



# Environmental Pillar

Working for a sustainable future

## Proposals for the 2018 Budget



# Taking Steps to Green the Irish Economy

Environmental Pillar proposals for placing the 2018 Budget in the context of Sustainable Development

5<sup>th</sup> July 2017

# Introduction

The Environmental Pillar calls on the government to incorporate the Polluter Pays Principle, as appropriate, into all aspects of taxation and spending. This will have the effect of broadening the tax base whilst enabling the moving of taxation from income to levies on consumption whilst at the same time removing subsidies from environmentally harmful activities.

For 2018, the Environmental Pillar proposes three tax policies which will help to protect our natural environment, bring additional revenue into the government and bolster an ailing Environment Fund. We call for the adoption of the following policy recommendations both to encourage behavioural change and to inject vital funds into the Environment Fund:

- 1. Implementation of a single-use non-compostable item levy - Page 3**
- 2. Adoption of an aggregates levy – Page 8**
- 3. Equalisation of price for diesel and petrol – Page 10**

It should be noted that the Environment Fund<sup>1</sup>, established under the Waste Management Act has been decreasing year on year. The two sources of revenue for the fund, based on the Polluter Pays Principle, namely the plastic bag levy and the landfill levy, have had the intended effect of reducing the number of plastic bags used and landfill tonnage. It is expected that revenue from landfill will decline rapidly once the Ringsend Incinerator is operational.

The Environmental Fund, established in 2001, at its peak in 2011 brought in €62 million. This money is used to finance the Environmental Protection Agency (EPA) Research and Development, EPA enforcement actions, Waste prevention programmes, anti-litter initiatives, Environmental Awareness, Tidy Towns, Local Agenda 21, support for environmental non-governmental organisations and other environmental initiatives. However, it have become a victim of its own success with each successive year bringing in less revenue year on year. In 2015, the fund brought in only €46 million.

Cover photo: The treasures found along 3 metres of a quiet country road in Co Roscommon.

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<sup>1</sup> <http://www.dccae.gov.ie/documents/Environment%20Fund%202015%20Accounts.pdf>

# 1. Single-Use Non-compostable Item Levy

While Ireland has achieved its EU targets for the collection of packaging, we are still a long way off in reducing the amount of waste packaging generated and the amount of single use disposable items. We can see the evidence all along our city streets, beaches and countryside with plastic bottles, clamshells, eating cutlery, disposable coffee cups and aluminium cans. During a recent week-long Spring Clean in Limerick and Kerry, the volunteers collected 160 tonnes of rubbish, including over 300,000 coffee cups.

## International Experiences

Packaging levies exist in a significant number of other EU Member States. In Denmark and the Netherlands, the introduction of a packaging levy has collected significant funds and halted the increase in consumption of plastic packaging, a particularly environmentally damaging form of packaging.

In 2008, the Netherlands introduced a carbon-based packaging tax, looking at a life cycle assessment based on greenhouse gas emissions.<sup>2</sup> However, this approach did not address other environmental impacts such as littering, resource use and marine plastics. They created 13 tax levels for weight-based materials and 6 levels for volume-based materials.

The Danish government has imposed a 19.20 DKK (€2.6) per kg levy on all wholesalers of disposable tableware. In 2000 they have also imposed a tax based on a product's PVC or phthalate content at a rate of 2 DKK (€0.27) per kg PVC and 7 DKK (€0.94) per kg phthalates. Lastly, they have imposed a tax on tetrachloromethylene, trichloroethylene and dichloromethane at a rate of 2 DKK per kg (€0.27).<sup>3</sup> We are not judging the adequacy of the amount of tax imposed, but rather that such tax has been adopted by other jurisdictions. If Ireland were to impose such a levy, the amount imposed would have to be further analysed.

Belgium adopted a 'picnic' tax which imposed taxes on wholesalers, who were liable to pay tax on various single-use items. Tax on disposable plastic bags was set at €3.00 per kg, €2.70 per kg for plastic food wrapping, €4.50 per kg for aluminium foil and trays and €3.60 per kg for disposable kitchen utensils.<sup>4</sup>

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<sup>2</sup> <https://www.idgebim.be> "A Comparative Study on Economic Instruments Promoting Waste Prevention. Final Report to Bruxelles Environnement", Dominic Hogg et. al

<sup>3</sup> [The Use of Economic Instruments in Nordic and Baltic Environmental Policy 2001-2005](#), Stefan Speck, Mikael Skou Anderen, et. al., National Environmental Research Institute, Denmark

<sup>4</sup> <http://www.eunomia.co.uk/reports-tools/a-comparative-study-on-economic-instruments-promoting-waste-prevention-2> "A Comparative Study on Economic Instruments Promoting Waste Prevention. Final Report to Bruxelles Environnement", Dominic Hogg et. al

### Where is the levy attached?

Many researchers have identified Ireland's plastic bag tax as one of the most successful economic incentives to prevent the generation of waste, and therefore, many countries have adopted similar initiatives. Here, we charge tax on consumers at Point of Sale and the bookkeeping and reporting is fairly easy as it is integrated with retailer VAT returns.<sup>5</sup> However, it has been noted that both Denmark and South Africa charged retailers the tax on plastic bags, which sometimes was not passed on to the consumer and therefore, did not affect behavioural change.

According to Dominic Hogg's Economic Instruments report for Belgium, the following approach is the most effective:

- Apply taxes to items where alternatives are clearly available (this is likely to ensure a reasonable response to the tax);
- Continual review of the tax to ensure that its effectiveness is not being eroded over time (e.g. through inflation);
- Ensure the tax is designed with sufficient inbuilt flexibility to adapt to changing economic conditions;
- Prior to introducing the tax, develop an effective communication campaign to advertise the rationale behind the tax. In this respect, there should be a clear rationale for the tax; and
- Albeit that this is desirable rather than necessary, it is helpful to be introducing such measures against the backdrop of a DVR [pay by weight] charging for household waste. This can help strengthen the response to price changes occasioned by the tax.<sup>6</sup>

### Benefits of a Packaging Levy in Ireland

The "polluter pays" principle<sup>7</sup>, or in this case the principle of Extended Producer Responsibility (EPR), acknowledges that manufacturers have the greatest level of control over the design of packaging and therefore the greatest ability to alter its environmental impact.

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<sup>5</sup> [https://www.envecon.eu/content/files/Waste\\_and\\_Plastic\\_Bag\\_RIAS\\_-\\_2008.pdf](https://www.envecon.eu/content/files/Waste_and_Plastic_Bag_RIAS_-_2008.pdf)

<sup>6</sup> <https://www.idgebim.be> "A Comparative Study on Economic Instruments Promoting Waste Prevention. Final Report to Bruxelles Environnement", Dominic Hogg et. al

• <sup>7</sup> Adopted as a key principle by the EU in the 1973 – First Environmental Action Programme (EAP).

### Recommendations:

1. As illustrated in the Denmark and South African plastic bag case study mentioned above, we believe that the imposition of a tax/levy should not be implemented at the wholesale stage of the chain of commerce. Mirroring the success associated with the Irish Plastic Bag Tax, we assert that any single-use packaging levy should be imposed at the point of sale to consumers. This makes the levy visible and allows consumers to make the choice of bringing their own containers or pressure retailers to offer compostable containers. The levy should be established on a 'per container' basis and administered like the plastic bag tax. Such items should include:
  - a. plastic clamshells
  - b. polystyrene clamshells (we propose a complete ban on polystyrene, as has been done in New York, San Francisco, DC, China, Korea and other jurisdictions)
  - c. take-away coffee cups and lids
  - d. non-compostable disposable utensils
  - e. straws
  - f. plastic wrap
  - g. aluminium foil and/or trays
  - h. plastic cups
  - i. non-compostable cups
  - j. any other non-compostable disposable single-use packaging
  
2. As consumers do not have the option of bringing their own containers to fill up their carbonated drinks/beer/wine, we also strongly support the implementation of a deposit-and-refund scheme for recyclable containers, including glass bottles, plastic bottles, aluminium cans. The system is in place in many EU countries and US States and has been key in collecting up to 98% of all drinks containers with deposits. We note that the EU is at present conducting a feasibility study of an EU-wide refund system for metal beverage cans.<sup>8</sup>

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<sup>8</sup> <http://ec.europa.eu/environment/waste/packaging/cans>

### South Korea Case Study –

#### How they reduced their waste and created new jobs<sup>9</sup>

The government of South Korea realised that its waste management facilities could not keep pace with waste generation, so it decided to take action to reduce its waste in several ways. In 2003, the government changed its view of waste as something to be disposed to something of value. In fifteen years, South Korea reduced its waste generation by 8,000 tonnes per day (from 1994 to 2009). Each person generated just over 1 kg waste each day, of which, over 60% was recycled for a total of 120 kg of residual waste per capita each year. As a comparison, we throw away around 330 kg residual waste each year.

“The South Korean Government has introduced a number of policy initiatives to minimize waste generation, including:

(a) Volume-based Waste Fee System applicable to households and small commercial sector;

(b) Restrictions on the use of disposable products by businesses; and

(c) Restrictions on the use of packaging materials which are difficult to recycle.”<sup>10</sup>

As the result of its pay by weight waste structure, the amount of waste generated per capita reduced by 23% over a 15-year period.

The government also restricted the use of disposable items. The list is below <sup>11</sup>

S. Korea has also tackled its food waste issue through education, pay by weight and by banning the landfilling of food wastes. It has also invested heavily in food recycling, creating valuable compost and biogas. “By 2013, the South Korean Government will invest a total of 782.3 billion Korean won (about HK\$5.6 billion) to build 17 biogas facilities and four sewage sludge drying fuel facilities that could turn 188 000 tons of organic wastes into fuels every year.”<sup>12</sup>

S. Korea has turned away from landfilling and incineration as the only waste management option and has reduced the number of landfills from 383 in 2000 to 296 in 2009. It has also reduced the number of incinerators from 10,055 in 2000 to 722 in 2009.

<sup>9</sup> <http://www.legco.gov.hk/yr12-13/english/sec/library/1213inc04-e.pdf>

<sup>10</sup> <http://www.legco.gov.hk/yr12-13/english/sec/library/1213inc04-e.pdf>, page 4

<sup>11</sup> <http://www.legco.gov.hk/yr12-13/english/sec/library/1213inc04-e.pdf>, page 7

<sup>12</sup> <http://www.legco.gov.hk/yr12-13/english/sec/library/1213inc04-e.pdf>, page 16



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Type of businesses	Items	Type of restriction
Restaurants and those providing group meal services	• Disposable cups, plates, containers; wooden chopsticks and toothpicks; disposable spoons, forks, knives, and plastic tablecloths.	• Use.
	• Disposable advertising materials.	• Use, production and distribution.
Public baths, lodgings with seven or more guest rooms	• Disposable razors, toothbrushes, toothpaste, shampoo and conditioner.	• Free distribution.
Large-scale stores such as department stores and outlets, wholesalers and retailers	• Disposable bags and shopping bags (excluding bags made of paper).	• Free distribution.
	• Disposable advertising materials.	• Use, production and distribution.
Food production & processing businesses serving instant meals; and inside of large-scale store	• Disposable synthetic resin containers.	• Use.
Financial, insurance, pension, security, and derivatives businesses	• Disposable advertising materials.	• Use, production and distribution.
Playgrounds, gyms and sports complexes	• Disposable items for cheering.	• Free distribution.

Source: Ministry of Environment

Job creation has also been a key deliverable in the restructuring of South Korea's waste management system. "Owing to the introduction of the Volume-based Waste Fee System and the Extended Producer Responsibility System, the resource-recycling businesses in South Korea have been growing rapidly. The number of recycling companies in the nation increased rapidly from 1,647 in 1999 to 4,375 in 2009, employing a total of 52,000 people. The government's financial support has lent particular support to the growth of the recycling industry in South Korea. The Ministry of Environment provides long-term low interest loans to small recycling businesses for the development of recycling facilities and technologies. New recycling businesses are provided with consultations from business initiation experts to facilitate their start-up work."<sup>13</sup>

Lastly, the S. Korean government has decided to lead by example and has adopted a progressive green procurement policy.

<sup>13</sup> <sup>13</sup> <http://www.legco.gov.hk/yr12-13/english/sec/library/1213inc04-e.pdf>, page 20

### 2. Aggregates Levy

The Environmental Pillar recommends a tax of up to €2.50 that 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. Such material is exempt from any royalties or similar payment structure under the Minerals Act.

Note: the rate is based on the £2.00 rate applied in N. Ireland and GB. There the aggregates levy was adopted in 2002.

The way aggregates are produced and consumed have wide ranging negative effects in terms of carbon emissions from extraction, processing and transport. Similarly there are detrimental effects on water quality through runoff of sediment, on biodiversity and the natural landscape. Lastly, local communities can suffer from noise, dust and particulate matter and through increased number of heavy trucks damaging roads and causing slow traffic. Trucks carrying aggregates have c.1000 times the impact of cars on roads and this cost is not captured proportionately. The environmental and societal costs of this industry are externalised with the industry bearing little responsibility for extracting a natural resource in Ireland.

Why do we propose an aggregates levy in Ireland? Because of the aggregates levy in the UK, there has been a black economy where Irish aggregate has been sold up in the North to avoid the aggregate levy. Adopting a similar levy in the Republic will equalise market factors and reduce the amount of aggregate crossing the border. Additionally, the imposition of this levy will encourage the recycling of construction and demolition waste (3.2 million tonnes in 2014) and reduce the amount of waste being landfilled. Lastly, there are many unregistered quarries extracting aggregate and this levy will bring them into the regulatory regime and tax net.

The levy in the UK has

- Encouraged the recycling of aggregates and construction and demolition (C&D) waste. The UK has the highest percentage of C&D recycling in the EU, with 25% of waste being reused in construction.<sup>14</sup> Not only is this an excellent example of the circular economy, but it also reduces the amount of C&D waste arising from 18 million tonnes in 2008 to 3 million tonnes in 2012.
- Reduced the CO<sub>2</sub> emissions associated in the manufacturing of new cement.

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<sup>14</sup> [http://ec.europa.eu/environment/enveco/resource\\_efficiency/pdf/economic\\_analysis.pdf](http://ec.europa.eu/environment/enveco/resource_efficiency/pdf/economic_analysis.pdf)



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- Reduced 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.)
- Assisted in regulating quarries (i.e., take on illegal operators via the tax net)
- Raised revenue from a very resource-intensive sector and boost the Environment Fund following the ‘polluter pays principle.’

County councils, which regulate and oversee quarry activities, have begun to impose development contribution levies on quarries in their planning permission to offset some of the external impacts arising from mining. However, these levies do not impact quarries already under operation. We propose to extend a national levy to address the environmental and society costs incurred from all mining activity. Currently there is legislation moving through the Dail consolidating statutes that control the extraction of minerals in the State. Under this legislation, the State receives royalties for valuable minerals. We argue that the same could be true for aggregates, which is a valuable, non-renewable resource.

Some may argue that this levy will adversely affect the construction of new houses. As each new house uses, on average, around 300 tonnes of aggregate<sup>15</sup>, this levy would cost builders only around €600-750 per house. This is not a big ask seeing that quarrying activities adversely affect the surrounding environment.

Introduction of a levy would also be a financial incentive to use more environmentally friendly timber-frame construction for house building, where aggregates constitute a much smaller part of the raw materials.

**Recommendation:** The Environmental Pillar recommends a €2.50 charge levied per tonne of aggregate, some of which should be earmarked for remediation of quarry sites and environmental degradation. An aggregates levy could be expected to yield €80m a year (EEA, 2010 Appendix 1, which equates to €2.50 charged on 32m tonnes p.a.

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<sup>15</sup> Quarries and Ancillary Activities Guidelines for Planning Authorities, April 2004, Department of the Environment, Heritage and Local Government

### 3. Equalising the Price of Diesel and Petrol

We propose that the Government should bring the retail price of motor diesel to at least the same level as that of petrol by increasing the excise rates on diesel on a phased-in basis. Apart from the climate impacts of burning fossil fuels, particulates from diesel engines are causes of a range of human health problems. According to the World Health Organization, diesel exhaust fumes can cause cancer, and that diesel cars emit ten times more health-damaging pollutants than petrol cars.<sup>16</sup> Around 1400 people die annually with many more suffering severe debilitations and associated medical and social costs, as a result of air pollution. Diesel fumes are recognised as a major contributor to air pollution.

The OECD has recommended at least an equalisation of excise rates on petrol and diesel to address negative externalities caused by the combustion of these fossil fuels. The basis of this suggestion is the lower tax rate on diesel fails to account for the social and health environmental externalities caused by its combustion. The recently released 2017 European Semester Country Specific Recommendations question Ireland's policy of taxing diesel less than petrol and encourages the equalisation of price.<sup>17</sup>

The Asthma Society supports this equalisation. Additionally, the Minister of Transport has called for the equalisation for climate policy reasons.

A litre of diesel produces approximately 15.5% more greenhouse gases than a litre of petrol. According to the Tax Policy Group report in 2016<sup>18</sup>, "Policy changes to VRT and motor tax in 2008 and 2013 as well as widening of the excise gap between petrol and diesel have had the unintended consequence of increasing the uptake of diesel cars by motorists. In 2015, diesel cars outsold petrol at a rate of more than 2.5 to one. The reduced rate of excise duty on diesel is due to diesel being viewed as the traditional fuel of business. Larger transport vehicles such as heavy goods vehicles, up until recently, had no viable alternative and therefore enjoyed a reduced rate. During the economic recession, the gap between the excise on petrol and diesel increased further offering greater incentives for private motorists to switch to diesel."

The report goes on to say that "any relative fuel efficiency is an advantage to the driver and does not account for the externalities. If the excise on both fuels was equalised, a diesel vehicle would still pay less tax than the petrol on the basis of greater fuel efficiency. Due to this fuel efficiency, a car will travel further on a litre of diesel when compared to petrol but will produce more harmful

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<sup>16</sup> <https://www.rte.ie/news/2016/0915/816860-diesel-fuel-tax/>

<sup>17</sup> [https://ec.europa.eu/info/publications/2017-european-semester-country-reports\\_en](https://ec.europa.eu/info/publications/2017-european-semester-country-reports_en)

<sup>18</sup> <http://www.finance.gov.ie/sites/default/files/160719%20TSG%2016-03%20-%20Climate%20Change%20Paper%20-%20Energy%20and%20Environmental%20Taxes%20and%20Vehicle%20Registration%20Tax.pdf>

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emissions. Our closest trading partner, the UK, has already equalised excise rates on petrol and diesel. A number of countries, notably France and Belgium, have also moved to equalise the excise rate on petrol and diesel. The excise on diesel in Ireland is currently 22% less than on petrol.” It is also noted that London is proposing a £21/day congestion charge for older diesel cars coming into the city; this is £10 more than normal cars.

**Additional Revenue:** We calculate that equalising the cost of diesel and petrol would bring around €110 million in revenue, assuming that diesel costs around €1.11 less than petrol per litre and there were sales of 1 billion litres of diesel sold in 2014.<sup>19</sup>

As farm vehicles comprise only 5% of the diesel fleet and most tractors are only diesel, we support the continuation of the agricultural diesel subsidy.

### Recommendation:

We call for the equalisation of the price of diesel with that of petrol. This could be done over five years to allow drivers of diesel cars time to purchase new electric or fuel efficient petrol cars. It also puts new buyers on notice that diesel will no longer receive beneficial treatment.

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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. Cultivate. ECO-UNESCO. Feasta. Forest Friends. Friends of the Earth. Global Action Plan. Gluaiseacht. Good Energies Alliance Ireland. Green Economy Foundation. Green Foundation Ireland. Hedge Laying Association of Ireland. Irish Peatland Conservation Council. Irish Seed Saver Association. Irish Whale and Dolphin Group. Irish Wildlife Trust. Native Woodland Trust. Sonairte. The Organic Centre. VOICE. Zero Waste Alliance Ireland.

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<sup>19</sup> [www.revenue.ie/en/about/publications/oil-market-analysis.pdf](http://www.revenue.ie/en/about/publications/oil-market-analysis.pdf)