



Environmental Pillar Submission on the draft 2015 NRP for Ireland

The Environmental Pillar welcomes the opportunity to comment on the Draft NRP for Ireland and is committed to working with the Government throughout the Semester Process.

CSR 1

To support fiscal consolidation, consideration should be given to raising revenues through broadening the tax base. Enhance the growth and environmental friendliness of the tax system.

1. General points

In general there is a failure to incorporate environmental concerns into fiscal and taxation measures. In the last 4 years there has been almost no additional action to broaden the tax base in a manner that enhances the environmental friendliness of the Irish tax system. In its draft response, the raising of Ireland's carbon tax to €20 per tonne is highlighted. However, this took place in Oct 2012, some considerable time before the CSRs of mid-2014. The provision in the 2015 Budget for the use of Natural Gas as a Propellant, which allows for the taxation of natural gas and biogas when used as a road transport fuel, is welcome.

Two major opportunities were missed in the introduction of the Water Charges and Property Tax.

The introduction of a flat rate water charge broadens the tax base but totally fails to encourage sensible use of drinking water. 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.

Similarly the opportunity to introduce a site value tax that would have had the potential to drive the sustainable development of our villages, towns and cities was passed up in favour of a tax on development.

Discussion of a levy on single use items (non-rechargeable batteries, single-use cutlery etc), the revision of carbon tax rates, and the removal of carbon tax exemptions (e.g. incineration, thereby boosting recycling rates) should begin immediately.

2. Lessons to be learnt from past Irish success stories

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.

3. Environmentally Harmful Subsidies



Possible text for the NRP

Ireland has made the policy decision that it will discontinue the subsidisation of peat-burning, a particularly acute example of environmentally harmful subsidies (as the burning of peat results in the release of at least twice the GHG emissions as coal for the energy produced).

The Department of Energy has committed that it will not seek to extend the current programme of subsidies and this should be highlighted as being a particularly positive and progressive step taken by Ireland. The current cost is €80 million per annum

4. Widening the tax base and decreasing environmental harm

There is great potential for widening the tax base and at the same time reducing environmental impacts. Here are five examples.

4.1 Taxation of Goods Vehicles

Possible text for NRP

A consultation process closed at the end of January, a key part of which concerned the greening of Ireland's system of taxing goods vehicles.

While Ireland is acknowledged to have a progressive car tax system, reform regarding goods and agricultural vehicles had not kept pace.

The proposed reforms here can be expected during 2015 enactment in late 2015 / early 2016.

Rationale

While Ireland is acknowledged to have a progressive car tax system, reform regarding goods vehicles has not kept pace. On commercial vehicles, there is a lot to do - and time has become critical.

It's 3 to 5 times cheaper to tax a HGV in the UK. Tax on larger trucks is disproportionately high compared to UK - this leads to re-flagging and revenue loss. The 're-flagging' of large trucks is rife with more than 1,000 already lost to the UK tax net. One Dundalk operator has relocated 58 trucks to Liverpool - the revenue loss is €230,000 in road tax alone, This is. before wider revenue losses are considered (PAYE, USC, VAT, truck servicing etc)

For large trucks, the current tax system is bedevilled by legal uncertainties and the current system can in fact provide perverse incentives for high emissions.

For vans (and some smaller trucks) there is no incentive for low-emission vehicles (in effect there's a flat tax rate of €333)

Towards a solution: suggested 1st steps

- For the 290,000 smaller vans/jeeps, replace the €333 'flat rate' with 4 or 5 bands based on carrying capacity (Gross Vehicle Weight); "the legacy fleet"



- For newly-purchased vans/jeeps, introduce CO2 tax banding, i.e. similar to cars (but consider add-on tax cut where PM & NOx out-perform Euro standards)
- For larger goods vehicles, the rate will have to come down (to prevent further re-flagging) with a new system based on emissions, gross weight and with a Road User Charge element (with the RUC also applying to foreign registered trucks over 12 tonnes as in the UK)

4.2 Greening the VAT system

Possible text for NRP

Ireland acknowledges that VAT reform has great potential to secure sustainable consumption and production and is an area Ireland can embrace.

There is good literature in this regard (please see below) .

http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/economic_studies/study_on_reduced_vat_for_environmental_friendly_products_en.pdf

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

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

http://ec.europa.eu/environment/enveco/taxation/pdf/vat_summary.pdf

4.3 Pesticide Levy

Possible text for NRP

Ireland acknowledges the great strides made in other countries to reduce pesticide and herbicide use and will investigate the introduction of a pesticide levy during 2016, based on the Danish model.

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_differentiated_according_to_human_health_and_environmental_risks

3.4 Aggregates levy

Possible text for NRP

In order to promote recycling of aggregate and re-use of old buildings, an aggregate levy of €2.50 per tonne will be introduced in 2016.

What would an Aggregates levy involve?

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)
- 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 regulate quarries (i.e. take on illegal operators via the tax net)
- Raise revenue from a very resource-intensive sector
- 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), which equates to €2.50 charged on 32m tonnes p.a.

4.5 Agricultural Fuels

Taxes for agricultural and motor fuels should be equalised, in order to control oil laundering in the border region. There is plenty of evidence that the current legislation is having very negative environmental effects, with diesel sludge being dumped as far south as Dublin. This might be an opportunity to consider using other methods of subsidising agricultural fuels, in the fight against laundering.

The diesel racket is also estimated to have cost the state up to €150 million in lost taxes.

CSR 7: The Legal Services Regulation Bill and Courts Data Collection

Reduce the cost of legal proceedings and services and foster competition, including by enacting the Legal Services Regulation Bill by the end of 2014, including its provision allowing the establishment of multi-disciplinary practices, and by seeking to remove the solicitor's lien. Monitor its impact, including on the costs of legal services. Take executive steps to ensure that the Legal Services Regulatory Authority is operational without delay and that it meets its obligations under the legislation, including in terms of publishing regulations or guidelines for multi-disciplinary practices and the resolution of complaints. Improve data collection systems to enable quality and efficiency of judicial proceedings.

In this context the work being done to implement the access to Justice provisions of the Aarhus Convention deserves a mention in the NRP.

Progress toward our Europe 2020 Targets

The implementation of the Europe 2020 targets must be based on a balanced economic, environmental and social approach, and ensure the effective implementation of poverty, equality and environmental impact assessment at policy design stage, including of economic and budgetary policy.

Target 3- Climate Change and Energy



Reduce greenhouse gas emissions in the non-traded sector by 20% compared to 2005 levels; increase the share of renewables in final energy consumption to 16% by 2020; to move towards a 20% increase in energy efficiency.

We have come to the conclusion that, despite lip-service, the government has decided not to take any further steps to attempt to meet the 2020 GHG emissions target and is approaching the National Reform Programme and Semester processes in bad faith. Ireland must immediately develop a comprehensive framework and start taking concrete measures to meet the 2020 target for reducing greenhouse gas emissions from non-ETS activities.

1. Energy Efficiency

Progress in relation to improving energy efficiency in particular the efficiency of the existing building stock has slowed when it should be accelerated. Improving building energy efficiency would have multiple benefits in addition to reducing greenhouse gas emissions:

- public health (improved housing conditions)
- poverty alleviation
- highly employment intensive expenditure in a skill area with large numbers of unemployed (green economy)
- secure long term return on investment (suited for pension funds or other longterm investors)
- energy security
- energy import reduction

2. Renewable energy

Development of renewable energy needs to be maintained and increased. Ireland should open opportunities for household-level and other renewable energy micro-generation such as small wind turbines, solar panels and anaerobic digestion plants.

Co-benefits include:

- secure long term investment
- energy security
- air pollution

2.1 Promotion of Solar Energy Production

There is huge potential for electricity production from photovoltaic installations, as can be clearly seen from the German example. However this needs to be stimulated by giving reasonable recompense for electricity sold into the grid (REFit), and there needs to be security in any arrangements made. Following the failure of the voluntary scheme in which electricity companies were encouraged to purchase excess electricity from domestic photovoltaic energy production, the Government must make the scheme mandatory.

2.2 Promotion of Anaerobic Digesters



Given the huge issue of agricultural methane emissions from increased agricultural activity proposed under Food Harvest 2020 and its successor together with the removal of the Milk Quota it is extraordinary that the Government offers such a poor REFIT rate for electricity produced by Anaerobic Digestion. The current rate needs to be doubled if this win-win technology is to make the enormous strides it has in other countries including in Northern Ireland.

3. Transport

Ireland's GHG targets for 2020 and beyond are not being effectively integrated into transport policy. A new approach to transport policy and planning consistent with long-term decarbonisation is urgently required. This also has multiple co-benefits:

- Public health (active travel and reduced air pollution)
- Addressing transport poverty, difficulties accessing employment and services, social isolation
- Employment
- Energy security
- Secure long term return on investment

4. Agriculture, Forestry and other land use

Agriculture, forestry, peatland and land-use policies should address greenhouse gas emissions including

- a national programme for protecting and enhancing greenhouse gas sinks and reservoirs
- full integration of greenhouse gas impacts into Food Harvest 2020 or its replacement

Additional Reform Measures

Resource Efficiency

Ireland must promote and adopt the 'Resource Efficient Europe' principles contained in Europe 2020, which can be advanced through the phasing out of environmentally harmful subsidies, adopting market-based instruments to affect behavioural change and upgrading and installing smart interconnected transport and energy infrastructure.

Resource efficiency is a cross-cutting principle which promotes the decoupling of our economic growth from resource and energy use, and as such, should be a vibrant factor in tax reform, job creation and business growth and development. Such market-based instruments to encourage investment in resource efficient businesses and technologies include:

- removing tax incentives for peat-fired power plants,
- increasing the REFIT rate for anaerobic digesters to encourage the development of this renewable energy technology¹,

¹ See attached appendix 1 on the development of anaerobic digestion.



- adopting new economic instruments, including deposit/refund schemes, to enforce the polluter pays principle, encourage waste prevention and to recover valuable resources,
- Pursuing a more aggressive green procurement policy within all government departments, on both a national and local level²,
- Creating a fund for waste prevention initiatives and new SME ventures using innovative solutions to reduce the use of raw materials, reusing/repairing products or recycling products into new commercial commodities³.

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

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² See Environmental Pillar position on Greening the Economy.

<http://environmentalpillar.ie/files/2012/12/Greening-the-Economy-and-Creating-Sustainable-Employment.pdf>

³ Scotland offers £10 million in funding for zero waste initiatives.

<http://www.zerowastescotland.org.uk/category/what-we-offer/funding>