



**Environmental Pillar**

WORKING FOR A SUSTAINABLE FUTURE

## Proposals for the 2013 Budget



# Budget Measures for Greening the Economy

Environmental Pillar proposals for placing the 2013 Budget  
in the context of Sustainable Development

**31st Oct 2012**

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“The current economic crisis pales into insignificance compared with the environmental and climate crisis”

*Paul Harris – Head of Natural Resource Risk Management, Bank of Ireland. April 2012*

## 1. Summary

The Environmental Pillar, which is a coalition of 26 national environmental NGOs, was established as a National Social Partner by Government in April 2009. In making this submission to Government it recognises that the public are reeling from the shock of the economic and fiscal crises. However it urges the Government to realise that Ireland actually faces two major and interlinked crises, firstly an environmental one and secondly an economic one. Whilst it is clear that a very serious economic crisis is upon us, with sadly many thousands of people 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 costs will be incurred.

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.

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 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.

Greening the entire economy will be a driver for competitiveness, security of supply and for sustainable employment<sup>1</sup>.

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.

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<sup>1</sup> <http://ien.ie/2012/green-economy-group-a-green-economy-is-key-to-creating-sustainable-employment/>

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

Angel Gurría Secretary-General OECD<sup>2</sup>

## 2. Introduction

The Environmental Pillar recognises the great difficulties facing the Government in developing this budget and urges the Government to think globally and long term as well as locally and short term. It is the Environmental Pillar position that there are two crises facing the country, one the economic and the other the environmental. In considering one it is essential to include the other.

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 1992<sup>3</sup>.

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 (REF TEEB). This is consistent with the Resource Efficiency Flagship Initiative of the EU 2020 Strategy, 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.

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

<sup>3</sup> 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.

**“The belief that private financial markets can solve all our problems is the witchcraft of our age.”**

“The bill for ignoring nature’s services may not be affordable if we don’t start paying now” – stated ‘total capitalist’ and environmentalist Pavan Sukhdev, (August 2011) a leading figure in the formulation of Deutsche Bank’s global markets strategy in Asia from the 1990s.

### 3. Context

The near collapse of the world economy and Ireland’s particular condition within it present profound and immediate challenges both to the Irish Government and the Irish people. In addition, with our national focus on crisis management we are failing to engage with the near-to-medium term risks of an energy-induced systemic crisis that will dwarf the current 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. These are then the two 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<sup>4</sup>. 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<sup>5</sup> can we have hope for 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.

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<sup>4</sup> Sustainable development maintains a delicate balance between the need to improve quality of life and wellbeing on the one hand, whilst preserving the natural resources and ecosystems on which future generations depend.

<sup>5</sup> An Approach to natural resource management which aims to sustain ecosystems to meet both ecological and human needs into the future.

- 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 services<sup>6</sup> is just not sustainable.

### 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 requirement 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 reform 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 way of running our economy. The development of these models will require the 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.

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<sup>6</sup> 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, recreational, and cultural benefits; and supporting services such as nutrient cycling that maintain the conditions for life on Earth.

### 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 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.

### 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.

## 4. Proposed Measures

The measures below are proposed as part of an integrated whole, with crossover checks and balances between the different mechanisms. In order for government to act sensibly it needs to do so in the context of "Our Sustainable Future" A Framework for Sustainable Development for Ireland.

### 4.1. Taxation

In general what is needed is a shift from taxes on income and profits to tax on consumption of natural resources. Where taxes are applied they must be progressive and just. Any new taxation should not be based on cyclical sectors of the economy that leave the exchequer vulnerable. 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 Government should establish an administrative structure to analyse and develop proposals to shift taxation from production and labour to resource use and pollution

The proposals contained here should be seen in the context of the Environmental Pillar response to the McCarthy Report<sup>7</sup>

#### 4.1.1. 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 Kyoto 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"<sup>8</sup> mechanism protecting the fuel poor and rewarding those that reduce their use of fossil fuels.

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<sup>7</sup> <http://www.environmentalpillar.ie/?p=279> [accessed 18/10/2011]

<sup>8</sup> <http://www.feasta.org/documents/energy/Cap-and-Share-May08-summary.htm> [accessed 18/10/2011]



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 coal and peat.

### 4.1.2. Site Value Tax<sup>9</sup>

The introduction of an annual Site Value Tax (SVT) at the earliest opportunity is essential to the long-term well-being and control of our land usage. It is also a revenue resource that is fair, transparent and reliable.

It is worth noticing that the low level of tax on rural residences due to the low level of services provided by Government will compensate for the cost of the introduction of a realistic septic tank charge.

### 4.1.3. 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 a revenue stream for government. These should include taxes on:

- All products that cannot be fully and easily recycled.
- Pollutants emitted from industrial facilities and on emissions from mobile telephone masts. This may reduce long term health costs.
- PVC, polystyrene and plastic in food packaging as these all have serious health implications as endocrine disruptors.
- toxic chemicals, including pesticides and herbicides
- All one-way drinks containers. This would encourage a shift to long-life reusable containers.
- A packaging levy<sup>10</sup>. This will be a difficult measure to put in place but one that merits attention at the EU level.
- All food additives that have little or no food value but are known to cause obesity and other medical conditions.
- A super levy on any recyclable waste sent to landfill.
- A levy on all materials sent for incineration<sup>11</sup>
- Aviation and dirty marine fuels
- Detergents and household cleaners with greater than 3% phosphate content
- Septic tanks

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<sup>9</sup> <http://environmentalpillar.ie/files/2012/10/Environmental-Pillar-Policy-on-Site-Value-Tax.pdf>

<sup>10</sup> <http://environmentalpillar.ie/files/2011/08/Environmental-Pillar-Submission-on-the-Proposal-to-Introduce-a-Packaging-levy.pdf> [accessed 18/10/2011]

<sup>11</sup> <http://environmentalpillar.ie/2011/09/01/levy-on-incineration-letter-to-minister-hogan/> [accessed 18/10/2011]

It is essential that we initiate more stringent polluter pays policies across the whole economy. It will broaden the tax base, help put the public finances on sound footing for the longer term, and begin the process of shifting taxation from goods (such as paid work) to bads (such as resource use and pollution).

### 4.1.4. Water Service Charges

These are essential to fund the necessary infrastructure work on water services as well as to curtail the levels of wastage. There should be no charge for per-capita consumption below a certain cut-off, and then progressive charging above that level. It costs the taxpayer €650 per year to supply each one of us with potable water<sup>12</sup>. This proposal is in line with the recent OECD recommendations.<sup>13</sup> It is estimated that between 40-50% of all drinking water is unaccounted for through leakage and illegal use.

### 4.1.5. 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.

### 4.1.6. Subsidies

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

- Abolish PSO to peat fired electricity production
- Abolish Tax exemption of employee parking spaces
- Abolish red diesel.

### 4.1.7. 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 VRT on new car sales decreased by €674 million. We propose:

- Replacement of VRT with car charges that are based on car use;

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<sup>12</sup> Sue Scott. ESRI. Presentation Liberty Hall 10<sup>th</sup> January 2009.

<sup>13</sup> OECD Environmental Performance Reviews- Ireland – Conclusions and Recommendations, Nov 2009, page 11.

- Restructuring of motor tax to apply to all cars, including those registered before 2008

#### 4.1.8. 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 in the same way that the plastic bag tax and the land fill levies are at present the 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 large fines under both the Water Framework and Groundwater Directives.

## 4.2. Capital Expenditure

Capital expenditure over the coming years should have six main functions:

- Reducing Green House Gas emissions
- Building resilience to Climate Change
- Stimulating the economy
- Creating sustainable employment by greening the economy<sup>14</sup> with a concentration on unemployment black spots
- Full implementation of the Water Framework Directive
- Reinforcing our 'natural capital' as a basis for a new type of 'growth'

## 4.3. 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.

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<sup>14</sup> <http://ien.ie/files/2012/10/Creating-Sustainable-Employment-by-Greening-the-Economy1.pdf>

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- 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.

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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. 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 Organic Centre. Sonairte. Sustainable Ireland Cooperative. VOICE. Zero Waste Alliance Ireland