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Department of Communications
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Noel Dempsey T.D.
Minister for Communications, Marine and Natural Resources
29-31 Adelaide Road
Dublin 2

1st November 2006

Re: Suggested incentive based scheme to encourage carbon emission reduction

Dear Minister Dempsey

I am writing in advance of the budget, although I know this is probably very late in the process. I have had a thought process regarding what Ireland can do in relation to climate change and curbing harmful emissions that has been developing over time and the recent Stern report has crystalised this process further. I'd like to put forward to you a positive method of reducing carbon emissions in Ireland.

It is becoming generally accepted that we are in the course of climate change resulting from human actions and, that in order to prevent a more significant change, we need to take substantial action. The earlier such action is taken the less the economic impact on Ireland is likely to become. Indeed, the costs of changing our way of doing things both as individuals and in business can be offset to some extent by the opportunities to create new technologies that this situation offers.

The UK appears to some extent to be going down the route of carbon related taxation, but another option available, which could avoid carbon related taxation if successful. This option is to offer tax benefits to motivate individuals and companies to conserve energy and to encourage innovation in alternative energy and energy conservation technologies.

Incentivising positive behaviour rather than penalising negative behaviours through taxation, while probably not having as dramatic an effect in reducing emissions, would be viewed more positively and would at least stave off carbon related taxation for some time, while still improving the situation. In addition people will feel that they are playing some part in improving the environment's prospects. Making progress on emissions now also lessens the possibility of financial penalties for failing to meet targets (or dramatic changes to meet them) further down the line, should they be introduced under a future Kyoto-type agreement.

If we view carbon emission from individuals and companies as ranging from more obvious issues such as fossil fuel use (transport and heating) and electricity use to the carbon emission content of products and raw materials they use, steps taken that reduce their carbon imprint would be rewarded.

What I am proposing are voluntary tax based incentives (as opposed to penalties) that would encourage individuals and companies to reduce carbon emissions and develop technologies that would aid this process. A number of possible situations where tax incentives could be introduced include:

- Companies that reduce emissions year on year relative to a suitable metric (such as revenues, fixed assets or number of employees) could apply for tax allowances (perhaps at a higher rate than corporation tax) on some basis relative to the improvement – could be benchmarked against all participating companies.
 - Emissions could be viewed on a more simplistic level such as transport (from road to air travel), industrial or heating fossil fuel consumption and electricity usage, or on a more complex level including the carbon emission impact of products consumed and raw materials used.
- Companies that make their products more energy efficient, create new technologies that aid in energy conservation or that provide cleaner energy production could apply for tax allowances (again perhaps at a higher rate than corporation tax)
 - Examples range from builders and architects designing houses that go above and beyond current requirements and make houses more energy efficient, making more use of renewable energy, to research into and development of new products that conserve energy.
- Individuals (or households) that reduce their emissions (per person in a household) relative to the previous year could apply for a tax credit based on the improvement in emissions per person per household. Emission calculations could be based on oil or gas consumed, electricity usage, car or other land transport, as well as sea and air travel.

Along with tax credits for reducing carbon footprint a voluntary national carbon offset programme could be created, with a lower tax incentive for contributing to such a fund, as a partial or complete offset to emissions by an individual or company. These offsets could not be used in any calculation of reduce carbon emissions (discussed above). The lower tax benefit from contributing to a carbon offset fund would be to discourage the use of offsets as a means of clearing ones conscience, while not amending behaviour to reduce emissions. I would not advocate the acceptance of contributions to international unregulated offset schemes (of which there are many), but the choice of a national scheme, regulated private company schemes and private independently operated schemes (like charities).

These schemes would encourage energy efficiency along a number of lines including:

- Provision of grants to make homes more energy efficient (including the use of renewable energy), with an emphasis on the less well off. Company private schemes could direct funds towards their employee's homes energy conservation improvements.

- Funding for research and development of new products that enhance energy conservation or new technologies for renewable energy.
- Investment in suitable renewable energy infrastructure (there is a debate, of which you are probably much more knowledgeable than I, as to whether wind farms produce a consistent and useful supply of electricity to the national grid). One possible investment could be in a national distribution network for bio-fuels.

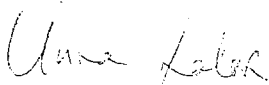
I am no expert on tax and would not presume to know exactly how such incentives would work in practice. However, it is important that any incentive offers the encouragement to offset emissions or create energy saving behaviour, while not creating a loophole such that people and business entities would benefit financially by increasing emissions.

I am aware that what I am proposing is relatively complex and it would probably take some time to get the relevant systems and processes in place before such a model could be operational. It would require suitable audit procedures to ensure no abuses took place as well as the regulation and audit of offset funds (to ensure funds are being used economically and have low overheads).

What I have outlined is purely an idea (with both positives and negatives I'm sure), but perhaps you can see how a version of it would be workable, as I do believe that it is not a case of *if we do something* on climate change, but *when*. Obviously any large scale version of this would be not workable by budget time, but perhaps some small aspect of it could be and a more significant version of this could be signalled at that stage.

I appreciate your taking the time out of your busy schedule to read this proposal. If you would like to discuss it in more detail I can be contacted at the above address, by e-mail at

Yours sincerely



Anna Lalor