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Tax Division
Department of Finance
Government Buildings
Merrion St
Dublin 2

Western Development Commission (WDC) to Consultation on the options for the use of revenues raised from increases in Carbon Tax

The Western Development Commission¹ (WDC) welcomes this opportunity to make a short response to the above consultation. The WDC is a statutory body established by government to promote, foster and encourage economic and social development in the Western Region². The WDC seeks to ensure that government policy and its implementation reflects the needs of the Region and its population across such areas as infrastructure, natural resources, enterprise and rural development.

The Western Region (the area under the WDC remit) is a largely rural region which takes in some of the most remote parts of the state. Using the CSO definition 64.7% in of the population live outside of towns of 1,500 or more³. Using the definition in *Ireland 2040 the National Planning Framework* 80% of people in Western Region live outside of towns of 10,000. Thus WDC work has a particular focus on the needs of, and opportunities for, more rural and peripheral areas. The five most rural counties in Ireland are in the Western Region (Leitrim, Galway county, Roscommon, Donegal and Mayo and the Western Region also has a higher share of the population living in smaller towns.

In this submission we therefore concentrate on issues for rural areas and our region. Climate action for rural dwellers is not often discussed in policy and there is no significant body of work (internationally or nationally) on climate change and emission issues for rural areas in developed countries and yet there are important differences in energy use patterns and emissions, in rural areas.

It should be remembered that, as in other policy areas, urban/rural is a rather simplistic division, which ignores the 'suburban' and the differences between rural towns and the open countryside which all have distinctive emission patterns. As indicated in both the consultation paper and the ESRI studies in this area, people's carbon footprints are closely linked to their incomes and consumption patterns and so do not necessarily relate directly to their location (urban or rural). In fact research in Finland⁴ has

¹ The WDC operates under the aegis of the Department of Rural and Community Development. For more information about the organisation see www.wdc.ie

² Counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway and Clare.

³ CSO, Census of Population 2016

⁴ Heinonen J and S Junnila, 2011 A Carbon Consumption Comparison of Rural and Urban Lifestyles *Sustainability* 2011,3, 1234-1249

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highlighted higher emissions from urban dwellers based on their higher consumption patterns. Nonetheless, despite the difficulties with a simple urban/rural dichotomy, there are of course concerns specific to rural dwellers emissions that deserve consideration.

The WDC believes that a portion of the revenues from increases in carbon tax focus should focus on addressing issues for rural areas, and on actions to ensure that rural areas are in a position to benefit from a move to a low carbon economy (and there are many opportunities for them to do so) so that rural dwellers can make a fair contribution to national goals for renewable energy and to actions to mitigate climate change.

Areas for consideration

As noted in the consultation paper and in the ESRI publications⁵ on distributional effects of carbon tax and revenue recycling options, the carbon tax disproportionately affects lower income households and rural households, with low income rural households worst affected. Household incomes in the Western Region tend to be among the lowest in the country⁶ and therefore will be disproportionately affected by any increase in Carbon Tax, it is important that there is a redistribution of revenue to compensate for this. Some of the issues associated with low incomes are discussed further below in relation to the consultation options, and we are conscious that this is the subject of detailed analysis for the Department of Finance and by the ESRI as well as other groups with a specific focus on this issue. Therefore the main focus of this submission is on broader issues for rural dwellers.

Issues for Rural areas

Energy efficiency

Improved energy efficiency is essential for climate action. However, the most recent BER ratings data from the CSO⁷ shows that currently only 15% of homes assessed nationally have a rating of B or above. In the Western Region only 10% achieve this and it is as low as 7% in Roscommon.

BER rating of	B and above
Co. Clare	9%
Co. Galway	11%
Co. Leitrim	9%
Co. Mayo	9%
Co. Roscommon	7%
Co. Sligo	11%
Co. Donegal	10%
Galway City	10%
Western Region	10%
State	15%

This highlights the need to specifically address energy efficiency and home heating issues in more rural and less well-off regions. For dwellings in the in lowest rating categories and the costs and difficulties of

⁵ <https://www.esri.ie/publications/browse?keywords=carbon+tax>

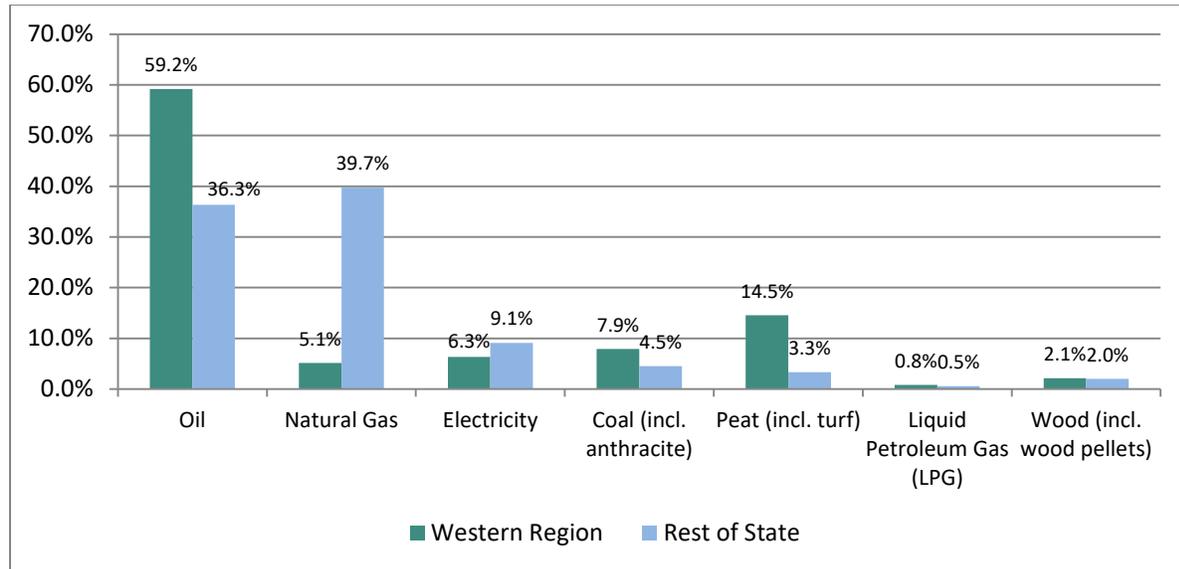
⁶ <https://cso.ie/en/releasesandpublications/ep/p-gpii/geographicalprofilesofincomeinireland2016/incomeinireland/>

⁷ <https://www.cso.ie/en/releasesandpublications/er/dber/domesticbuildingenergyratingsquarter42018/>

achieving upgrade to a B rating are most significant. Increased grant aid, low costs loans and support and independent expert advice and community programmes are all needed to improve energy efficiency

Home Heating

Most homes in our region use oil for heating (see chart below). There needs to be a specific effort to encourage change in rural areas which are oil dependent. While many of the incentives are for the installation of heat pumps it should be remembered that the use of wood biomass for heating brings very significant local economic benefits.



Source: CSO, Census of Population, 2016.

The pattern of fuel usage in central heating is very different in the Western Region compared to the rest of the state. This is primarily due to the rural nature of the region and the lack of access to natural gas across most of the region. Only 5% of households in the Western Region use natural gas to heat their home compared with 40% in the rest of the state. Lack of access to natural gas makes the Western Region far more reliant on other fuels, many which have higher carbon emissions. Oil is used by 59% of households, 14.5% use peat and 7.9% use coal – all far higher shares than in the rest of the state- and 2.1% of households in the region use wood (including pellets) in their central heating, marginally higher than in the rest of the state.

Alternatives to higher emitting fuels like oil, coal and peat are readily available to rural consumers. These include solid biomass (wood chips, pellets and logs). In many rural situations as users have more space and fuel can be sourced locally with less transport required, these options may be more suitable than for urban dwellers. Uptake could be improved with appropriate, targeted incentives.

Transport

A dispersed population pattern results in particular challenges in terms of transportation options. The *National Policy Framework on Alternative Fuels Infrastructure for Transport in Ireland 2017-2030* notes that it is likely that in future electricity will fuel the majority of passenger cars, commuter rail and taxis while natural gas and biofuels will play an increasingly important role for larger vehicles like HGV and buses. We therefore believe that services such as EV charging points and CNG fuelling points must be widely available in rural areas where population is dispersed (e.g. biofuels and hydrogen should these become part of the suite of energy used for freight transportation). Without these fuelling services being available and reliable, rural dwellers could be reluctant to adopt the new technologies and visitors who might be concerned about the availability of charging/fuelling points might be deterred. In the case

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of HGVs and buses, lack of refuelling options could increase costs of delivery or services in more rural and peripheral regions.

We welcome the Climate Action Plan target of 800k EVs by 2030 but to help achieve this charging investment needs to be early and widespread in rural areas. This will not just benefit those living there but will be important for those for those visiting for business or pleasure. We would be concerned that a lack of charging points could in future become a disincentive for visitors and could further concentrate tourism and other economic activities in areas near larger urban centres.

Stimulating rural Enterprise

Renewable energy and climate action have the potential to create considerable employment across the Western Region and rural Ireland and to provide long term stable markets for many low value biological outputs, as well as ensuring that much of the money spent on energy remains in Ireland. It is important therefore that enterprises in this sector is stimulated. A targeted fund could be established using carbon tax revenue to aid the development of such enterprises. Previous work by the WDC on wood energy shows the potential of this approach.

The WDC has been active in developing measures to promote the use of energy (in particular heat) from biomass, assessing biomass availability and the development of supply chains for its local use. Our experience has shown that strategic policy interventions must recognise the wider market environment in order to design and deliver effective, value for money policy and identify actions which result in sustainable market growth. The WDC has shown that the renewable heat market has the potential to create considerable levels of employment across the Western Region and to provide long-term stable markets for low value wood fuels which can compete with fossil fuels and stabilise energy prices for end users (see link below for WDC work on renewable energy⁸).

Consultation Options

The WDC believes that revenues from the Carbon tax should be used in different ways some of which were outlined in the discussion above. We consider each of the proposed options briefly below. We have discussed some of the areas which could be targeted for funding above.

a. To increase the fuel allowance to compensate those households likely to suffer from fuel poverty;

It is important that the fuel allowance is increased to compensate for increases in fuel prices associated with any increase in the carbon tax. We do not believe, however, that the full revenue from the carbon tax should be used in this way but that additional revenue should also be spread across other options.

b. To enhance the current grants towards the cost of energy efficiency improvements in the homes of those most vulnerable to fuel poverty through the Better Energy Homes scheme or the SEAI Better Energy Warmer Homes scheme;

As discussed above both BER ratings for houses in the Western Region and household incomes tend to be lower. We would therefore be in favour of enhancing grants for energy efficiency improvements. This could be done alongside a low interest long term loan scheme which would allow those on lower incomes to match available grants along with independent advice and expertise. The WDC also believes that it is very important to ensure that local communities are in a position to participate in energy efficiency and renewable energy development projects. Given that a complex mix of policy instruments will be required to incentivise and empower people to achieve 2030 targets, it should be remembered

⁸ <https://www.wdc.ie/publications/renewable-energy-reports/>

that the SEAI Better Energy Community Programme has delivered almost 10% of the overall Irish energy efficiency target. If there was a suite of additional community supports in addition to the grant aid even more could be delivered. Community groups often lack time, technical expertise, access to finance and financial expertise, bargaining skills, equipment and capacity to complete lengthy grant application documents.

c. To fund sustainable transport including cycling infrastructure and public transport;

We would welcome funding for more sustainable transport for rural areas including an increase in public transport options and better management of transport connections among public and private providers across the Western Region. In addition, as outlined above it is important to fund widespread investment charging points for EVs and refuelling points (e.g. for CNG) in rural and remote areas to ensure that both residents, commercial transport and visitors using sustainable vehicles can travel confidently and easily throughout the country.

d. For broad climate actions (e.g. earmarked to the Climate Action Fund or similar);

The WDC would welcome a package of measures, some of which could be funded using carbon tax revenues, to aid the development of small scale enterprises in rural areas to provide low carbon services in their locality and can take advantage of the opportunities which will be associated with the move to a low carbon economy.

e. To return the proceeds by way of a dividend to citizens or households through the social welfare and/or tax system;

Consideration should be given to this, as it may increase public acceptability of climate action, but it is important to be aware that a portion of the money may be spent on goods and services which increase carbon emissions and so undermine the potential impact of the carbon tax on behavioural change.

f. To be set aside to meet any fines the State is liable to pay arising from failure to meet our climate targets;

We are not in favour of this use of the carbon tax revenues. We do not believe this would aid a just transition and believe it could militate against public acceptance of climate action. We do not feel it would provide the greatest benefit from the use of these revenues.

g. To act as a buffer against increasing the cost of doing business for businesses with no realistic short to medium term alternative to continued fossil fuel use and for whom fossil fuels constitute a large amount of overall business expenditures (e.g. by enhancing the Diesel Rebate Scheme);

While there will be a demand for this in the short term, as it reduces the incentive to change it should be time limited for each business and perhaps could be associated with a requirement to plan for change in fuel use (which could be supported under option h).

h. To incentivise business moving away from the use of fossil fuels to more sustainable production methods;

This is an important area for consideration. Some businesses may find it difficult to afford to move to more sustainable production methods, and may not have the capacity to research and learn about potential options for their businesses. It would therefore be useful to provide some incentives and support (including advice or research vouchers) for businesses who might seek to do this.

i. by the Exchequer for general government expenditure;

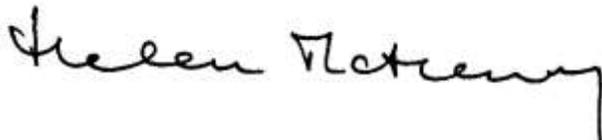
We would not be in favour of this approach as there may be a risk that shorter term or other concerns might take priority in terms of revenue allocation. We do not believe this would aid a just transition and believe it could militate against public acceptance of climate action.

Conclusion

The WDC believes that the renewable energy and climate action have the potential to create considerable employment across the Western Region and to provide long term stable markets for many low value biological outputs, as well as ensuring that much of the money spent on energy remains in Ireland. However, in order to make this happen we suggest that some of the revenues from an increase in carbon tax should be targeted at rural areas both in terms of the public good provision of low carbon infrastructure and services and to drive the delivery of a thriving low carbon economy and spread the benefits throughout the country.

We are pleased to have this opportunity to make this submission on the use of revenues from Carbon Tax. Please get in touch if you have any queries in relation to our submission.

Yours sincerely



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