Carbon Development (Amendment) Act, emissions will need to fall by at least 8% per year between 2021-2030. [4] [5]

The Programme for Government 2020 agreed between Fianna Fail, Fine Gael and the Green Party, committed to increasing Ireland's carbon tax rate every year between 2020-2029, with the objective of reaching a €100 levy per tonne of carbon by 2030.[6] Many economists have proposed that pricing carbon provides the lowest-cost means of reducing emissions, while minimising impacts on economic growth [7], and generating revenue which can be used to finance the transition to a completely decarbonised economy and society.

It is Community Law and Mediation's view that the rate of carbon taxation should not be increased in Budget 2022. This submission will outline the rationale for this, and recommended actions that CLM believe are more appropriate.

## A carbon tax is unlikely to substantially reduce Ireland's emissions

Research has shown that when citizens have access to affordable and reliable low-carbon alternatives, a carbon tax can provide reductions in emissions.[8] However, when alternative options are not available, reductions in emissions remain low.[9] In the Irish context, there are a number of barriers that may prevent emissions from falling following an increase in the price of carbon. For instance, access to affordable clean energy and reliable public transport [10] is limited in many parts of the country. Many households are locked into emissions due to factors beyond their control – including (but not limited to): they are unable to work from home, unable to afford an electric vehicle, and unable to afford a home retrofit. Currently, the cost of a car is calculated by VPSJ at €67 per week, an essential additional cost for many rural households.[11]

Given that demand will not immediately decrease resulting from an increase in price, some households will likely be forced to pay a higher burden out of necessity. Indeed, market mechanisms have consistently fallen short of what is required. [12] The International Monetary Fund, which has promoted the importance of carbon taxation policy for decades, noted that "Consistent, country-level models of how fossil fuel use responds to price reform are not yet available on a wide scale."[13] Furthermore, data from the World Bank has not provided evidence that carbon pricing has had an effective impact on emissions reductions.[14]

## Increasing Ireland's carbon tax may increase energy poverty

The ESRI found in 2019 that 17% of households in Ireland could be in or at risk of energy poverty with a 2015 report by the Department of Communications, Energy and Natural Resources showing that those in social housing, those who are unemployed or retired, one parent families (predominantly women) and members of the Traveller community at particular risk (a 2019 MABS report concluded that Travellers living in caravans spent 26.1% of their income on energy).[15]

Those in private rented accommodation are also disproportionately impacted as the private rented sector has higher proportions of low BERs than either local authority or owner occupied homes. There is no legal requirement to introduce measures to realise energy efficiency in private rented dwellings and while a BER rating is required in order to let a dwelling, there is no minimum BER threshold below which a dwelling is considered unfit for letting.

Recent research from the ESRI found that an increase in carbon taxation in Ireland – as it is currently designed – is likely to result in an increase of the proportion of households experiencing energy poverty. The report found that “a 1 per cent increase in fuel prices for residential heating due to carbon taxation will raise the proportion of people experiencing fuel poverty from 11.5 per cent to 12 per cent.”[16] This may create adverse mental and physical health impacts [17], particularly among children [18], in addition to financial stresses.

This is particularly concerning given that efforts to eradicate energy poverty in Ireland have been insufficient to date. The Fuel Allowance is only available 28 weeks of the year, needs to be claimed in advance of the winter period, and at €784 annually, it does not meet households’ real electricity bills. Households with an efficiency rating of F or G could face energy costs between €2,400 - €3,000.[19] More must therefore be done to address energy poverty as a priority.

## Support for climate action relies on distributional fairness

As a key instrument in reducing carbon consumption, a carbon tax places an over-emphasis on private, household consumption, and not enough emphasis on high-polluting industries. For instance, the aviation industry is under-taxed [20]; it pays no tax on fuel and no VAT on tickets, an issue that is particularly pertinent given that Ireland is a global hub for aircraft leasing and financing.[21]

In addition, data centres are projected to become the largest energy consumer in the state. Eirgrid, the national grid manager, has warned that data centres could account for 70% of Ireland’s electricity use by 2030.

Carbon taxation policies levied on individual households therefore risk alienating the public from climate action. Research has demonstrated that public support for climate policies relies on distributional fairness[22]. Many members of the Gilets Jaunes in France described themselves as ecological activists who protested the French Government’s attempts to rise fuel prices not on anti-climate change grounds, but on austerity grounds.[23] Conversely, if people perceive that the costs of a climate policy will be borne by polluting industries, they are more likely to support it.[24]

# Recommendations

**1.Reduce overall energy consumption**

The annual increase in energy demand from data centres in the last four years is equivalent to adding 140,000 households to the power system each year. Given that data centres currently account for 11% of Ireland's electricity demand, and are projected to consume 70% of Ireland's electricity demand by 2030, Community Law and Mediation support Not Here Not Anywhere's recommendations to:

(1) cap the level of electricity energy demand that can be accommodated by the grid, and
(2) place a moratorium on data centre development until this policy is developed.[25]

**2. Provide enhanced supports to address energy poverty on a cross-departmental basis**

The last strategy to combat energy poverty lapsed in 2019, two years ago. An inter-departmental strategy must be introduced as a matter of priority and data collection on energy poverty must be improved so that we can effectively monitor progress in tackling the issue. Such data can also assist in the targeting of retrofitting programmes and income supports.

We know from ESRI research that the three drivers of energy poverty are low income, inefficient homes and high energy prices-each of which falls within the remit of the Departments of Social Protection, Housing, and Environment respectively. The previous strategy was unambitious and contained weak governance provisions. For example, it only required the responsible Minister of State reporting to the Cabinet and to the Minister for Communications Energy and Natural Resources. There were no ongoing implementation reports and a final review is still awaited. It stated that the Department would lead a public consultation on the progress of implementing the Strategy in 2019, which never occurred. Further, the Strategy provided for the establishment of an independent Energy Poverty Advisory Group, which also never happened.

In 2019, Scotland passed the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act.[26] While the legislation did not go far enough in CLM's view (it aims to reduce fuel poverty to no more than 5% of households by 2040; CLM believes that fuel poverty should be eradicated completely), it put fuel poverty targets on a legislative footing, with requirements on Ministries to develop strategies and report on progress. It also established a new definition and measurement framework for fuel poverty and set out that when preparing the Strategy, the Ministers must consult persons currently living in fuel poverty. Enshrining an obligation in statute would ensure transparency, accountability, and political commitment to eradicating fuel poverty. Moreover, enshrining an obligation to consult with persons living in fuel poverty would ensure best practice and reflect the principle "nothing about us, without us".

## Recommendations

- We support the Society of St Vincent de Paul's call for the Fuel Allowance to be increased and extended from 28 to 32 weeks, and to include those on Working Family Payments as well as all Jobseekers recipients;[27]
- Invest in Local Link Services to provide affordable and reliable public transport across the country
- Invest in retrofit measures – see detail below.

**3. Retrofit**

Retrofitting social homes should be addressed as a priority – however, the private rental sector has trebled in size since 2000 as housing prices continue to soar [28] and Housing Assistance Payment and other rental supports have been classed as a form of social housing support. The private rental sector now encompasses one in five households in Ireland.[29] Tenants in private rented housing include the working poor, welfare recipients, students and pensioners. These tenants are among the most vulnerable in our population and must not be left behind when addressing energy efficiency and energy poverty. However, in other countries, such as Germany, renovation of private rented housing has led to 'renovictions', increased rent, neighbourhoods becoming increasingly segregated, and gentrification.[30]

The market cannot deliver energy efficiency in the private rental market. It is not enough to provide low-interest loans – in Germany, this simply led to landlords increasing the rent to cover their costs. Instead, public funding must be provided to meet unprofitable costs. However, this must be conditional on the following legally binding tenancy protections:

- Rent–control must be implemented for 5 years following renovation of property. However, rental costs would need to be reduced before a rent freeze/control is implemented, as rental prices are already far too high. Threshold reports that minimum wage employees would pay 82% of their net income renting a one-bed apartment.[31]
- Tenants must have a right to lease renewal protections if a landlord decides to renovate the home, including just-cause eviction measures, whereby tenants cannot be evicted if they have followed all the rules.

**Provide retrofit training programmes**

Ireland is currently experiencing a shortage of qualified workers in the construction sector. Training and upskilling courses should be provided, particularly in areas where the housing stock remains poorly insulated. Training people in their localities could address regional inequalities in Ireland. It could furthermore deliver a triple dividend: boosting employment that provides communities with access to essential public goods, while reducing emissions.

# Endnotes

[1] “12% of electricity & 15% of gas customers claim household ability to pay bills has been impacted by Covid-19,” and “A total of 2 in 5 of all energy users are concerned about increased energy usage and impact on bills” – see Commission for the Regulation of Utilities. 2021. Findings from 2020 research on attitudes and experiences in the domestic and SME electricity and gas markets in Ireland. https://www.cru.ie/wp-content/uploads/2021/03/CRU21025-CRU-Residential-and-SME-Electricity-and-Gas-Markets-Survey-2020-%E2%80%93-Overview-Report-1.pdf
[2] Maguire, A. 2021. ‘Price shock: Why are energy prices rising so sharply?’ RTE https://www.rte.ie/news/business/2021/1001/1250225-energy-prices-explainer/
[3] Sustainable Energy Authority of Ireland. 2021. “The impact on 2020 greenhouse gas emissions of COVID-19 restrictions.” Available online: https://www.seai.ie/publications/The-Impact-on-2020-Greenhouse-Gas-Emissions-of-COVID-19-Restrictions.pdf
[4] Ireland’s emissions must fall by at least 7% per annum in accordance with the Programme for Government in order to have a reasonable chance of achieving 51% reductions by 2030. See Jackson, A., McMullin B., and Sweeney, J, “The Climate Bill must be amended if it is to match the Government’s promised level of ambition for 2030” https://villagemagazine.ie/the-climate-bill-must-be-amended-if-it-is-to-match-the-governments-promised-level-of-ambition-for-2030/
[5]It is worth noting that Ireland is expected to exceed its fair share of the global carbon budget for 1.5C as soon as 2024. See McMullin et al: http://www.eeng.dcu.ie/~mcmullin/etc/MASGC-McMullin-2019-AAM/MASGC-McMullin-2019-AAM.pdf
[6] Department of An Taoiseach, “Programme for Government: Our Shared Future” available online: https://www.gov.ie/en/publication/7e05d-programme-for-government-our-shared-future/
[7] Gupta, S.; et al. (2007). "13.2.1.2 Taxes and charges". Policies, instruments, and co-operative arrangements. Climate Change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change. https://web.archive.org/web/20101029221927/http://www.ipcc.ch/publications_and_data/ar4/wg3/en/ch13s13-2-1-2.html
[8] M.A Bernstein and J. Griffin. 2006. ‘Regional Differences in the Price-Elasticity of Demand for Energy.’ National Renewable Energy Laboratory. https://www.nrel.gov/docs/fy06osti/39512. pdf
[9] Energy Information Agency (US), “Gasoline Prices Tend to Have Little Effect on Demand for Car Travel,” available at https://www.eia. gov/todayinenergy/detail.php?id = 19191
[10] See: Delaney, M. 2021. ‘A significant challenge’: Unclear when public transport will be fully accessible.’ Noteworthy, The Journal, https://www.thejournal.ie/lift-out-pt-4-5520916-Aug2021/ which found that “Inaccessible infrastructure is preventing disabled people from travelling on accessible trains and buses, with people living in rural areas left “isolated”.”
And the Joint Committee on Rural and Community Development. 2019. ‘Report of the Joint Committee on Regional and Rural Transport Policy’ https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint_committee_on_rural_and_community_development/reports/2019/2019-07-17_report-on-regional-and-rural-transport-policy_en.pdf which found that transport services and infrastructure in Ireland is “uneven.”

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# Endnotes

[11] Vincentian Partnership for Social Justice. 2021. 'MESL PRE-BUDGET 2022' https://www.budgeting.ie/download/pdf/vpsj_mesl_pre-budget_2022_submission.pdf
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[14] Sweeney, S. 2019. "The Fizz has Gone: Time for the Left to say Goodbye to Carbon Pricing." New Labour Forum, Vol 28(3) 98-102, available at: https://sci-hub.se/https://doi.org/10.1177/1095796019864095
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# Endnotes


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[29]St Vincent de Paul. 2021. 'Pre-Budget Submission.' https://www.svp.ie/getattachment/3b713953-2f4a-4e50- b81e-6a9f85fb2b10/SVP-Pre-Budget-Submission-2022.aspx

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[31] Threshold. 2021. 'Private rented sector now beyond reach of minimum-wage workers – Threshold.' https://www.threshold.ie/news/2021/03/24/private-rented-sector-now-beyond-reach-of-minimumw/ · Tenants must have a right to lease renewal protections if a landlord decides to renovate the home, including just-cause evictions measures, whereby tenants cannot be evicted if they have followed all the rules.