

# Chambers Ireland Submission on Long Term Strategy on Greenhouse Gas Emissions

December 2019

## Introduction

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to represent the views of businesses and understand their concerns.

Chambers Ireland is pleased to have the opportunity to submit our views as part of the Department's Long Term Strategy to reduce Greenhouse Gas Emissions. This submission has been drafted in consultation with members of our Chamber Network and associated policy fora, which represents the Chambers and their member companies.

At the outset we wish to confirm that Chambers Ireland is a strong supporter of the need to take urgent action to ensure Ireland meets its climate targets between now and 2050. Earlier this year, with the support of our network of 39 Chambers, we signed a pledge to advocate for the UN's Sustainable Development Goals. As part of this pledge, we have identified five of the goals that are of significance to the priorities and objectives of the Chamber network, including the goals of Climate Action, and Sustainable Cities and Communities.

In addition, the transition to a low-carbon sustainable economy has been identified by the Chamber Network as one of our top three priorities for 2019. Matters such as energy security, energy efficiency, climate adaptation and how businesses can incorporate a more "circular" approach to their operations are amongst the issues that are coming up for discussion within our Network. Our objective is to ensure that businesses are prepared for this transition but also to ensure that national and European policy makers base any decisions concerning targets, investment and regulation with needs of the Irish business and economic competitiveness in mind.

### *Energy Security for a Competitive Economy*

The secure and affordable provision of energy is of the utmost importance for every business in the country. The importance of protecting Ireland's energy security is likely to increase over the coming years due to demographic pressures, increased levels of economic activity, and potential political risks. Improving and expanding Ireland's grid infrastructure through increased investment must be prioritised. Energy capacity, continuity and security is extremely important for the ability of Ireland's regions to compete for investment and to attract companies to establish in an area. The FDI sectors which have typically established bases in Ireland and are significant contributors to Ireland's economy, such as pharmaceuticals, manufacturing, and ICT companies, are all heavily reliant on a sustainable and secure energy supply.

Further, Ireland remains very exposed to imported energy and we are dependent on other countries to supply us after they have met their own needs. Our interconnectedness to other countries is very limited which leaves us very vulnerable. This vulnerability has become even more evident over the course of the past two years when we consider the impact of extreme weather conditions on both our energy and water supply. This is compounded further by the uncertainty surrounding our future relationship with the UK following Brexit and the possible impacts on the Single Energy Market. Our exposure and vulnerability means that we should aim

to ensure that our energy needs are secured through a mix of sustainable, secure solutions, rather than waiting for an “ideal” fuel or becoming over-reliant on any one source. Ensuring a speedy transition to a net-zero carbon economy is an urgent task and immediate action is required.

### *Planning for a Sustainable Future*

As well as protecting our energy security, we must ensure that we are making strides towards decarbonising our energy supply as much as possible. Despite significant progress in the generation of renewable electricity, particularly in wind, Ireland will struggle to meet 2020 targets for carbon reduction and for renewable energy penetration. This will mean that we have even more to do in advance of 2030, with the cost of compliance continuing to increase in the meantime. Indeed, the cost of fines and impact for our economic competitiveness has been flagged by our Network as a concern and risk to the economy in the years ahead.

Therefore, it is important that we take this opportunity in considering our options on how we will achieve net-zero carbon emissions beyond 2050. Moving to a low carbon economy is a necessity and ensuring we can continue to do business means that both Government and the businesses community will need to make the right investments and put the correct plans in place. We will need to ensure that all new transportation, housing and infrastructure projects are designed to ensure that they can function in a low-carbon economy. Investment in the retrofitting of existing buildings must also be examined. Ensuring that we are investing in new technologies that will compliment how we decarbonise the economy is essential to our long term energy security and economic competitiveness. The use of hydrogen, biogas and carbon capture and storage should be explored by Government as a means of decarbonising much of the energy supply.

We welcome the Government’s work so far in developing the Climate Action Plan, however our short to medium term objectives over the next twenty years must be considered in tandem with the investments and long term planning that is required to ensure that we are prepared for the decades that follow. In our capacity as a business representative organisation, we have included comments on several of the themes outlined in the consultation document that the Government should consider ahead of submitting it’s Long Term Strategy on Reducing Greenhouse Gas Emissions.

### **Pathways to 2050**

By 2050, our energy production, the way we travel and how we consume will have to drastically change. Although we are not going to meet our 2020 targets, accelerated action through decarbonising the major emitter sectors will bring us closer to meeting future targets and combat the effects of climate change. If we are to achieve near zero-net emissions, investment must match the scale of the challenge. We have set out a range of recommendations that support the decarbonisation of the economy, the generation of more renewable electricity, and will support the business transition to a low carbon economy.

- Sustained and increased investment is needed in the electricity grid to ensure that it is future proofed and has the capacity to meet decarbonisation targets, including the progression of the North-South Interconnector and the Celtic Interconnector to ensure energy security for the island of Ireland.
- It is essential that we sufficiently resource those responsible for the construction and connection of new infrastructure, so that we can integrate both onshore and offshore energy into our grid. This includes the upgrading of the existing network at the earliest opportunity. Delays in this could see us missing our 2030 targets. Given the change in policy that the Climate Action Plan requires, the

upgrading of our electricity networks and the rapid integration of offshore and onshore renewable energy supplies is fundamental to the Plan's success.

- Very high levels of wind generation will see many hours with excess generation and so capturing the value of the excess will be key in decarbonising the wider energy system. It therefore seems intuitive that Ireland should be very interested in electricity storage (through a wide variety of means) and should seek to be at the forefront of research and development in this area. Storage technologies include battery storage at large and small scale and in vehicles, thermal storage in domestic hot water systems and in district heating systems, storage of hydrogen or ammonia derived from power to gas technologies.
- Of primary importance, is the speedy passage of the Marine Planning and Development Management Bill. We are at least seven years behind where we hoped we would be in terms of offshore energy development and we are also behind in our commitment to reduce greenhouse gas emissions, there is no room for further delays
- Offshore windfarm development does not feature as an element of our National Development Plan (NDP). While this scheme envisages that the National Marine Development Plan (NMDP) will align with the NDP, the NMDP should do more than that and be fully integrated into the NDP.
- Existing carbon taxes should be immediately ring-fenced and re-invested into public transport and infrastructure that supports the expansion of electric vehicle infrastructure and retrofitting of existing builds in parts of the country where there are fewer existing alternatives.
- Deliver a speedy implementation of the ban on the burning of smoky coal and other prohibited fuels.
- Ensure that funding and resources are allocated to research and innovative technologies such as Carbon Capture Storage (CCS).
- Future proof the existing gas-grid to ensure that we can use it for the delivery of alternative to natural gas (green hydrogen, etc.).
- Intensify efforts to meet afforestation targets of 8,100 hectares per annum from 2020 in order to meet 18% land cover target by 2046.
- Develop a national strategy for sustainable Anaerobic Digestion (AD) and research the possibility of providing AD low-interest loans, or grants relative to the installation costs, to support reducing agriculture emissions.

## Enterprise

There are opportunities associated with the Circular Economy in this instance through the development of a national platform sharing production/ material by-products for commercial repurposing. A progressive digital platform whereby businesses are encouraged through a market structure could be instrumental to incentivise the reuse and repurposing of materials, decreasing GHG emissions through incentivising collaboration while also encouraging natural clusters of complementary businesses across all sectors and sizes.

Enterprise can lead the way and there are excellent examples of enterprise already leading the way in GHG emission reductions however, the changes required are beyond any one sector or cohort of society. This is a challenge for all of society. The successful and just transition is pivoted on an 'all of society' approach from Government through advancing a favourable regulatory and public policy support framework, through appropriate subsidy provision and the support for new market structures, through aligned regional policies that support reskilling, and through structures that support a just transition. All cohorts of society need to lead on this and work collaboratively, supported by enabling Government policy, measures and supports.

While there are certainly GHG emissions reductions to be made via advancements in technologies, it is crucial that Government support industry in the transition with support for research, development and innovation, and reskilling/ training programmes. There are opportunities from a carbon offsetting perspective where emission reductions cannot be easily identified or adopted in the short to medium term. To this end, regional projects to expand on existing, and develop new carbon sinks should be identified and be accessible for involvement/ participation from large industry.

## **Built Environment**

### *Densification of Urban Spaces*

Effective spatial planning based on mixed used developments and the connectivity via public or sustainable transport modes of residential, amenity and employment locations has a major role to play in reducing traffic congestion and avoiding sprawl.

Spatial and economic planning plays a significant role in the creation of movement and investment patterns and their associated energy, carbon, environmental and social impacts. It is essential that at every juncture compact dense development is supported by high quality sustainable public transport corridors and services.

### *Retrofitting of Buildings*

As per targets in the NPF/NDP, it is expected that Ireland will add circa 500,000 houses to existing stock by 2050 and significant commercial build can be expected also. In practice, circa 40% of houses are installing heat pumps rather than fossil fuel boilers but even with this, the potential GHG emissions from fossil fuel boilers is significant and will represent a significant cost to Ireland as carbon costs increase.

Government must also seriously investigate how existing builds can be retro-fitted to become more energy efficient. At a domestic level, Ireland's houses use 7% more energy than the EU average and CO<sub>2</sub> emissions are 58% higher than the EU average with Ireland having by no means the coldest winters or the hottest summers. Furthermore, much of the commercial building stock is less efficient than it needs to be. Ireland's higher emissions than the EU average is driven by several factors including quality of building fabric, a lack of district heating and high levels of oil and peat burning.

The state cannot pay for every retrofit, but it can play a critical coordinating role. The key components of a retrofitting strategy are a skilled workforce, building materials, trusted advisors and low-cost finance. It is imperative that Government supports the development of a national strategy to develop the appropriate construction and advisory skills in this space to ensure that these objectives can be realised.

### *Climate Finance for the Transition*

While there is significant capital cost to this, particularly given the prevalence of one-off builds, we think it would be worthwhile to explore how Government might support homeowners to retro-fit existing buildings throughout the country, supporting citizens to reduce GHG emissions while increasing the value of their homes. Through the provision of advice, access to financial supports and investment in the right skills, homeowners will be enabled to retrofit and de-carbonise their homes, particularly in parts of the country where access to lower-carbons fuels, like natural gas, is not available

The importance of climate finance to Ireland's transition to a low carbon economy is crucial, with an overall national target to reach net zero carbon emissions by 2050, the growth of sustainable investment opportunities and portfolios is key to achieving our transition. Climate finance through responsible investment is pivotal to Ireland meeting commitments under the Paris Climate Accord, and to achieving our responsibilities to meet the global Sustainable Development Goals. We need accelerated market engagement with Climate Finance. There is significant opportunity for Ireland to diversify and strengthen investment and asset portfolios. Government supports to accelerate a shift in private financing investment options to sustainable investment portfolios, and the national banking sector to increase their overall percentage and availability of green funds to private homeowners and businesses, would be welcome. Government also needs to enhance the affordability and accessibility of the current grants towards the cost of energy efficiency improvements in the homes through the Better Energy Homes scheme and the SEAI Better Energy Warmer Homes scheme.

Finally, in consultation with our member Chambers, we believe there is an opportunity for the national introduction of a green mortgage model for business and homeowners. A special type of loan designed to make energy efficiency upgrades more affordable to homeowners and which have longer payback timeframes and favourable interest rates as is available in the US.

## Transport

Public and sustainable transport networks and infrastructure are fundamental building blocks to successfully decarbonise by 2050. Currently, Ireland is drastically lagging our European counterparts in terms of availability of public transport options and sustainable (cycle) network options for commuters. Our transport networks and infrastructure are not fit for purpose having been chronically under resourced in recent decades. This requires urgent investment.

Investment in public and sustainable transport infrastructure, technology and network is crucial and cannot be emphasised enough. Investment should be proactive and should be facilitative linking development with appropriate infrastructure and services.

Transport should be accessible and affordable to all. The most appropriate transport network will be determined by the land use planning, geography, and density of a location, varying on whether urban and rural and on the scale of the location. We take this opportunity to emphasise the principal requirement for the provision of a smart, integrated, accessible, affordable and clean technology public bus service network and infrastructure at local, regional, and national level.

For an urban environment, it is crucial that a connected and integrated transport network is supported and invested in. The network must incorporate a variety of transport modes to include bus, commuter rail, light rail (where appropriate), cycle infrastructure, water transport, and pedestrian friendly pavements and associated infrastructure i.e. pelican crossings. For a rural environment, we commend the NTA's support for LocalLink and encourage that support continues to be enhanced for this service. In a rural setting, it is far more limited as regards the availability and access to public transport services. However, it is essential that rural routes and the continued provision of access to public transport is not solely focused on profitability. Dependent on geography, bus is the most likely and appropriate form of transport for rural areas. Supporting car share scheme (e.g. GoCar) in rural areas and making these more affordable to take account of longer travel distances and times could be beneficial. Finally, greenway cycle routes connecting rural towns have a strong potential to encourage active travel for commuters as well as for leisure. Along with GHG reductions,

the continued support for cycle networks routes in rural and urban locations are a gamechanger in facilitating active and safe travel.

Nationally we need to be far more ambitious in the adoption of green technology. We must electrify our rail. We must have biomethane/electric/ or hydrogen for our buses and HGVs (or a combination of these). It is unacceptable to drift over the coming years using traditional or mild hybrid technologies. Specifically, for heavy duty and long-distance vehicles, a transition from compressed natural gas to biomethane should be accelerated to ensure we are on track to cut GHG emissions with other technologies being explored as they become more dependable for transport vehicles in this category. The future is a blend of generative sources. We must have urgency in the adoption of progressive green technologies, and this must be reflected in all national and local authority tendering.

### **Waste and Circular Economy**

Businesses are acutely aware that environmental measures and EU Directives are coming down the line as the world gets serious about climate change, habitat protection and the urgency to alter waste and consumption habits and behaviours. The move towards a circular economy, with the correct funding and infrastructure to enable businesses to make a coherent transition, must be a priority for Government as part of the Climate Action Plan. If Ireland is to meet the waste and carbon reduction targets by 2030 and 2050, it is critical that the introduction of any environmental levies must not harm the competitiveness of businesses who are taking the lead in transitioning to the circular economy by adjusting their supply chains in order to adopt sustainable, compostable, and circular materials. Therefore, Chambers Ireland recommends the following:

- Businesses must be facilitated to accommodate a 'Just Transition' that safeguards employment and economic activity. Therefore, we strongly propose that a proportion of the Environmental Fund is ring-fenced to support businesses and producers to make this transition and move away from the production of lightweight and medium weight plastic bags. We urge the inclusion of a national ban date of single-use plastic bags to aid businesses to prepare in advance. This should be considered in the medium-term (within 3 to 5 years) with measures, supports and activities undertaken immediately to support a transition to bio-economy alternatives or 'bag for life' alternatives, all of which is supported strategically and overseen by a Just Transition Commissioner.
- To protect business competitiveness, a levy exemption, or very low levy, should be applied to sustainable, compostable coffee cups and food packaging containers for business that have adopted circular economy supply chains already. Unrecyclable single-use coffee cups must be banned in the medium-term with an agreed-upon date for businesses to make the transition. A levy close to €1 should be applied to such single-use cups in the transition period. Moreover, we advocate for the introduction of a national CupSwap Scheme where a standardised cup would support the flexibility of 'grabbing a coffee on the go' while promoting an affordable and flexible reusable alternative to single-use cups.
- Similarly, businesses should be supported in transitioning to re-usable and compostable food-packaging materials. Like coffee cups, unrecyclable single-use food packaging must be banned in the medium-term (within 3 to 5 years) with an agreed-upon date for businesses to make the transition. Such unrecyclable packaging should be subject to a higher levy during the transition period to actively discourage the consumption of single-use packaging, taking into consideration all socio-economic circumstances. The price of any levy will determine the rate at which we see a dramatic reduction in this type of waste.

- The adoption of an Extended Producer Responsibility scheme under the Waste Management Act 1996 so that the costs of managing the end of life of a product are shared between Government, industry and consumer should be a priority for Government in achieving a circular economy, in line with the Climate Action Plan. The full internalisation of environmental costs would allow for the financing of a sustainable and economically efficient management of waste.
- The Environment Levy should be ringfenced to fund deficit infrastructure for recycling, waste recovery, composting, waste to energy district schemes, education and awareness raising across all of society e.g. in classrooms, in businesses and for consumers, to support circular economy models/social enterprises and projects to inform and educate business to design out waste. The Environment Levy when strictly ringfenced should support research development and innovation and to increase the affordability of alternatives for businesses.

We remind policy-makers and legislators that ahead of the introduction of new changes to how we manage waste, that there is an opportunity to engage with private sector business representation as a partner, and we believe there are practical benefits in this approach. Constructive engagement with the business community is instrumental in facilitating representative discussions on future pathways and actions. Through a collective discussion, policy is informed via ground-up engagement.

## Just Transition

It is imperative to all activity, including economic activities and future growth, that behaviours and policies are changed. We need supportive policies and opportunities for businesses to make this transition nationwide. In representing the voice of business, we highlight the need for 'certainty' for business to facilitate future planning decisions and investment. In a time of increasing geopolitical change and associated trade uncertainty especially in the context of Brexit, more than ever business needs certainty.

[In our Submission to the Department of Finance, we acknowledged that the positive role that Carbon Tax could play in reducing Greenhouse Gas emissions](#), however we included the caveat that this would only be effective if matched by suitable investments and incentives that support a change in behaviour. Future carbon tax increases must not take place in isolation. Alternatives must exist for businesses and consumers to mitigate a negative impact of an increase with, for example, those in a rural environment. Changes in behaviour will only occur if there are viable user-friendly alternatives in place.

The possibility of displacement is a major concern to the Chamber network when it comes to increasing the rate of tax. Without real alternatives, there is the risk of introducing an unjust tax that unfairly impacts SMEs, those who have lower incomes and those residing in parts of the country that have long commutes by car and insufficient access to green transport. There are additional concerns that a tax on carbon-based fuel that is not increased on an all-Island basis, will negatively impact our border regions. A lack of cohesion in tax policy could be a major risk to local economies operating in the border regions as the change in consumer behaviour that is induced could be travelling to Northern Ireland for lower cost options.

As part of our [Pre-Budget Submission](#), published earlier this year, we recommended that the Department of Finance and Public Expenditure immediately ringfence existing Carbon Tax revenues, and target these funds towards green investments, particularly in infrastructure, so that alternatives to carbon-based fuels are an option. Rural communities are disproportionately affected in comparison to those in an urban setting with transport alternatives and adequate transport infrastructure e.g. relative low permeability of electric car chargers in rural Ireland.

Further, ahead of the introduction of phased increases to Carbon Tax, we call on Government to commit to carrying out an impact assessment on the consequences of these increases for SMEs and consumers. A paper published by the ESRI in 2018 noted that a carbon tax pathway should be designed to ensure a smooth and least cost transition to a low-carbon economy. Access to additional research, through a focused impact assessment, will enhance our understanding of the direct and indirect macroeconomic implications of the tax and identify which sectors and household groups are affected.

As the tax increases to €80 a tonne by 2030 (which may increase even further in the following decades, we must ensure that it changes behaviour, rather than penalise behaviour, and contribute to segments of the wider society and economy falling behind. Taxes from ring-fencing must be clearly directed to support policy interventions and to increase the affordability of alternatives to our current carbon intensive lifestyles. For example:

- To fund sustainable transport including cycling infrastructure, Electric Vehicles and public transport
- To enhance the current grant scheme 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
- To incentivise business moving away from the use of fossil fuels to more sustainable production methods.

## Conclusion

The primary focus of the Government's long term strategy should be on resilience and capacity building across all services, infrastructure, energy, networks and communities. Chambers Ireland highlights the innovative nature and the strong entrepreneurial composition of Ireland's business community. Support for innovation and new thinking will be key to accelerating a GHG emission reductions. The encouragement of innovation will be essential in adopting a flexible, agile and proactive response and to pre-empt economic impacts and to negate any potentially negative societal impacts.

From a purely economic perspective, the cost of inaction is far off balance with the benefits of action considering the financial penalties payable of up to €150 million per annum. Ireland is clearly missing out on opportunities to shift to a clean energy and tech society and the benefits that this could bring to our wider economy, society and environment.

The focus on implementation, monitoring and evaluation is an essential element of this and needs to reflect the urgency and responsiveness required. As this will be the framework for implementing and driving forward actions, the establishment of key performance indicators are essential, as is the commitment to ongoing review and updating as conditions change.

We emphasise the value of public consultations and welcome future opportunities to engage on this and associated topics