



Society of St. Vincent de Paul

CARBON TAXES

Submission to the Department of Finance

JUNE 28, 2019

SVP SOCIAL JUSTICE AND POLICY TEAM

Introduction

The Society of St. Vincent de Paul is the largest charity of social concern in Ireland and working to address energy poverty is a core aspect of our work – the solutions to which are closely related to tackling climate change. Our work in communities across the country demonstrates that energy poverty remains a major issue affecting large volumes of households, estimated at up to 28% of the population.¹

SVP are concerned that poorer communities across the globe are more likely to experience the effects of climate change such as flooding and drought, and the UN estimate that climate change could push 120 million people into poverty by 2030.² We are fully supportive of efforts to reduce our carbon emissions and invest in sustainable and renewable energy generation. Ireland is committed to implementing the Sustainable Development Goals, but progress under Goal 13 – Take urgent action to combat climate change and its impacts – has been slow. The world continues to experience rising sea levels, increasing concentrations of greenhouse gases and extreme weather conditions, with 2017 one of the three warmest years ever on record.³ Governments across the world will have to do considerably more to avoid environmental catastrophe. However, we believe that the cost of climate action must not fall disproportionately on low income households here in Ireland.

SVP welcome the opportunity to respond to the consultation on the options for the use of revenues raised from increases in carbon tax. In this submission we outline our experiences of supporting those living in energy poor homes and consider the impact of further increases in the carbon tax on the households' SVP assist. The submission also sets out policy options that would alleviate energy poverty and help meet our climate change mitigation targets.

SVP's Experience of Supporting Households in Energy Poverty

For many thousands of people that SVP supports, opening a utility bill is a major source of stress and anxiety. As well as supporting households to manage their finances, the Society also works with families and individuals to try to help reduce their energy bills. Amid the current housing crisis, our members are meeting more and more families who are forced to put up with sub standard accommodation with issues like damp and mould commonplace. We are concerned about the risk of poor health and well-being for those living in these conditions for long periods of time.

“There are six of us with two bedrooms, living room, kitchen and bathroom. We have one small heater, and we move it from room to room.” (SVP/VPSJ, 2018) ⁴

¹ DCENR & Element Energy (2015) Bottom-up analysis of fuel poverty in Ireland.

<https://www.dccae.gov.ie/documents/AnObjectiveAnalysisofEnergyPovertyinIreland.pdf>

² Report of the Special Rapporteur on extreme poverty and human rights (2019) Climate change and poverty

<https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=24735&LangID=E>

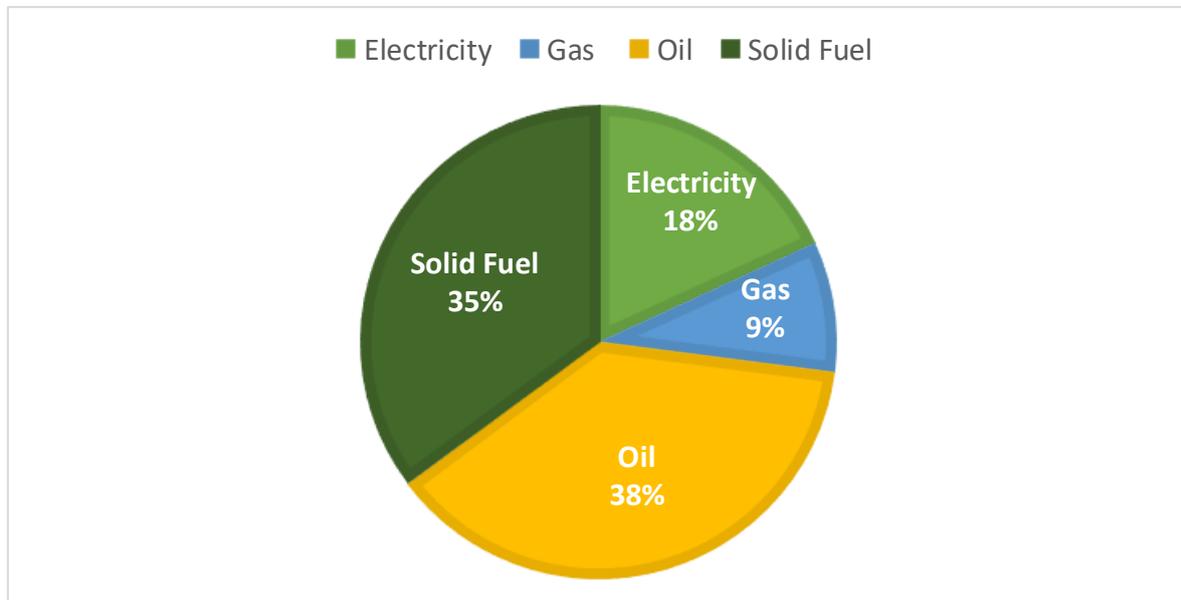
³ United Nations (2018) Sustainable Development Goals Knowledge Platform:

<https://sustainabledevelopment.un.org/sdg13>

⁴ In 2018 SVP published a report entitled “Stories of Struggle”. The research, carried out by the Vincentian Partnership for Social Justice,

In 2017, fuel and utilities represented 15% of our overall expenditure on direct assistance to households (€30 million).⁵ Figure 1 shows that over 70% of this expenditure is on solid fuel and oil.⁶ This is due to the greater difficulties households, particularly rural households, reliant on oil have in heating their homes. It is our experience that people are often unable to afford a full fill of home heating oil and may supplement with solid fuel.

Figure 1: Breakdown of SVP's energy spend in 2018



“The Fuel Allowance limits the heating [oil] to thirty minutes in the morning and an hour and a half in the evening”. (SVP/VPSJ, 2018)

In terms of transport costs, the greater reliance on private transport among rural communities, means that low income households in these areas will be significantly impacted by increases in the carbon tax. The additional costs faced by households living in rural areas has been extensively researched by the Vincentian Partnership for Social Justice (VPSJ). Their research is focus group led, working with members of the public to establish social consensus on what is needed for a minimum living standard. It produces detailed household budgets which establish what is needed for an acceptable Minimum Essential Standard of Living (MESL), for 90% of households in Ireland.⁷

“I can't afford to fill the oil tank; I can fill a barrel with kerosene from time to time or get fifty euro of briquettes or coal. It's a big home but very cold and my daughter is asthmatic.” (SVP/VPSJ, 2018)

⁵ SVP Financial Statement 2017 <https://www.svp.ie/news-media/publications/svp-financial-statements.aspx>

⁶ Note data in figure 1 relates to inputted information based on 8233 visits in 2018 and just €773,150 of SVP's total energy spend.

⁷ For more information on the VPSJ Budget Research Standards visit: <https://www.budgeting.ie/>

The VPSJ find that households in rural areas have different and additional needs to meet the same socially acceptable minimum standard of living as households based in urban areas. Core costs (before housing) are generally higher in rural areas, primarily due to additional costs related to transport and home energy. For rural households' private transport is a minimum need, as public transport options are limited and do not tend to offer an adequate level of service to rely on to meet all transport needs.⁸ Their research finds that car related costs (fuel, maintenance, insurance, etc.) add an additional €59, per week. They also highlight higher household energy due to use of home heating oil as opposed to gas in an urban area.⁹

I'm stuck in the house and I get depressed, my family [don't live locally] and there's only one bus a day from here and bus fares are expensive, so I see little of my parents... (SVP/VPSJ, 2018)

Research by the ESRI has shown that an increase in the carbon tax, as it is currently designed, would hit low income households harder.¹⁰ Therefore, unless there is greater investment in income support, public transport and energy efficiency schemes, low income households will have to absorb these costs as they are unable to afford the switch to climate friendly alternatives.

Shortcomings in Current Supports for Energy Poor Households

We note that the consultation document refers to a set of options for the use of revenues raised from increases in carbon tax. In this section we outline the limitations of current supports for households experiencing energy poverty and how some of the proposed options from the Department of Finance would impact households in energy poverty.

When considering options for carbon taxes it is critical to ensure that low income households are protected from energy price hikes, and that everyone, regardless of income, has access to opportunities to adapt and embrace low carbon alternatives.

Energy unaffordability persists despite the availability of energy income supports

SVP are concerned that energy unaffordability persists despite the availability of energy income supports and without accounting for any increases in carbon taxes. Electricity and gas prices have increased by over 29% since 2010. Considering the Public Service Obligation (PSO) levy, standing charges and VAT, the uncontrollable related costs of the average electricity bill in an urban area account for 37%. For rural areas, this increases to 39%.¹¹

It is estimated that the average Irish household uses 11,000 kWh of gas every year, therefore the carbon tax currently adds around €46.20 to the annual natural gas bill, or €7.70 on every bi-monthly bill. However, if the tax were to increase to €30 per tonne, it would add €57.75 (including VAT) a

⁸ Vincentian Partnership for Social Justice (2019) Minimum Essential Standard of Living 2019: Update Report. <https://www.budgeting.ie/publications/mesl-2019/>

⁹ Ibid

¹⁰ ESRI (2018) The Economic and Environmental Impacts of Increasing the Irish Carbon Tax. <https://www.esri.ie/pubs/RS79.pdf>

¹¹ SVP calculations based on an urban domestic average of 3600kWh and a rural domestic average consumption of 39000kWh. <https://www.cru.ie/wp-content/uploads/2017/07/CER17042-Review-of-Typical-Consumption-Figures-Decision-Paper-1.pdf>

year to the average bill or €9.63 on every bi-monthly bill. This will increase the fixed and uncontrollable costs attached to the average utility bill.

At current levels Fuel Allowance is insufficient to meet the cost of energy for people on low incomes. An additional week of fuel allowance was introduced in Budget 2019. This brought the payment to €630. However, the fuel allowance is still 29% lower than 2010 in terms of purchasing parity as cuts to Fuel Allowance and subsequent price increases have resulted in a significant loss of value in real terms. This is before accounting for the impact on an increase in the carbon tax on purchasing power.

Exceptional Needs Payments can be requested from the Department of Social Protection to help meet energy costs. However, the payment is discretionary and is not designed for persistent energy poverty alleviation. As well as being insufficient in meeting rising energy costs, energy income supports are not always directly spent on utility bills as they are generally paid to households that experience multiple types of poverty. Furthermore, both the ENPs and the Fuel Allowance are highly means tested payments and if carbon increases were to be offset through these schemes, many people experiencing energy poverty would not be compensated.

It is SVP's view that increasing the fuel allowance alone will be insufficient to compensate for increases in the carbon tax and other mechanisms to protect low income households from carbon pricing should be examined and included. This may include recycling the revenues via the tax and benefit system as proposed by the ESRI, which is found to be the most equitable option and administratively straight forward.¹² However, increases in maximum social welfare rates to compensate for carbon tax increases must be made with due consideration to advancing broader policy goals of improving income adequacy and reducing poverty.¹³

Current energy efficiency schemes for low income households are limited

SVP is supportive of the *Warmer Home Scheme* which is available to social welfare recipients who own their own home. However, there are challenges in terms of access to and take up of these schemes. Data from the Department of Communications, Climate Action and Environment shows that 75% of applicants for the Warmer Home Scheme qualified based on being in receipt of Fuel Allowance— the majority of which were pensioners.¹⁴ The remainder were in receipt of One Parent Family Payment, Carer's Allowance or Jobseekers. Therefore, the Warmer Homes Scheme may be a good option for older people but for low income households with children, it is more likely they are living in social housing or the private rented sector.

There is also a cohort of owner occupiers who may be experiencing energy poverty but do not meet the strict criteria for the Warmer Home Scheme. A key finding from research by the ESRI in 2018 was that there is a cohort of homeowners who are not eligible for the Warmer Homes Scheme but their circumstances, due to budget or credit constraints, preclude them from participating in the

¹² Bercholz, M. and Roantree, B. (2019) Carbon taxes and compensation options.
<https://www.esri.ie/publications/carbon-taxes-and-compensation-options>

¹³ See the Income Adequacy section (page 8 & 9) of SVP's 2020 Pre Budget Submission

<https://www.svp.ie/getdoc/87b4f842-3adf-4a1d-a9e3-021f1fb4163c/investing-in-a-just-society.aspx>

¹⁴ Communication with the energy affordability section of the Department of Communications, Climate Action and Environment

more general *Better Energy Homes* scheme as it requires upfront payment which can only be claimed back after the works.¹⁵

In terms of social housing, the Department of Housing, Planning and Local Government has upgraded 68,000 local authority homes since 2014 with cavity wall and attic insulation and it is estimated that approximately 30% of social housing stock, is more than 40 years old, which would equate to approximately 40,000 more units.¹⁶ The commitment to conduct deeper retrofits of Local Authority housing in the Climate Action Plan is therefore welcome.

Research conducted on behalf of SVP by the Vincentian Partnership for Social Justice (VPSJ) showed that the private rented sector has higher proportions of E, F and G Building Energy Ratings (BERs) than either local authority or owner-occupied homes.¹⁷ The Housing Standards 2009 do not include measures to realise energy efficiency in private rented dwellings and while a BER rating is required in order to let a dwelling, there is no minimum BER threshold below which a dwelling is considered unfit for letting. The introduction of minimum energy efficiency standards in this sector would reduce our carbon emissions, reduce fuel poverty and improve people's health and wellbeing. However, without proper implementation and resources, there could be potentially negative impacts on housing supply and rents. Currently, there are insufficient incentives and obligations for private landlords to consider upgrading and retrofitting their properties and tenants are unlikely to invest in measures that will only have a longer term pay back in terms of reduced energy costs. Despite these challenges however, there is an opportunity to move toward real security of tenure, upgrade the building stock and create a modern fit-for-purpose rental sector.

While much progress has been made in recent years regarding energy efficiency schemes, a lot more investment is required to further improve the energy performance of our entire housing stock, with a focus on the private rented sector. We note that the Climate Action Plan commits to "review ways to improve how current energy poverty schemes target those most in need" and to "enhance the delivery model and supports for households with lower income to improve the energy efficiency and comfort of their homes".¹⁸ However, in terms of supporting actions, the plan did not include enough detail of how low income households could upgrade and retrofit their homes. SVP are concerned that if grants are enhanced without examining eligibility criteria or measures to support take up across tenure type, it will not be an effective mechanism for protecting vulnerable households from increases in the carbon tax. Furthermore, research from the VPSJ found that improvements in energy efficiency alone will not enable vulnerable households afford their minimum energy needs. Even at the highest efficiency level examined, social welfare dependent households tended to remain in energy poverty due to income inadequacy.¹⁹

¹⁵ Collins, M., Dempsey, S., and Curtis, J., "Householder preferences for the design of an energy efficiency retrofit subsidy in Ireland", *Economic and Social Review*, 49(2) 145–172: <https://www.esr.ie/article/view/916>

¹⁶ Joint Oireachtas Committee on Climate Action
<https://www.kildarestreet.com/committees/?id=2018-10-10a.5&s=retrofitting+social+housing#g7>

¹⁷ Vincentian Partnership for Social Justice (2014) Minimum Household Energy Need.
<https://www.svp.ie/getattachment/716d46e2-e390-4fce-8e4e-cc3fb2297f62/Minimum-Household-Energy-Need-VPSJ-Research-report.aspx>

¹⁸ Department of Communications, Climate Action and Environment (2019) Climate Action Plan 2019
<https://www.gov.ie/en/publication/5350ae-climate-action-plan/>

¹⁹ Vincentian Partnership for Social Justice (2014) Minimum Household Energy Need.
<https://www.svp.ie/getattachment/716d46e2-e390-4fce-8e4e-cc3fb2297f62/Minimum-Household-Energy-Need-VPSJ-Research-report.aspx>

Car dependency and a lack of transport in rural areas is a key policy challenge

As already outlined the reliance of rural households on private cars in order to avail of public services, employment opportunities, healthcare and recreational activities is a key challenge for policy makers. A lack of an integrated public transport system connecting more remote areas to major urban centres has a significant impact on quality of life and on households' ability to afford a minimum essential standard of living. It impacts on people on low incomes, those with a disability, or the elderly who may not have access to a car and depend on public transport. The development of Rural Transport Scheme (Local Link) is welcome, however sustained and increased investment is required. We are concerned that the Climate Action Plan 2019 and Ireland 2040 does not include sufficient detail on how infrastructure to support these communities is achieved and to ensure they are not impacted by an increase in the carbon tax.

Conclusions and recommendations

In order to meet our climate obligations and to ensure a socially just transition to a low carbon economy, tackling energy poverty must be the cornerstone of Ireland's environmental policy.

SVP want to see the following principles incorporated into all policy and budgetary decisions relating to climate action:

- Meet our climate change obligations by setting an ambitious target, accompanied by supporting actions, to eliminate energy poverty by 2030.
- Poverty proof all climate change mitigation measures to ensure low income households, particularly those living in rural areas, are not adversely affected.
- Ensure policy coherence across several dimensions by integrating the Sustainable Development Goals of ending poverty (Goal 1), affordable and clean energy (Goal 7), decent work and economic growth (Goal 8), and climate action (Goal 13) into all relevant policy frameworks and monitoring mechanisms.

In terms of more specific measures, SVP's pre budget submission 2020 recommends the following measures are implemented in order to combat energy poverty.²⁰

- Pilot an initiative of Community Energy Advisors working in partnership with the Sustainable Energy Authority of Ireland (SEAI) to engage and inform hard to reach energy users who would most benefit from energy efficiency schemes across all housing tenures.
- Ensure sufficient funding is available to allow Local Authorities to complete the energy retrofitting of social housing stock, with the objective of upgrading all existing stock in the next four years. Set a target, with the requisite level of resources for deep retrofits, for all local authority housing to reach a BER rating of B2 or more by 2030.
- Publish a strategy for introducing minimum efficiency standards in the private rented sector which sets a target date by which all accommodation will meet and energy rating of least C

²⁰ The Society of St Vincent de Paul (2019) Investing in a Just Society: Pre Budget Submission 2020
<https://www.svp.ie/getdoc/87b4f842-3adf-4a1d-a9e3-021f1fb4163c/investing-in-a-just-society.aspx>

or higher by 2030. Minimum standards should be implemented alongside an awareness raising campaign, incentives for landlords that are conditional on enhanced security, and increased funding for inspections and enforcement.

- In the mid-term the Department of Housing, Planning and Local Government should work with the Department of Communications, Climate Action and Environment and extend the Warmer Home Scheme to landlords who agree to rent their properties to HAP tenants with a 5 to 10-year lease.
- Increase the Fuel Allowance to a value of €830 to restore purchasing power to 2010 levels. This can be achieved by increasing the rate to €25.95 per week and reintroducing the 32 weeks payment period.
- Invest in the Rural Transport Programme, increasing the range of public transport options, promoting social inclusion for those in rural areas, and incentivising greater public transport usage.

SVP would favour greater investment in measures to address energy poverty in advance of any increases in the carbon tax. If these measures were properly implemented they would not only improve the living standards of low income households, it will also upgrade the energy efficiency and quality of our housing stock, reduce health related costs and help meet our climate change obligations.²¹

However, if carbon taxes are increased in Budget 2020, we would not support the use of revenues to meet any fines the State is liable to pay arising from failure to meet our climate targets or being directed to the Exchequer for general government expenditure.

In conclusion, without addressing energy poverty, it will not be possible to meet our climate obligations, as energy poor households will be unable to change their behaviours in response to measures such as an increase in carbon tax. This will lead to longer term social, health, environmental and economic costs in the future.

²¹ Marmot review team (2011) The Health Impacts of Cold Homes and Fuel Poverty. https://friendsoftheearth.uk/sites/default/files/downloads/cold_homes_health.pdf