

Massive hike in carbon tax needed if Ireland to meet targets – ESRI

Latest figures suggest per capita emissions in Ireland are close to five tonnes of CO₂ a year – which translates to each citizen paying €100 a year based on the current carbon tax rate

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☰ Carbon tax will have to increase substantially – from €100 per person a year to €1,500 a year – if Ireland is to meet legally-binding targets on reducing greenhouse gas emissions by 2030, according to ESRI projections.

A new computational model developed by the institute that factors in economic data, environmental trends and energy consumption, has found carbon tax on fossil fuels will need to increase to €300 per tonne of carbon dioxide emitted over the coming decade to avoid substantial fines in the form of compliance costs.

The current rate of €20 per tonne was not increased in the budget as had been widely anticipated, although Taoiseach Leo Varadkar and Minister for Climate Action Richard Bruton have confirmed it is set to increase in coming years.

A rise to €30 a tonne as was envisaged would have added about €1 to a bag of coal and about 25 cent to a bale of briquettes, as well as increasing the price of oil and gas.

However, a €300 carbon tax would only be sufficient to enable Ireland to meet its targets if there were reductions in agricultural emissions in particular (currently accounting for a third of Ireland's emissions), the ESRI analysis shows.

If there was no reduction in carbon emissions arising from farming, a carbon tax rate of €470 per tonne by 2030 would be necessary, research officer Dr Kelly de Bruin confirmed at an ESRI briefing to launch its new Ireland Environment, Energy and Economy model (I3E).

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The required tax, she said, was far higher than the level called for by Prof John FitzGerald of the Climate Change Advisory Council, and what was sought by the Environmental Pillar, which represents the country's environmental and climate change NGOs.

Dr Kelly de Bruin accepted the necessary level of carbon tax "seems insane" but international research would confirm this is what's required – although Ireland has unique circumstances compared to other EU countries.

It was widely accepted that carbon tax was considered the most efficient way to reduce emissions, she stressed, and was needed as "the cornerstone of any carbon policy". Other climate mitigation measures were not factored into the ESRI's latest projections.

The carbon tax raised €390 million in 2014, but it should be noted it amounted to less than 2 per cent of total taxes on commodities that people pay every day, Dr Kelly added.

That said, she did not think we would see a €400 per tonne carbon tax "anytime soon". There was a lot of misconception about carbon tax, however, in that people feel it's already very high. "Carbon tax needs better marketing," she suggested.

The ESRI has done separate analysis on “compensation mechanisms” through the use of social welfare to cushion the effects of the tax on the disadvantaged.

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Ireland faces the most stringent reductions in emissions of any member state in what are known as “Non-Emissions Trading System” sectors which includes transport; agriculture, waste, services and government, Dr Kelly said. The EU Emissions Trading System applies mainly to large-scale industrial facilities and the aviation sector, which are heavy carbon polluters.

Non-ETS emissions in Ireland must be reduced by 20 per cent on 2005 levels by 2020, but the EPA estimates the overall reduction will be 1 per cent at best, due to economic growth and agricultural expansion. The 2030 target is 30 per cent.

In a scenario where targets are missed, Ireland is facing penalties or having to pay for carbon permits, which amounted to “lost money”, Dr Kelly said.

The I3E model has been developed to advise on climate policy making and project future greenhouse gas emissions, said ESRI director Alan Barrett. Having the new tool was “like welcoming a child into the family”, he added.

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