

Adapting to the Carbon Tax

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Few of us like taxes. Edmund Burke captured the typical mood: 'To tax and to please, no more than to love and be wise, is not given to men.' A Japanese expression – 'A new tax is a bad tax' – is a mantra that appeals to many. But, very occasionally, a new tax is a good tax.

Charging ourselves for emitting greenhouse gases to the atmosphere is something we should welcome. The reason is that the capacity of the atmosphere to absorb more of these gases is very limited, and access to this capacity now has to be rationed if we are to succeed in avoiding the risk of catastrophic climate change. We – in the rich west – have used up most of this capacity; what little remains we need to leave for those who haven't yet had the opportunity to develop.

A carbon tax is, in effect, a charge for disposing of our waste to the atmosphere. It is fair, because those who emit most pay most: the 'polluter pays' principle in action. It is efficient, because it does not forbid emissions, so it provides flexibility and it also encourages innovation and the development of the green economy and green-collar jobs: if a better technology or management system is developed that will reduce emissions, there is an immediate cash payoff, as the financial yield achieved by the reductions can reward the innovator.

And so the decision by the Irish Government to include a carbon tax in its budget for 2010 is to be welcomed, even by those of us who will end up paying it. The tax was recommended by the Commission on Taxation and if its specifications are followed, it will apply to the carbon content in fuels used to heat households and business, and fuel for transport, i.e. all activity not covered by the European Union Emissions Trading Scheme, based on a standardised measure of CO₂ content of the energy product.

Those of us who can, should use the flexibility provided to reduce our emissions. The Government recently launched a website where you can make a commitment to reduce your emissions by 10 per cent by 2010 (www.1010.ie). This site provides good advice on how to reduce your heating costs by 10 per cent, which should be enough in most cases to avoid paying extra for your fuel bill even with the tax.

Exemptions from the carbon tax should not be allowed, except perhaps for businesses that are significantly exposed to international trade and that commit in a legally-binding agreement to achieve internationally the most demanding energy-efficiency standards.

It might be argued, for example, that those who purchased homes in commuter towns during the boom years should be exempted, on the basis that they – as a group – are suffering from negative equity and salary cuts, and the use of cars remains essential to commuter life.

The problem is that exemption is another way of saying: 'Someone else should pay'. As a country, we have in effect been given a shrinking amount of the atmosphere to use as a sink into which to dump the carbon wastes we produce when we burn fuel. If commuters don't cut back, then others must do more. And who should take on this extra burden?

Farmers and rural-dwellers will argue that they are even more disadvantaged, as they have to use their vehicles to work, shop and socialise – far from taking on the burden of commuters, they will be arguing for exemptions. City and suburban-dwellers who walk, cycle, bus, train and drive shorter distances to work will argue that they are already contributing least to global warming, and it would be unfair to make them pay for

the rest by requiring them to do even more. 'We are all special cases' – Camus' famous observation applies.

For all who have to drive, the following are ways to limit the pain:

- Keep at or below the speed limit. Every 8kph (5mph) over 100kph (about 60mph) can reduce your fuel economy by 7-8 per cent.
- Fixing a car that is noticeably out of tune can improve fuel performance by about 4 per cent.
- Keeping tyres inflated to the recommended pressure can improve fuel economy by up to 5 per cent.

If you are already doing all that, consider finding just one other to share the trip with you one day a week, on alternate weeks. Action along these lines will cut your fuel bill by 20-30 per cent, and allow you to absorb the carbon tax without damage to your pocket. Whenever you change cars, if you have an 'average' saloon car, you can cut your fuel use and emissions by 50 per cent by making the right purchase. There are comparable savings to be made in your heating bill in the house, which you can find out about on the Sustainable Energy Ireland website, www.sei.ie.

Introducing a carbon tax is not going to be easy or painless, but we have to start charging ourselves for the use of the atmosphere or our chances of making the changes in behaviour needed to save us from disaster are slim. And if we can use some of the money earned from the tax to protect our most vulnerable from fuel poverty by insulating their homes, and support innovation that creates green collar jobs, we will all win.