



Environmental Pillar
WORKING FOR A SUSTAINABLE FUTURE

Proposals for the 2016 Budget



Putting Sustainability at the Heart of the Economy

Environmental Pillar proposals for placing the 2016 Budget in the context of Sustainable Development

20th August 2015

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**“The cost of inaction on Climate Change is
\$44,000,000,000.”**

Energy Darwinism II: Why a Low Carbon Future Doesn't Have to Cost the Earth
Citi Report 2015

1. Summary

This submission recommends ways of broadening the tax base and using the limited financial resources in a way that focuses on long term sustainability, whilst creating employment and stimulating the economy in the short term. Broadening the tax base can also reduce the complexity of the tax system, compliance costs and the costs of tax collection.

In making this submission we urge the Government to realise that Ireland actually faces three major and interlinked crises, firstly environmental, secondly social and thirdly economic. Whilst it is clear that the consequences of a very serious economic crisis are still very much with us, with sadly many thousands of people still unemployed, the consequences of rapid climate change and general environmental degradation are likely to be far worse, and without better decision-making now, major long term social, economic and environmental costs will be incurred.

Our economy needs to focus strongly on creating resilience to the outside forces of global change. In this context our government structures must support sustainable management of our natural resources to strengthen food and energy security, to decarbonise our energy systems, to mitigate the impacts of climate change and to ensure ‘eco-system services’ that provide public benefit are not further degraded. In fulfilling this requirement jobs will be created, imports reduced, energy saved, and the economy strengthened for both the long and short term.

Economic policy tends to focus on maximizing economic growth regardless of the effects on our ecological assets and human health and well-being. Ireland needs to protect its ecological assets which are at the core of our long-term wealth and well-being.

Greening the entire economy will be a driver for competitiveness, security of supply, including energy independence, and for sustainable employment¹.

It is the position of the Environmental Pillar that as decisions are made by government on the provisions for the Budget each decision must take into account the issues of sustainability and the full implementation of the “Our Sustainable Future” a Framework for Sustainable Development for Ireland.

¹ <http://environmentalpillar.ie/greening-the-economy-and-creating-sustainable-employment/>

Key Points

- Incorporate the legally binding Polluter Pays Principle into all aspects of the taxation policy
- Broaden the tax base, moving taxation away from incomes to taxes on consumption: focussing on environmental fiscal reform
- Tax environmental bads and remove subsidies that have negative impacts on the environment
- Green the VAT System
- Give tax relief for the establishment of new businesses that comply with strict sustainability guidelines
- Divest from all fossil fuel investments
- Incorporate Sustainability Analysis into all Capital Expenditure
- Increase Capital Expenditure that focuses on climate mitigation and adaptation, e.g. public transport and modal shifts
- Set a level of Carbon Tax that will encourage the move away from fossil fuels
- Introduce "Energy Tax and Share"
- Introduce an SSIA type scheme to encourage home energy retrofitting
- Introduce set mandatory tariffs for the purchase of electricity from domestic and community renewable energy sources
- Introduce a "Site Value Tax" as a fairer and more policy effective property tax
- Car charges that are based on vehicle use
- Distance-based charging of commercial vehicles and reform the commercial vehicle tax regime
- Replace the current flat rates for drinking water use with one based on a pay-for use basis, but with built in protections for those facing hardship, in a manner similar to the Household Benefits Scheme under the Department of Social Protection
- Restore the Environment Fund to at least its 2008-2010 level of c.€60million/annum by introducing new polluter-pays levies
- Allocate 16% of the National Lottery funds to work on the Natural Environment to both protect the environment and boost employment in rural Ireland
- Restore the capacity of the NPWS to fulfil its legal requirements in protecting the natural environment
- Restore the Heritage Council Funding to pre-crisis levels

“Economic decisions should only be taken when they have been placed in their environmental context”

Angel Gurría Secretary-General OECD²

2 Introduction

All financial decisions need to take into account that over many millennia our society grew out of the environmental context on which it is entirely reliant, and that our financial system grew out of and should be subservient to our whole society. Further, it is the environmental services that provide the essentials for human society in the form of clean water, good soils, clean air, a stable atmosphere, and a thriving biodiversity, and it is the uncontrolled exploitation and degradation of these services that has created this overriding environmental crisis that we all now face. The framing of the Budget should reflect the wisdom of the multi-faceted analysis that led to the formulation of the model of Agenda 21 in 1992³, and should implement measures to fulfil Ireland’s commitment to the 2015 UN Sustainable Development Agreement, Transforming Our World⁴. Further the budget must move to implement commitments under the Europe 2020 strategy on resource efficiency and climate change.⁵ This would also be consistent with the EU commitment to supporting Climate Action through the EU Budget.⁶

It is important that, in any form of crisis management, decision-making does not lose sight of longer term goals or undermine the basis of a more sustainable future, i.e. one where natural capital is not compromised and where an ecosystem approach is included in national decision-making including (The Economics of Ecosystems and Biodiversity (TEEB)⁷). This is consistent with the Resource Efficiency Flagship Initiative of the EU 2020 Strategy,

² Speaking at the Launch of the “OECD Environmental Performance Reviews- Ireland – Conclusions and Recommendations”, in Trinity College, Dublin 4th November, 2009

³ Agenda 21 addresses the critical issues we face as a global community: continuing damage to ecosystems, the worsening of poverty, hunger and ill health, increasing world population and illiteracy. Agenda 21 is composed of 40 chapters that identify each challenge and propose simple realistic solutions towards sustainable development which is defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs.

⁴ <https://sustainabledevelopment.un.org/content/documents/7891TRANSFORMING%20OUR%20WORLD.pdf>

⁵ <http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>

⁶ European Union funding contributes to achieving Europe’s climate goals. The EU has shown its commitment to the fight against climate change by incorporating spending on climate action into its whole budget. It is thought to be the first region in the world to do so. http://ec.europa.eu/clima/policies/budget/index_en.htm

⁷ <http://ec.europa.eu/environment/nature/biodiversity/economics/>

and underpins future drivers for a new type of ‘growth’. Government cross-departmental solidarity is also essential in making the right decisions based on the greater good rather than the interests of a particular department’s constituency.

In this context it is startling to note the manner in which Government has allowed the 33% decline in the Environment fund since 2010, with 2/3 of that decline taking place in 2015, at a time when general Government revenues are steadily increasing. The polluter pays basis of the fund which is built around landfill and plastic bag levies is clearly having the desired impact - less waste to landfills and fewer plastic bags in circulation. All this is good news. However the many good environmental causes supported by the Fund have either been steadily cut or abandoned.

Despite plenty of advance knowledge Government has failed to act and when the Poolbeg incinerator comes into operation next year the Fund is likely to reach a low of 15-20% of its 2010 levels. At the same time the Heritage Council and the NPWS have had their funding slashed beyond recognition, 35% and 14% in the life of this Government since 2012 alone.

Cuts in Exchequer Funding	2012	2013	2014	2015
NPWS	€5.943m	€5.567m	€4.381m	€3.871m
Heritage Council	€1.969	€1.781m	€1.688m	€1.688m

Combined with the failure of government to allocate National Lottery funding to the Natural Environment as provided for in the 2013 Act, all of this suggests a government that really only pays lip-service to environmental protection.

We call upon the Government to reverse this abysmal record and: reinstate the Environment Fund at 2010 levels; revive the capacity of the NPWS and the Heritage Council; and allocate a fair share of the Lottery Funds to the natural environment.

3. Context

The near collapse of the world economy and Ireland's particular condition within it presented profound and immediate challenges both to the Irish Government and the Irish people. In addition, following our national focus on crisis management we are still failing to engage with the near-to-medium term risks of an energy-induced systemic crisis that will dwarf the recent economic crisis in both consequences and complexity. In the meantime, the risks associated with climate change are rising, and at the same time our effort to manage those risks is under increasing strain. The people of Ireland are sandwiched in the middle and reeling from a series of economic and societal shocks. These are then the crises facing the government.

This submission attempts to address these looming and overarching risks to our future as a stable society with a functioning economy based on sustainable practice. Sustainable development maintains a delicate balance between the need to improve quality of life and wellbeing on the one hand, whilst on the other preserving the natural resources and ecosystems on which future generations depend. This requires a deep-rooted understanding that the concept of an unrestricted growth economy is what has got us into this predicament, and only by moving to a sustainable model based on an ecosystem management approach can we have hope for the future. This is an approach to natural resource management which aims to sustain ecosystems to meet both ecological and human needs into the future. It is clear that you cannot fix a problem using the very tools that caused the problem in the first place.

3.1 The Fundamentals of a Sustainable Economy

Short term measures to stabilise the economy by perpetuating the current global economic model are failing due to an inherent fault in this model. This can be summarised as follows:

- The current economic model is one in which finance is based on debt and interest payment on this debt.
- Servicing this debt requires a continuous expansion or growth of the economy.
- All economic activity is ultimately based on extraction and manipulation of natural resources for raw materials and energy.
- Since we live on a finite planet with finite resources, infinite growth that surpasses the resources of a finite planet cannot be maintained and it is therefore a matter of 'when' and not 'if' the current model fails. A model based on unrestricted economic growth that relies on the depletion of our natural capital and threatens our ecosystem services⁸ is just not sustainable.

⁸ The benefits people obtain from ecosystems. These include provisioning services such as food and water; regulating services such as flood and disease control; cultural services such as spiritual,

Budget 2016 could start to move Ireland towards a more sustainable economic path based on the above primary criteria.

3.2 Resilience

Our economy needs to focus strongly on creating resilience to outside forces of global change. In this context our government structures must support sustainable management of our natural resources to strengthen food and energy security and mitigate the impacts of climate change. Fundamental to this is the need to employ for example land-use grants to promote carbon sequestration, sustainable forestry and farming, flood mitigation and indigenous food production, and integrate protection of natural infrastructure into all policy areas. Investing in the protection of our terrestrial and marine biodiversity is a legal requirement⁹ and will help protect public benefits provided by natural infrastructure, will create jobs, reduce imports, save energy, and strengthen the economy for both the long and short term.

A resilient natural infrastructure will ensure the protection of public benefits. The environmental objectives of sectoral policy and implementation of the Common Agricultural Policy and review of the Common Fisheries Policy as well as the Marine Strategy Framework Directive will also require us to take the protection of natural systems more seriously.

In this context the budget framework should be designed in order to make best use of European funding sources and allow multiple public benefits to be achieved through sectoral policy.

3.3 Objectives for the budget

The overall objective is to create realistic alternative models to our current disastrous short-termism way of running our economy. The development of these models will require social partners working together with Government and the wider society. In some cases the models are not fully formed but are intended to initiate the debate, in others all that is required is the political will to implement them.

3.3.1 Common Purpose

The Environmental Pillar recognises that in times of increasing social stress there is need for policy that cultivates social cohesion and common purpose through fairness

recreational, and cultural benefits; and supporting services such as nutrient cycling that maintain the conditions for life on Earth.

⁹ EU Birds and Habitats Directives

and transparency. There is an understanding here that whilst economic stability is essential, the development of sustainable communities where people have a good quality of life should be the central aim of the policy. The development of visions for the well-being of this and future generations by the Public Participation Networks should provide the basis for a national well-being vision. The realisation of this vision should be measurable in order to allow policies and programmes to deliver it.

3.3.2 Security

Any actions taken in the context of the Budget must aim to support human security in all its facets, including environmental, physical and economic. A creative vibrant society needs all these aspects to be protected.

3.3.3 Realism about Ecological Limits

Any actions taken in the context of the Budget must take into account the fact that human welfare, the economy and civilisation, are on the cusp of major change arising from the unsustainable use of environmental resources. The need to take an 'eco-system' approach to natural resource management is a crucial part of addressing this. Without such an approach the 'true cost' to society of particular directions of policy making will not be quantified. Recent work in Ireland through the Natural Capital Forum should inform this thinking.¹⁰

¹⁰ <http://www.naturalcapitalireland.com/>

COUNCIL RECOMMENDATION on Ireland's 2015 national reform programme and delivering a Council opinion on Ireland's 2015 stability programme

Preamble (9) there is further scope to reduce distortions, improve the efficiency of the tax system and raise its growth and environmental friendliness.

The tax bases for consumption and environment taxes are limited by reduced rates and exemptions. Zero and reduced rates for value-added tax make it less efficient than the EU average and there seems to be no systematic evaluation of such tax expenditures.

-There is scope to improve the effectiveness of environmental tax instruments and remove environmentally harmful subsidies.

4 Environmental fiscal reform - an idea whose time has come

The Country Specific Recommendations of the European Union for Ireland^{11 12} support the recommendations made in budget submissions by the Environmental Pillar over the last 6 years. Ireland needs to broaden its tax base by moving away from taxes on employment and towards taxes on environmental “bads” based on the “Polluters Pays Principle”¹³ and removing subsidies for activities that do environmental harm. If environmental costs are not internalized (or if state subsidies are given to polluting industries or if preventive measures are paid by the state) this could lead to distortion of international trade and investment. Thus, due application of the principle also protects economic interests.

Studies have demonstrated that environmental taxes can achieve environmental objectives at the same time as raising revenues. Modelling shows that they also have a less negative

¹¹ . COUNCIL RECOMMENDATION on Ireland's 2015 national reform programme and delivering a Council opinion on Ireland's 2015 stability programme

http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_ireland_en.pdf

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There is scope to improve the effectiveness of environmental tax instruments and remove environmentally harmful subsidies.

¹² 2014 Recommendation The “HEREBY RECOMMENDS that Ireland take action within the period 2014-2015 to: CSR 1..... Enhance the growth and environmental friendliness of the tax system.

http://ec.europa.eu/europe2020/pdf/csr2014/csr2014_council_ireland_en.pdf

¹³ Polluter Pays Principle is mentioned in Art. 191 (2) of the EU-Treaty as a principle of EU environmental law.

http://ec.europa.eu/environment/legal/law/pdf/principles/2%20Polluter%20Pays%20Principle_revised.pdf

effect on GDP compared to other types of taxes, such as direct taxes, for example income tax, or indirect taxes such as value added tax.^{14 15 16 17 18 19 20 21}

This crucial feature of environmental taxes means that Ireland could use them to support either fiscal consolidation or to reduce other taxes.

Environmental taxes should in general be designed to change behaviour by encouraging consumers to redirect their consumption towards less taxed commodities. Such incentives would create both low- and highly-skilled jobs, for example in the recycling and energy efficiency sectors. The shift in taxation can also stimulate innovation in the longer term.²² Under certain conditions, we get a double dividend – improved environmental quality and a better performing economy.

Environmental taxation already has widespread application in Ireland. The success that followed the introduction of the plastic bag levy and the progressive car tax system (based on GHG emissions) has shown the huge potential for taxes and levies to nudge behavioural change away from environmentally destructive behaviour. To date the former has raised nearly €200 million for work on the environment, whilst reducing plastic bag use dramatically by 90%. The car tax system saw a drop in average carbon dioxide emissions from newly purchased private cars of 21% between 2007 and 2013. Ireland now has the 6th

¹⁴ Andersen, M., 2015, Reflections on the Scandinavian Model: Some Insights into Energy-Related Taxes in Denmark and Sweden.

http://www.ibfd.org/IBFD-Products/Journal-Articles/European-Taxation/collections/et/html/et_2015_06_dk_1.html

OECD, 2013, Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, Paris,

¹⁵ IMF, 2015, How large are global energy subsidies

<https://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf>

¹⁶ Sainteny, G., 2015, Public incentives harmful to biodiversity, Paris

<http://www.foes.de/pdf/2015->

[05_EN_Sainteny_public_incentives_harmful_to_biodiversity_en13022015_bis.pdf](http://www.foes.de/pdf/2015-05_EN_Sainteny_public_incentives_harmful_to_biodiversity_en13022015_bis.pdf)

¹⁷ Ecofys by order of the European Commission, 2014, Subsidies and costs of EU energy

<http://www.foes.de/pdf/2014->

[11%20ECOFYS%20Subsidies%20and%20costs%20of%20EU%20energy%20final%20report.pdf](http://www.foes.de/pdf/2014-11%20ECOFYS%20Subsidies%20and%20costs%20of%20EU%20energy%20final%20report.pdf)

¹⁸ Vivid Economics, 2012, Carbon Taxation and Fiscal Consolidation: the potential for carbon pricing to reduce Europe's fiscal deficits This report was prepared for the European Climate Foundation and Green Budget Europe

[http://www.vivideconomics.com/wp-](http://www.vivideconomics.com/wp-content/uploads/2015/03/Carbon_taxation_and_fiscal_consolidation_Full_report.pdf)

[content/uploads/2015/03/Carbon_taxation_and_fiscal_consolidation_Full_report.pdf](http://www.vivideconomics.com/wp-content/uploads/2015/03/Carbon_taxation_and_fiscal_consolidation_Full_report.pdf)

¹⁹ IEEP, 2013, Evaluation of environmental tax reforms: International experiences.

http://www.ieep.eu/assets/1283/ETR_study_by_IEEP_for_the_Swiss_Government_-_Final_report_-_21_June_2013.pdf

²⁰ OECD, 2013, Taxing energy Use, A graphical analysis.

http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/taxing-energy-use_9789264183933-en#page1

²¹ OECD, 2013, Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels,

http://www.oecd-ilibrary.org/environment/inventory-of-estimated-budgetary-support-and-tax-expenditures-for-fossil-fuels-2013_9789264187610-en

²² <http://www.eea.europa.eu/highlights/fiscal-reform-can-create-jobs/environmental-tax-reform-increasing-individual>

lowest carbon dioxide emissions from new cars in Europe last year. Ireland coming sixth is a reflection of the tax choices we make, if we were to encourage more electric cars onto the road we'd rank higher and have a cleaner environment.

The table in Appendix 1 (developed by the European Environment Agency) has been partly overtaken by circumstances, but gives a guide to some of the more obvious taxes and revenues from same.

Replacement of the current property charges with a Site Value Tax²³ would deliver a whole range of social and environmental goods whilst charging people on the basis of services provided by society, and encouraging optimum use of available zoned land. This is a tax based on the unimproved value of all residential sites, and all zoned land, i.e. the value that has not been created by the landowner. By capturing unearned value at an early stage of the property development process, SVT discourages empty buildings, land speculation, hoarding and over-zoning and diverts capital and available credit into productive investment and sustainable jobs.

Setting a level of Carbon Tax at a level where it will encourage the move away from fossil fuels is another obvious starting point. Sweden with a CO₂ tax of €150 t/CO₂ is a good example of a good social protection system, a competitive industry and decoupling of growth from carbon.²⁴

4.1 Environmental Fiscal Reform and Job Creation

The European Commission adopted a Communication in July 2014, outlining the employment challenges and opportunities of the current transition towards a green, low carbon, energy and resource-efficient economy²⁵. In this they proposed supporting job creation through shifting taxation away from labour and on to pollution, promoting green public procurement, entrepreneurship and social enterprises;

The example of Environmental Fiscal Reform (EFR) as a decisive driver for the *Energiewende* in Germany²⁶ is a useful one in considering the role of EFR in job creation in Ireland. This is of particular significance in the context of community energy development.²⁷

In Germany, so-called ecological tax reform was introduced in 1999, when Social Democrats and Greens formed a government. The prospect of the job-creation potential from reducing labour taxation was an important factor for the policy makers, backed by an increased support for EFR from academics, businesses, trade unions and NGOs.

²³ <http://environmentalpillar.ie/environmental-pillar-policy-on-site-value-tax/>

²⁴ <http://www.carbonpricingleadership.org/news/2015/5/24/sweden-decoupling-gdp-growth-from-co2-emissions-is-possible>

²⁵ <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2090&furtherNews=yes>

²⁶ http://link.springer.com/chapter/10.1007/3-7908-1645-0_18

²⁷ <http://environmentalpillar.ie/environmental-pillar-policy-on-community-energy/>

The coalition introduced a tax on energy, including electricity, natural gas, heating and transport fuels and reduced environmentally harmful subsidies (e.g. for housing/buildings, for commuters, for the coal sector) – which contributed to a 2-3% reduction of overall CO₂ emissions between 1999-2003, while 250,000 additional jobs were estimated to have been created, mainly in the energy efficiency and renewable energy industry. Transport fuel consumption fell by 17% by the end of 2008 in comparison with the 1999 level. Public transport passengers increased by 3-5% per annum between 1999 and 2008.

The importance of a fiscal driver is particularly evident in the German case. The Christian Democrats in opposition had argued in favour of the withdrawal of the ETR, but this was quietly forgotten when they entered government, partly due to the importance of the revenues the tax raised, and perhaps because they did not disagree with EFR in principle.

When the fiscal crisis struck and substantially increased the need for revenues, several additional EFR elements were implemented in 2011 by the Christian Democrats and the Liberals: a nuclear fuels tax, an air ticket tax, and the reduction of industry subsidies within the eco-tax. Since this time, at least in theory, there is some degree of cross-party consensus on EFR which was a substantial driver for the Energiewende in Germany.

4.2 Environmentally Damaging Subsidies

The government should establish a task force to report on all subsidies that are harmful to the environment, including those which operate by tax exemption and start by abolishing the following subsidies:

- Abolish PSO to peat fired electricity production, currently set at €80,000,000 per year. The burning of peat results in the release of at least twice the GHG emissions as coal per unit of energy produced.
- Abolish Tax exemption of employee parking spaces
- Abolish red diesel.

The OECD recommends the phasing out of all environmentally harmful subsidies, and *“the replacement of some current taxes with appropriate environmentally related fiscal measures in the framework of a comprehensive environmental tax reform.”*

The same is true for the 7th Environmental Action Programme, Europe 2020²⁸

²⁸ http://ec.europa.eu/environment/resource_efficiency/about/roadmap/index_en.htm

4.3 Tax Relief Schemes

Tax relief should only be given for investments that prepare for a low-carbon, low-energy future, and that don't create social inequity. Tax relief on donations to charities should be maintained.

Short-term tax relief should be given for the establishment of new businesses that comply with strict sustainability guidelines. Tax reliefs could be used as incentives to promote positive environmental action such as using recycled material in production, or engaging in an industrial symbiosis group where one business' waste is another's raw product.

4.4 Greening the VAT system

VAT reform has great potential to secure sustainable consumption and production. We urge the government to take a closer look at the potential for this, particularly in the context of life-cycle analysis of products.^{29 30}

²⁹ http://ec.europa.eu/environment/integration/research/newsalert/pdf/350na4_en.pdf

³⁰ <http://www.fondation-2019.fr/ged/public/uploads/4275ceee84ebb107c2ee2ad71349805d.pdf>

5 Capital Expenditure

The Environmental Pillar is in favour of increased capital expenditure provided that it is only used to promote sustainable development, and not, for example, to promote modes of transport that will increase carbon emissions.

5.2 Criteria for Capital Expenditure

Capital expenditure should have six main functions:

- Reducing Green House Gas emissions
- Building community resilience to Climate Change
- Stimulating the economy
- Creating sustainable employment by greening the economy³¹ with a concentration on unemployment black spots
- Full implementation of the Water and Marine Framework Directives
- Reinforcing our 'natural capital' as a basis for a new type of 'growth'

5.3 Sources of capital funding:

5.3.1 The World Bank Green Bonds³² could provide funding for low-carbon capital expenditure. This can be by the state, community or private developers:

Examples of eligible mitigation projects are the following:

- Solar and wind installations;
- Funding for new technologies that permit significant reductions in greenhouse gas (GHG) emissions;
- Rehabilitation of power plants and transmission facilities to reduce GHG emissions;
- Greater efficiency in transportation, including fuel switching and mass transport;
- Waste management (methane emissions) and construction of energy-efficient buildings;
- Carbon reduction through reforestation and avoided deforestation.

Examples of eligible adaptation projects are the following:

³¹ <http://ien.ie/files/2012/10/Creating-Sustainable-Employment-by-Greening-the-Economy1.pdf>

³² <http://treasury.worldbank.org/cmd/htm/WorldBankGreenBonds.html>

- Protection against flooding (including reforestation and watershed management);
- Food security improvement and implementing stress-resilient agricultural systems (which slow down deforestation);
- Sustainable forest management and avoided deforestation.

5.3.2 Ethical Funds

Support for community based renewable energy projects could, with the assistance of government, come from the globe-wide range of ethical funds that have assets in the trillions of Euros. Combined with community investment this can provide a powerful tool to create energy sovereignty.

In the USA community investing grew almost 5% from 2012 to 2014. Assets held and invested locally by [community development financial institutions](#) (CDFIs) based in the US totalled \$64.3 billion at the start of 2014, up from \$61.4 billion in 2012.

5.3.3 Irish Pension Funds

The exposure of Irelands Strategic Infrastructure Fund³³ to the poor future for fossil fuels contrasts badly with the decision of the Norwegian government to divest its \$900bn Sovereign Wealth Fund of fossil portfolios³⁴.

Shockingly, the most high-profile company in the Irish investments is TransCanada, the company behind the controversial Keystone XL project, which aims to bring oil extracted from Canada's vast reserves of tar sands to US refineries on the Gulf coast. The fund also holds shares in Peabody Energy, the world's largest privately-owned coal company, which recently described climate change as a "non-existent harm based on flawed assumptions and conjectures".

The divestment movement has gained significant momentum in its short life. This coupled with increased costs for the extraction of decreasing quantities of fossil fuels at source has led to investments in fossil fuel companies being at risk of losses. Ireland cannot reconcile ambitions towards a sustainable green economy with investments in the corporate giants who profits are based on the quantifiable causes of climate change.

it is noted that there is a relatively low level of investment in fossil fuel companies, which makes achieving a zero rate of investment all the more tangible. This will have significant commercial benefits for the international image and reputation of Ireland, as a world leader in climate change action.

³³ <http://www.iiea.com/blogosphere/exploring-the-carbon-implications-of-irelands-strategic-investments>

³⁴ Norway confirms \$900bn sovereign wealth fund's major coal divestment
<http://www.theguardian.com/environment/2015/jun/05/norways-pension-fund-to-divest-8bn-from-coal-a-new-analysis-shows>

The Environmental Pillar calls on the Irish Government to divest from all fossil fuel investments.

5.4 Assessing Impacts of Capital Expenditure

- Ensure that all major government investment programmes directed at job creation are based on an objective assessment of the range of projects which could be included.
- Ensure that the assessment considers how many jobs are likely to be created by each of the measures, policies or projects being compared for inclusion.
- Ensure that the assessment also considers the impact of the projects on sustainability indicators including compliance with EU law and meeting national emissions targets.
- Ensure public health and knock-on benefits (reduced medical costs, better productivity/reduced absenteeism and better educational results) are included in the factors to be taken into account in deciding on expenditure and investment.

5.5 Making “Energy Efficiency First” happen: Investing the carbon tax in an SSIA for retrofitting.

The emphasis in the EU’s Energy Union strategy is on putting “Energy Efficiency First”. As EU Climate Action Commissioner, Miguel Arias Cañete, [put it](#) “Energy we do not use is the cheapest, most sustainable, and most secure energy we have.” The Economist calls it “[the invisible fuel](#)”.

Making it happen in practice requires a new level of commitment to investing in incentives. This will no doubt involve a number of initiatives over time but we would argue it needs something of the scale and attractiveness of the SSIA scheme to achieve large scale buy-in from households.

The SSIA scheme gave each of the 1.2 million account-holders 1 euro for every 4 they invested, up to a maximum €15,000 invested. The cost to the exchequer was €2.5 billion over the 5 years of the scheme.

We built one third of our total housing stock during the 10 years of the boom and bubble, much of it to poor energy standards. As it happens, it is estimated that around 1.2 million homes could benefit from being upgraded through retrofitting, at a total cost of around €14 billion, between €10,000 and €15,000 per house.

A state incentive of €1 for every €4 invested in retrofitting, while totalling more than €2.5 billion in exchequer investment, could be spread over 15 years and would essentially amount to no more than forgoing VAT on private investment in retrofitting. Indeed, it would save the exchequer money by avoiding fines for missing our EU 2030 emissions target, as well as resulting in warmer homes, lower fuel bills and jobs in the building industry. To be as appealing as possible it should be a cashback scheme rather than a VAT exemption. It could be funded from carbon tax revenue, which brought in almost €400 million in 2014, but should be seen as part of the capital expenditure programme.

This would not solve the whole of the financing challenge. A pay-as-you-save scheme or some other form of household credit would be necessary to enable people to raise their share of the investment. Moreover, increased investment of carbon tax revenue in retrofitting the homes of those at risk of fuel poverty would also be needed. Again, the short term cost to the exchequer would be more than offset by savings in the €500 million annual spend on a refined fuel allowance scheme.

It's also worth mentioning that if our total housing stock needs to use at least 80% less energy in 2050, then every single new house built from now on needs to be zero carbon. So existing energy standards must be enforced and gradually ramped up. Zero-carbon homes save you money. And we simply can't afford to repeat the mistakes of the past.

6 Taxation of Environmental “Bads”

The acceptance of taxation for carbon emissions sets the scene for the introduction of a range of taxation measures that will lead ultimately to serious savings for society and improvements in health and the quality of life, as well as the creation of employment and a revenue stream for government. These should include taxes on:

- All products that cannot be fully and easily recycled. e.g.
 - a levy on single-use tableware which does not conform to minimum standards for composting/recycling (cutlery, plates etc.),
 - Deposit-refund schemes on batteries, or a levy on single-use batteries so as to make rechargeable batteries more attractive to use,
 - A levy on single-use lighters so as to make refillable lighters more attractive to use,
 - A levy on take-away food containers
 - Sanitary materials made of plastic as though they were to last for years. A non and slow degradable tax would be great incentive for design/material change.
- Pollutants emitted from industrial facilities. This may reduce long term health costs and stimulate a circular economy. Specific regimes would have to be developed in order to apply levies to these.
- PVC, polystyrene and plastic in food packaging as these all have serious health implications as endocrine disruptors, as well as very serious impacts on the marine environment where they accumulate other toxic compounds and enter the food chain as micro plastics.
- Toxic chemicals, including pesticides and herbicides (see below). Pesticide and
- A packaging levy³⁵. This will be a difficult measure to put in place but one that merits attention at the EU level.
- All one-way drinks containers. This would encourage a shift to long-life reusable containers.
- A container deposit/refund scheme to encourage the capture of valuable recyclable material and to discourage littering and throw-away society.
- All food additives that have little or no positive food value but are known to cause obesity and other medical conditions.
- A super levy as the first step towards a ban on any recyclable waste sent to landfill
- A levy on all materials sent for incineration³⁶
- Aviation and dirty marine fuels

³⁵ <http://environmentalpillar.ie/initial-submission-on-the-proposal-to-introduce-a-packaging-levy/>

³⁶ <http://environmentalpillar.ie/levy-on-incineration-letter-to-minister-hogan/>

- Detergents and household cleaners with greater than 3% phosphate content
- Key litter problems.
 - Cigarettes
 - Chewing Gum

6.1 Aggregates Levy

A tax of €2.50 would be levied on each tonne of sand, gravel, crushed stone and other aggregates extracted from the ground or lifted from the surface and used in construction

Note: the rate is based on the £2 rate applied in N. Ireland & GB

Why an aggregates levy in Ireland?

- Encourage recycling of aggregates – and boost the re-use of existing buildings (as in UK) as well as reducing carbon emissions.
- Level the playing field with Northern Ireland
- Reduce the number of new quarries with their associated traffic movements and emissions. (Typically quarries result in heavy trucks on fragile local road networks not designed for it.)
- Assist in regulating quarries (i.e. take on illegal operators via the tax net)
- Raise revenue from a very resource-intensive sector and boost the Environment Fund following the “polluter pays principle”.³⁷
- The levy works well in the UK where the volume of recycled aggregates is up and quarrying rates are down
- Perverse demand for quarrying in the Republic needs to be tackled

An aggregates levy could be expected to yield €80m a year (EEA, 2010 Appendix 1 below), which equates to €2.50 charged on 32m tonnes p.a.

Although an argument could be made that this will add to building costs at a time when there is a need for more houses, the fact is that there seem to be huge profits being made out of house building in Ireland, when compared to other western European countries. Irish residential construction costs for an apartment average at €1,844 per square metre including VAT: whereas in Munich this would be €1,300, and in

³⁷ http://ec.europa.eu/environment/legal/law/pdf/principles/2%20Polluter%20Pays%20Principle_revised.pdf

Amsterdam €1,440. This makes the cost in Ireland 42% higher than in Munich and 28% higher in Amsterdam.^{38 39}

6.2 Pesticide Levy

Great strides have been made in other countries to reduce pesticide and herbicide use. The Government should investigate the introduction of a pesticide levy during 2016, based on the Danish model. While considering whether to follow French, Danish and Dutch examples on control and ban of glyphosate and other harmful pesticides, the 2016 budget step we are looking for is to put a very significant tax on all consumer size packs - with immediate effect. In the same manner as the taxes on say a packet of 20 cigarettes. Herbicide tax rates should be linked to known

- (i) Human health and
- (ii) Environmental non target species risk.

The pesticide levy in Denmark and Globally

In 1986 Denmark introduced a levy on pesticides to reduce use and create incentives towards less harmful chemicals. In mid-2013 Denmark modified its pesticides levy. It is now based on the Pesticide Load Indicator which takes account of the impact on health and environment, namely toxicity regarding humans, water, and animals both near the soil (worms, bees, etc), as well as in the wider surroundings (birds, fish, other wildlife.

This is part of a global trend to reduce pesticide use through progressive levies. Norway and Denmark were in the vanguard, Sweden and France are introducing measures and Mexico introduced a levy in 2014. Figures from Norway show a 50% reduction in pesticide use since their levy was introduced.

A report for the EU (Eunomia, 2014) applies an approximation of Denmark's pesticide tax to 12 member states but Ireland is not included. However, if Ireland sees about half as much pesticide used as in Austria (the position in the 1990s) then revenue in the introductory years would be €8 – 9m p.a., rising to €14 – 15m a year when fully phased in.

Spikkerud et al, Guidelines for a Banded Pesticide Tax Scheme, Differentiated According to Human Health and Environmental Risks, available at

http://www.mattilsynet.no/language/english/plants/guidelines_for_a_banded_pesticide_tax_scheme_diferentiated_according_to_human_health_and_environmental_risks

³⁸ International construction market survey 2015 - Global rebalancing: a changing landscape
<http://www.turnerandtownsend.com/ICMS-2015.html>

³⁹ Bruce Shaw – Ireland Handbook 2015
http://www.bruceshaw.com/uploads/BruceShawIrelandHandbook_2015.pdf

6.3 Energy Tax and Share

This mechanism involves taxing carbon entering the country, and is taxation neutral dividing the resulting income two ways, a percentage going to each of:

- A flat level dividend to every person in the state
- Investing in the transition to a low carbon economy

This system rewards those that use the least carbon, is largely beneficial to urban dwellers and promotes public transport use. It is easy to administer as there are only a small number of energy importers, as is the distribution of a flat rate benefit. This will also help to achieve our climate change goals and reduce any requirements to pay for not meeting our GHG targets.

In the longer term as both the use and cost of carbon begin to rise, a national and gradually decreasing cap would be placed on the importation of carbon. This would have the effect of increasing energy efficiencies, promoting alternative energy systems and through the “cap and share”⁴⁰ mechanism protecting the fuel poor and rewarding those that reduce their use of fossil fuels.

The sharing of the income from both ‘tax and share’ and ‘cap and share’ will enable a buy in of the public to the higher fuel prices that would result. As low carbon users tend to be poorer it is very likely that they will spend the revenue straight back into the economy, thus stimulating economic activity.

In the short-term, the Carbon tax must be applied to all fossil fuels and include peat.

⁴⁰ <http://www.feasta.org/documents/energy/Cap-and-Share-May08-summary.htm> [accessed 18/10/2011]

7 Creating Employment in Protection of the Natural Environment

7.1 The National Lottery

Section 41 (1) (f) of the National Lotteries Act 2014 has opened up the possibility for the use of lottery funds to promote employment in the protection of our natural environment. European studies have shown that money spent on nature protection pays dividends in terms of job creation. This opportunity needs to be acted upon so that civil society and Government can act together to protect the fundamental resources that we rely upon for our well-being. This resource could be multiplied as much as fourfold when used as match funding for projects under such EU funding streams as Life+. Funding for the natural environment could be distributed in the same manner that funding is delivered to a range of civil society groups for sport, arts and community activities. Money spent on protecting the Natural Environment not only protects a wide range of public goods, but also creates many more jobs per Euro than for example is created by the massive investments of CAP or the Structural Funds.⁴¹

However there appears to be considerable uncertainty in the relevant lead departments concerned regarding how to access the lottery funding. **No Lottery funding has been allocated to the “natural Environment in the 2 years since the Act came into force.**

7.2 EU LIFE Funding

LIFE is a dedicated EU financial instrument for the environment. Therefore job creation and the development of skills have not been its main objectives. Nevertheless the programme has played its part in creating permanent jobs and training schemes that have lasted well beyond the duration of LIFE funding.⁴² LIFE is capable of demonstrating solutions that have promoted green growth. These outcomes illustrate that greener and more resource efficient processes can offer opportunities for socio-economic development and durable job creation. More innovative solutions also offer new business opportunities and drive public organisations and bodies to perform better. Resource efficiency and environmentally-sound practices lead to improved competitiveness and also save money.

Access to this funding however requires the provision of match-funding and this is largely unavailable to the cutting-edge NGOs within the environmental sector, but with the support of lottery funding could bring in a multiplier of up to 300% EU funding.

⁴¹Investing for the Future - More Jobs Out of a Green Economy.

<http://www.eeb.org/EEB/?LinkServID=41FFA309-5056-B741-DBFD725B2A886A5F>

⁴² LIFE creating green jobs and skills

http://ec.europa.eu/environment/life/publications/lifepublications/lifefocus/documents/jobs_skills.pdf

8 Motor taxes

Ireland needs to find new, more sustainable sources of taxation. Taxes based on consumption are less damaging to the Irish economy than taxes on income or corporations. While taxes on energy and vehicles make up the bulk of Irish environmental taxes, these rates tend to be comparatively low when compared to other OECD countries. Moreover, between 2007 and 2010, income from Vehicle Registration Tax (VRT) on new car sales decreased by €674 million. We propose:

- Car charges that are based on vehicle use;
- Restructuring of motor tax to apply to all cars, including those registered before 2008
- Distance-based charging of commercial vehicles and reform the commercial vehicle tax regime. See Appendix 2 for details on this.

9 Hypothecation of Environmental Taxation Revenue

Revenues from taxation on resource use and environmental ‘bads’ must in part be pledged for activities that protect and enhance the environment, through the Environment Fund, in the same way that the plastic bag levy and the landfill levies do at present. These two are the declining sources of revenue for the Environment Fund. Apart from the current role of this fund, this taxation should be used to promote activities that build resilience against the impacts of climate change and promote activities that lead to reductions in pollution in general and greenhouse gases in particular.

Drinking water is referred to above, but there is also the need to, for example, deal with the problem of some 400,000 septic tanks that are polluting our drinking water supplies. This is a massive and potentially very costly challenge facing the state, and one that if not faced up to will see Ireland facing further fines under both the Water Framework and Groundwater Directives. The establishment of a revolving fund where septic tank owners could take out a no-interest loan or grant to upgrade their systems would assist in this. When the loan is repaid, it can be used again for other septic tank owners.

Funding must be provided to create and implement management plans for the ancient woodlands in the care of the NPWS most of which are protected sites but with no management plans. These are amongst the most valuable land based habitats for biodiversity as well as being the genetic seed banks for our future forests. Provision is also needed for the implementation of the management plans. Support is also needed if we are to control the invasive species taking over woodlands and other habitats.

Employment could be created if our tree nurseries were supported in breeding native provenance trees for civil works.

Fulfilling Ireland’s commitments to deliver on the Water Framework Directive, the Marine Strategy Framework Directive, and the National Biodiversity Strategy will all require considerable expenditure that should be resourced through taxing environmental bads and removing subsidies on environmental harm.

10 The Aarhus Convention

The Aarhus convention came into force in Ireland in 2012. Resources are required if we are serious about our commitment to the Aarhus convention and the rights of the public to access information, to participate in decision-making and access to Justice in environmental matters.

There is a need to establish a well-resourced national taskforce to deliver on the Convention. The membership of this taskforce should be diverse with a majority of non-statutory representation committed to comprehensive public participation. Ideally it should have representation from all departments and be facilitated by the DECLG.

Training of staff in public authorities, including semi-state bodies would be an essential part of this. This would include training on dialogue planning.

Public participation has a major role to play in our national energy security and climate change action. It has been identified as a deciding factor in energy developments from policy level through to projects. Recent research commissioned by the National Economic and Social Council to advise their report “Wind Energy in Ireland: Building Community Engagement and Social Support”⁴³ highlighted the need for greater public engagement if we are to deliver on energy developments.

⁴³ <http://www.nesc.ie/en/publications/publications/nesc-reports/wind-energy-in-ireland-building-community-engagement-and-social-support/>

11 Public Engagement in Local Government

There is a steady decline of public participation in elections, and this lack of engagement in the democratic processes is further emphasised in repeated polls. The establishment of the new Public Participation Networks (PPNs) at Local Authority level creates an opportunity to reverse this trend. Local communities developing their own local vision for the well-being of their community for this and future generations, has the potential to create a new dynamic locally where there is a real sense of ownership. We welcome the Government commitment to allocating €50,000 per local authority to support this.

12 Water Services

The introduction of a flat rate water charge has broadened the tax base but has totally failed to encourage sensible use of drinking water. This was a major missed opportunity. Political expediency has resulted in the failure to set a clear timeline for the introduction a progressive charging system for drinking water use and waste water treatment based on the metred quantities used. This situation needs to be reversed⁴⁴.

Infrastructure shortfalls combined with unpredictable weather patterns exacerbated by climate change subject many areas to high risk of either shortages or flooding episodes. If our water services infrastructure continues to breach EU standards, the quality of our waterways is in jeopardy through excessive water abstractions to meet the needs of the population and pollution of surface and ground waters by insufficiently treated or untreated sewage discharges.

The Environmental Pillar supports domestic water charges based on a pay-for-use basis through metering. The current rate schedule of charging without regard to the amount of water used is the worst of all worlds. It does not have the intended result of encouraging a reduction of water usage and resembles more of a tax rather than a user charge, like other utilities. We are sensitive to households that are facing hardship and believe that accommodations can and should be made in these situations similar to the current scheme under the Household Benefits Scheme under the Department of Social Protection. Those who can pay should pay, and those that cannot pay should receive assistance.

TASC, an independent Irish think-tank, has proposed the imposition of water credits whereby all households are charged for the water they consume. However, to address households experiencing deprivation and/or those with special needs (such as for a disability), a water credit system would be in place to offset charges. These households would register for water credits by declaring their incomes and other relevant circumstances through self-assessment, similar to the property tax registration. Along with TASC the Environmental Pillar also calls for the establishment of a progressive water usage rate to increase the per cubic meter rate as consumption rises.

Providing Income tax relief to compensate for normal-use water charges could be introduced in the same way manner that tax relief was given for waste charges up until 2012.

⁴⁴ <http://environmentalpillar.ie/waterservices/>

Appendix 1

Table 1. Potential New Environmental Taxes applicable in Ireland, 2011-2014, Million €¹

Water Supply and Waste Water Treatment (subsidies removed)					
Charge Category	2011	2012	2013	2014	Comment
User charges for water supply	250	500	750	1,000	Domestic sector free of charges in Ireland. Based on recovery of operating and (later) capital costs. Special provisions for those on low incomes
User charges for effluent and water discharge	57	114	171	228	same
Total	307	614	921	1,228	
Environmentally related taxes					
Pollution and resource taxes	2011	2012	2013	2014	Comment
Water abstraction levy	21	42	64	85	Applying Danish rates and system, whereby pipe leakage could be reduced from 30-40% to 10%
Levy on aggregates levy	79	79	79	79	Sand, gravel, crushed rock. Applying UK rates for reduced volume + 25% recycling.
Tax on packaging	35	45	55	70	Applying Danish rates for glass bottles and by weight for other waste streams.
SO ₂	29	59	88	118	Applying rates applicable in Denmark
NO _x	78	155	233	311	Applying rates applicable in Sweden
GHG-nitrogen	23	45	68	90	15 € per CO _{2-eq} for N ₂ O of mineral fertilisers
Sum	265	425	587	753	
Transport taxes	2011	2012	2013	2014	Comment
Re-calibration of VRT and extension to commercial	200	300	300	300	Data as to number of commercial vehicles etc. required for more accurate revenue estimates.
Air travel tax	55	55	55	55	Apply UK rate of 14 € for longer flights; lower rate for short flights at 3 € per passenger
HGV vignette scheme	56	56	112	112	Applying Germany's approach and rates.
Sum	311	411	467	467	
Energy taxes	2011	2012	2013	2014	Comment
Increasing excise duty on petrol and diesel	54	98	131	153	UK levels. Revenues netted out for the expected reduction in tank tourism from N Ireland and for differences in VAT rates.
CO ₂ tax, non-ETS	21	42	64	85	Increase CO ₂ -tax to level in Sweden of 22€/tCO ₂
CO ₂ tax, offshore	21	42	63	85	Apply Norwegian system for taxation of offshore emissions from flaring etc. (0.05 €/Nm ³)
Electricity tax	2	4	6	8	Introduce EU minimum rate for domestic sector (1.3 €/GJ)
Energy tax	59	118	178	237	Introduce new energy tax with minimum rate of 1.3 € per GJ - similar to EU minimum for electricity
Sum	107	214	321	429	
Total environmentally-related taxes	733	1,140	1,496	1,788	
Land Value tax (resource rent)					
	2011	2012	2013	2014	Comment
Land Value Tax	500-750	1,000-1,500	1,500-2,250	2,000-3,000	Applying rates applicable in Denmark (for 'Grundskyld')
Grand total					
	2011	2012	2013	2014	Comment
All sources	1,540-1,790	2,754-3,254	3,917-4,667	5,016-6,016	

¹ The potential for environmental taxes in Ireland based on experiences gained with environmental taxes in different European countries - with a gradual implementation over a period of four years.

Appendix 2

Why Ireland has to introduce distance based charging of commercial vehicles and reform the commercial vehicle tax regime

There are approximately 330,000 vans and trucks registered in Ireland as commercial vehicles for motor tax purposes. Commercial vehicles are internationally considered to include all vehicles used for business purposes (excluding passenger services), and range from small vans under 3.5 tonnes of GDVW to articulated trucks of over 44 tonnes GDVW. GDVW is the maximum operating weight of the vehicle as specified by the manufacturer and includes the weight of the vehicle itself, fuel, driver, passengers and cargo. The EU categorises commercial vehicles using GDVW as light, large or heavy goods vehicles. Light Goods Vehicles are under 3.5 tonnes, Large Goods Vehicles are between 3.5 tonnes and 12 tonnes, with Heavy Goods Vehicles being over 12 tonnes.

Distance based charging for commercial vehicles in Ireland

Road user charges for commercial vehicles are levies imposed on operators of commercial vehicles for use of a state's road network. Unlike tolls, which are applied to specific stretches of road, a road user charge will generally apply to all roads, or all roads of the specified class, such as motorways and national routes. Road user charges apply to domestic and foreign hauliers, whether the vehicle is operating in the state or simply transiting through it.

Road user charges can be paid by pre-purchased permit for a period of time which is generally known as a vignette, or can be set on a distance based where the charge is calculated based on the distance travelled calculated by an electronic network wide tolling system. In both cases different charges can be set for commercial vehicles based on size and emissions produced, to meet the principle that the polluter should pay. In the case of a distance based charge further price differentials can be introduced, such as higher charges at peak times or reductions for peripheral regions.

Road user charges for commercial vehicles have been used in Europe since the 1950's and have been regulated by the EU since the late 1990s, under rules colloquially known as 'Eurovignette Directive'. Member States have wide discretion in how they administer commercial vehicle road charging, if they choose to introduce a road charging scheme. The purpose of levying road user charges on commercial vehicle operators is to try to internalise some of the external costs of road haulage, including the impact on the material integrity of roads, bridges and tunnels, and the negative impact on the environment in relation to noise and air quality.

Ireland has no road user charge for commercial vehicle operators, who are subject to an annual motor tax charge and to tolls on specific concessionary toll roads. Irish hauliers who

operate in other European countries have to pay commercial vehicle road user charges where these are levied.

EU POLICY AND REGULATIONS

The European Union legislated for road user charging for commercial vehicles in 1999, with Directive 1999/62/EC known as the 'Eurovignette Directive'. The Directive sets out the rules for charging regimes for pay-as-you-go road user charges for commercial vehicles in the EU.

The Directive permits Member States to administer joint commercial vehicle road charging regimes. To date there is only one such multinational charging regime called the Eurovignette, which is run by the Netherlands on behalf of the Benelux countries, Denmark and Sweden. The Eurovignette Directive sets a sliding scale of maximum charges for commercial vehicles dependent on vehicle weight, engine size and emissions and road type. The average cost for a time based user levy is €10 per day up and €1,000 per year.

The 2011 amendment of the Directive required Member States to introduce a distance based rather than a time based charging regime where possible. The Commission is considering introducing a new amendment to the Directive which may require Member States to move to distance based systems, as these better meet the 'polluter pays' principle.

For countries with distance based charging, the charges vary from 3 cents per km in Poland to 30 cents per km in Austria. Criteria which can be included in setting a distance based charge include the vehicle weight, vehicle type, and potential impact on the environment including greenhouse gases, particulates and noise. Foreign registered commercial vehicles face no charges to use the Irish road network, other than on toll roads.

Road charging practice in other member states

The trend among EU Member States is to move to distance based charging e.g. Austria and Germany in 2003, Czech Republic in 2006 and Poland in 2010 Denmark and France will be introducing distance based charging in the next 12 to 18 months. There is considerable variation in the level of charges set among Member States. The Directive sets a relatively low cap for maximum charges under time based permits, with the maximum annual charges ranging from €8 - €10 per day and €800 to €1,550 depending on the size and emission rating of the commercial vehicle.

The following are the road charging regimes are in operation in 2014:

(i) Distance based: Germany, Austria, the Czech Republic, Slovakia, Poland, Portugal and Hungary. Distance based systems have been prepared in Denmark and France but not yet introduced.

(ii) Time based: Belgium, the Netherlands, Luxembourg, Denmark and Sweden make up the Eurovignette group, while the following Member States each operate individual, stand alone time based charging systems: Bulgaria, Romania, Hungary, Lithuania and the UK. Latvia is developing a time based system.

(iii) Tolling on specific roads (with physical barriers): Ireland, France, Spain, Slovenia and Greece.

(iv) No road charging or tolling: Latvia, Finland, Estonia, Malta and Cyprus.

Under a distance based charging system there is no absolute cap on how much a state can charge in the Directive, as the levy is linked to the cost of the infrastructure, and can be increased to include environmental impacts of vehicles. Member States have considerable freedom in setting rates under this scheme, which could vary from less than one cent a km to 30 cents.

Benefits from distance based road charging scheme

- A distance based system captures the externalities of road haulage much more effectively than a time based charge.
- A distance based charge is more effective at increasing the speed of adoption with regard to less polluting vehicles.
- A distance based system can also set different charges at different times of the day or week to reduce congestion or noise pollution.
- A road user charge will apply to foreign hauliers, so foreign hauliers may lose the competitive advantage they currently enjoy as they do not have to pay anything to access Irish roads (bar tolls) while domestic hauliers have to pay motor tax.
- The introduction of a distance based charge will encourage increased efficiencies in the haulage industry as commercial vehicle operators attempt to cut down on kilometres driven, resulting in aggregation of loads and reduced empty running. Charges can be set to favour vehicles with lower emissions, which could contribute to improved standards of vehicles in Ireland.
- Currently the one-off annual payment of a time based charge does not encourage more efficient use of vehicles or improvements to the fleet.
- The potential for increased efficiencies among Irish hauliers will result in improved service to customers.
- Distance based charges are potentially more resource intensive to monitor and enforce, as the on-board units have to be interrogated at various points on the network to ensure they are compliant.
- Enforcement for foreign commercial vehicles would be focused on the ports and along the Border.

Current commercial motor tax situation in Ireland

Ireland's motor tax system has 19 bands for goods vehicles, with tax varying from €333 per annum for goods vehicles of unladen weight of less than 3,000kg (eg vans) to €5,195 for HGVs of more than 20,000kg. To ensure that commercial vehicle operators do not face significant changes to their motor tax bills, a new GDVW classification system needs to be introduced for newly registered commercial vehicles only.

The benefits of a move to GDVW classification of the weight of commercial vehicles include:

- Ireland would be brought into line with the rest of the EU;
- the impact of different classes of commercial vehicle on the road infrastructure would be captured (heavier vehicles place the roadway under higher stress) and motor tax rates could be set to reflect this;
- reduced regulatory burden on hauliers as they would no longer need to have each vehicle individually weighed.

By using a classification system based on emissions it's possible to better capture the impact of commercial vehicles on the road network or environment as a whole.

Classification based on emissions

The Euro class of a commercial vehicle indicates the emissions of the engine – carbon and other gases and particulates. The Euro class standards are set in EU regulations. The Euro 1 standard was introduced in 1992, followed by Euro 2 in 1996. The latest iteration is Euro 6. Each revision of the regulations has set stricter standards for emissions.

Commercial vehicles manufactured in Europe must meet the current Euro class standard. By factoring vehicle Euro class into the calculation of commercial vehicle motor tax, the use of cleaner vehicles can be promoted. Vehicles with higher Euro class could be required to pay lower motor tax rates than vehicles of a similar weight, but lower Euro class. This would help to modernise the commercial vehicles fleet.

An example of the use of Euro class is the Eurovingette road charging system. This scheme is time based with commercial vehicle operators having to pre-purchase a permit or vignette to use the motorways in those countries.

A Eurovignette is required by commercial vehicles of 12 tonnes plus. Eurovignette rates are based on number of the axel number and the Euro class of the engine. Use of the Euro class enables the Eurovignette member states to promote the use of less polluting vehicles by the haulage industry. The number of axels is a proxy for the size/weight of the HGV, and therefore the potential impact on the roadway.

HGV class	Annual fee €
Max 3 axel Euro euro class 0	960
Max 3 axel Euro euro class 1	850
Max 3 axel Euro euro class 2+	750
Min 4 axel Euro euro class 0	1550
Min 4 axel Euro euro class 1	1400
Min 4 axel Euro euro class 2+	1250

The Euro class of a vehicle sets the maximum permitted emissions. There will be a range of emission rates within each class – some engines will produce the maximum emissions, while others will be lower. The EU is currently developing standards for measuring the emission levels of individual models of commercial vehicles, which could give a more accurate assessment of the environmental impact of each model. It is estimated that it will take two years for the EU to complete this work. Once a standard is adopted it would allow for more accurate assessment of the environmental impact of individual models of commercial vehicles. Emissions levels could be considered when classifying commercial vehicles, with higher motor tax for vehicles releasing higher emissions.

Appendix 3

Lottery Funding for the Natural Environment

'Restoring Natural Wealth':

A Lottery funded programme for biodiversity management

During 2013 a broad-based campaign, supported by all sides of the Dáil and Seanad chambers, resulted in the insertion of an amendment into the National Lotteries Bill, subsequently the National Lottery Act 2013. The insertion was placed in Section 41 (1) (f) of the National Lottery Act 2013. It provides for the disbursement of funds for activities relating to the natural environment.

What is the money needed for?

Given scarce public financial resources and high governmental debts, the required spending to support healthy natural environment has not been in place in recent years. This is despite Ireland's dependence on a healthy natural environment and associated ecosystem services for our prosperity, our reputational appeal and our key economic foundations, including our tourism and agri-food industry. Ireland cannot afford to accumulate more ecological debt - through lack of investment in Natura 2000 and biodiversity management in the wider countryside - that will turn into economic losses in the future.

We are now faced with a major opportunity to channel National Lottery Funding to address many of the known challenges facing Ireland. By acting upon this opportunity, DAHG can work with the Irish Environmental Network (IEN) to put in place a structure to solve many of the known problems within existing constraints. The proposal will assist the department greatly by enabling the program to address many of the most pressing challenges facing the department today through a range of innovative and locally based, community driven projects.

For example,

- Substantial challenges in peatland management and conservation are not being adequately addressed, causing biodiversity loss and legal actions from the EU courts of Justice, as well as challenging climate change mitigation objectives. Project funded through this proposed model will assist communities to enact positive peatland management initiatives.
- Delayed actions in improving water quality threatens to hamper many sectors, including fisheries and recreation. Some communities are actively engaged in catchment conservation and water quality initiatives which can, with the kind of financial supports proposed here, roll out positive examples to many more communities.

- Ongoing declines in farmland bird species contradict the ‘green’ claims of our Agricultural sector. Enabling local and national civil society groups to apply conservation models with proven results will help to reverse many of these declines.

However, two years have now passed since this legislative change and there has been little progress in allocating the funds to natural environment or in the development of a mechanism to facilitate this very positive development. Specific categories in need of support include Natura 2000; community conservation initiatives; co financing for LIFE funding; farming for conservation; eco-tourism; land purchase for habitat management and protection; marine resources; freshwater habitat and fisheries management; ecosystem resilience in a change climate; and natural environment communication and education.

Employment Generation & the Green Economy

Ireland has a special interest in maintaining a healthy natural environment which in turn provides us with **ecosystem services**, sustains the resource base upon which we so depend and supports the **healthy ‘green’ image** used to market Irish produce abroad.

It is widely acknowledged that a healthy natural environment is essential for **sustainable development** and is crucial for competitiveness, employment and prosperity. Ireland is currently facing severe loss of biodiversity and suffering consequent decline of ecosystem services. This is a grave threat to Ireland’s prosperity.

Across the EU an estimated 7% of total employment depends on the conservation of biodiversity, both **direct employment** (protection and management activities) and indirect (agriculture, tourism fisheries, forestry). Funds invested in the natural environment can create sustainable employment, giving value for money that is hard to find in any other sector⁴⁵. Furthermore, strategic use of these funds can leverage EU funding for example in the Life programme of up to 4 euro for every euro spent. Rural Ireland is badly in need of this investment.

Investment in Natura 2000, for example, creates employment⁴⁶ and supports areas that are often in marginal areas where it is difficult to attract outside investment. Support for nature conservation in these locations generates direct employment and delivers additional benefits that are of particular value to fragile local communities and threatened of rural economies. Providing financial support for nature conservation in these areas will also assist with the **delivery of objectives under EU law** that Ireland has been struggling to meet. Indeed the several ECJ actions against Ireland for failures to deliver specific targets for annexed species and habitats, including those that occur in the wider countryside, will be much aided by this funding if it is targeted appropriately.

The **Action Plan for Jobs** commits to publish and implement a new Plan for the Development of the Green Economy (section 7.3) and an ambition to ensure our economic recovery is underpinned by the principles of a green economy. Facilitating funds to be used to further this at a community level

⁴⁵ Investing for the Future: More jobs out of a Greener European Economy **insert full ref*

⁴⁶ Recent research reveals that that investing the necessary 6 billion EUR annually into the Natura 2000 network across the EU could create 180,000 jobs, often in economically less developed areas, without counting wider employment effects in sectors depending on healthy ecosystems.

would contribute to its achievement. In the **Government Policy Statement on Growth and Employment in the Green Economy** (2012), An Taoiseach Enda Kenny cites Ireland's '*outstanding natural environment*' as a key asset underpinning the Green Economy, the latter being heralded as a key driver of economic growth and job creation for Ireland. This government policy statement also states that "*Government will develop the potential of the Green Economy across a range of sectors in a way that respects the environment and the biodiversity that underpins our international image as a Green island.*"

However there are a range of serious shortfalls in this regard which have not been adequately addressed to date, including continuing alarming rates of biodiversity loss across many habitat types in Ireland; serious funding and resource constraints in the agencies tasked with halting the loss of biodiversity and implementing relevant policy; and ongoing infringement cases from the European Court of Justice for failures to implement nature directives. The 7th Environmental Action Programme, agreed during the Irish presidency of the EU, also lays out a number of key objectives and "enablers", all of which will be supported through the implementation of this Lottery programme.

The 2013 addition of natural environment to the National Lottery legislation, if acted upon, can facilitate National Lottery Funding to be channelled through a range of sectoral and community projects, to make positive progress rectifying these deficits in action on biodiversity that is so oft cited as underpinning Ireland's "international image as a green island".

This paper outlines how the Irish Environmental Network can assist DAHG in making significant progress in these challenges by providing a structure to disseminate Lotto funds that is well informed, appropriately targeted, efficient and transparent, to implement much needed projects to improve the quality of Ireland's natural environment.

We also draw your attention to the great value for money that the IEN member organisations have delivered when supported by other government funding streams. An investment of less than 0.9 million euro has produced a return of some 50 million euro in paid and voluntary work dedicated to protecting and enhancing the natural environment.

Proposed funding implementation model

IEN proposes to be the conduit for delivery of a tightly structured program of biodiversity management and restoration supports. The structure proposed by the IEN will allow dissemination of both small and larger scale grants to a range of community groups, environmental NGOs, sporting and recreational groups and educational institutions who successfully apply for funding within a range of criteria and set objectives for the program.

Projects that can be supported by Lottery Funding for the Natural Environment will provide an important 'win-win' to local economies, where local employment generated by such projects is disproportionately beneficial in locations attracting investment is particularly challenging.

IEN is perfectly placed as a professional, independent, efficient, and well respected organisation to be the conduit for delivery of this program. IEN has a well-established national reach and strong

record of success with several programs having been successfully delivered in the past or currently operating.

i) Restoring Natural Wealth: Small scale grants

A modest two million of Lottery Funding will be allocated to a small scale funding program for environmental projects and small scale capital grants (to a maximum of €10,000). This will allow roll out the program with a significant reach of projects across the country to meet the shortfalls of existing resources and infrastructure. The programme will be open to a range of groups for projects which meet specific criteria that demonstrate competence and experience of the group to carry out the proposed project effectively, for projects that meet specific objectives. These objectives will reflect the collective national challenge of implementing appropriate management and support for protected habitats and species both within protected areas and in the wider countryside in a manner that involves and engages communities in positive action.

ii) Restoring Natural Wealth: Supporting conservation initiatives

The second arm of this program will meet large funding requests for land purchase for protection and restoration of annexed habitats; co-financing for European LIFE funding; eco-tourism initiatives; and innovative communication and education initiatives. This arm of the programme will be crucial to enable rescue and restoration of internationally and nationally important habitats and environmental assets. The allocation of this fund would be managed by a panel of assessors according to predetermined and transparent assessment criteria. The panel will be independent but will also have a representative from the Department. IEN will operate the system and manage the process, drawing on the strength of the IEN as an independent, transparent, democratic, efficient and highly professional body.

Suitability of this structure to the National Lottery principles

The purpose of the National Lottery when it was introduced in 1986 was reflected in a number of commitments, namely⁴⁷

- The lottery would not be used for general government purposes
- The lottery would provide entirely additional resources
- Voluntary and community organisations would be the main beneficiaries
- The lottery would operate in a transparent and visible manner

This IEN proposal reflects each of these principles by providing the resources to voluntary and community sector projects that provide added value in a transparent and visible manner for the application of the provision of natural environment clause as provided for in the National Lottery Act 2013.

There is currently no mechanism in place for voluntary and community organisations to apply for lottery funding for natural environment, despite the urgent need to address this shortfall. An

⁴⁷ From 'A Guide to the National Lottery for voluntary and community organisations' by Brian Harvey, 1995, Policy Research Centre, ISBN 0905 957 121

assessment of the structures in place for funding of youth activities and for sporting activities from lottery funds reveal that many mechanisms are in place to channel the lottery funding through intermediaries such as the National Youth Council, the Vocational educational Committees, and the National Sports Council. The mechanism proposed here by the IEN is similar to and consistent with these models of dissemination, in particular the Sports Council. Enabling relevant civil society organisations have worked to disseminate national lottery funding in cooperation with the relevant Government Departments and their votes with respect to funding.

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This submission was developed using the Environmental Pillar processes but is not necessarily the policy of each member group in the pillar.

Environmental Pillar members: An Taisce. Bat Conservation Ireland, BirdWatch Ireland. CELT - Centre for Ecological Living and Training. Coast Watch. Coomhola Salmon Trust. Crann. ECO UNESCO. Feasta. Forest Friends. Friends of the Earth. Good Energies Alliance Ireland. Global Action Plan Ireland, Gluaiseacht. Hedge Laying Association of Ireland. Irish Doctors Environment Association. Irish Natural Forestry Foundation. Irish Peatland Conservation Council. Irish Seal Sanctuary. Irish Seed Saver Association. Irish Whale and Dolphin Group. Irish Wildlife Trust. The Native Woodland Trust. The Organic Centre. Sonairte. Sustainable Ireland Cooperative. VOICE. Zero Waste Alliance Ireland