

18 Administration of carbon tax receipts

- 18.1** In September 2009, the Commission on Taxation published a report which included a recommendation for the introduction of a carbon tax on fossil fuels with the rationale of encouraging both a change in consumption patterns and fuel efficiency.¹
- 18.2** Budget 2010 announced the introduction of a carbon tax on fossil fuels in Ireland. The tax came into effect for petrol and auto diesel during December 2009. It was extended to other mineral oils and natural gas in 2010 and to solid fuels in 2013.² A timeline of the evolution of the tax can be found in Annex 18A.
- 18.3** Ireland's carbon tax regime is a carbon pricing mechanism which directly links the taxation of fossil fuels to their carbon dioxide emissions. Carbon tax rates are based on charging an amount per tonne of carbon dioxide emitted when the fuel is combusted. (Annex 18B provides an overview of the approach to carbon taxes in other jurisdictions.)
- 18.4** The 2020 Programme for Government committed to increase the basis of carbon tax rates from €26 to €100 per tonne of carbon dioxide by 2030 (raising an estimated €9.5 billion over the 2021 – 2030 period) and to use that revenue in specific expenditure programmes including 'just transition' schemes, retrofitting and sustainable farming.³ Current carbon tax rates are based on charging €56 per tonne of carbon dioxide.
- 18.5** The Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure) is responsible for allocating increases in carbon tax funds to the relevant departments.
- 18.6** The Office of the Revenue Commissioners (Revenue) is responsible for the collection of carbon taxes, which operate as excise duties and are administered on a self-assessment basis. In 2023, Revenue collected €5.7 billion in net excise duty. Of this, €935 million related to receipts from the carbon tax.
- 18.7** This examination focuses on
- the systems and procedures Revenue has in place to facilitate the assessment and timely collection of carbon taxes
 - whether the increases in carbon tax receipts since 2020 are being allocated and expended on the specified initiatives.

Carbon tax receipts

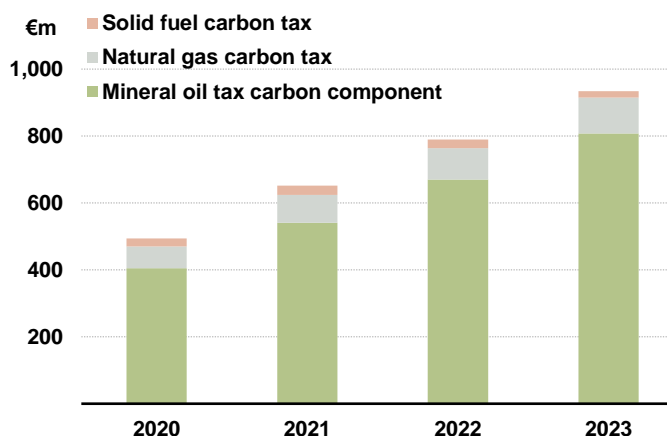
- 18.8** Between 2020 and 2023, net carbon tax receipts have almost doubled from €494 million to €935 million (see Figure 18.1). The tax is payable via the Revenue Online System (ROS) or myAccount (for natural gas carbon tax and solid fuel carbon tax). Mineral oil tax operates as an excise duty but, unlike solid fuel carbon tax and natural gas carbon tax, is comprised of a carbon component and a non-carbon component.⁴ The carbon component of mineral oil tax makes up the vast majority of carbon tax receipts, contributing almost 87% of the carbon tax revenue in 2023.

¹ The *Programme for Government 2007 – 2012* established the Commission to review the efficiency and appropriateness of the Irish taxation system and, more specifically, to consider and make recommendations on four areas, one of which was investigating fiscal measures to protect and enhance the environment, including the introduction of a carbon tax.

² Mineral oil tax applies to liquid fuels and natural gas used as a propellant. Natural gas carbon tax applies to natural gas used for all non-propellant purposes. Solid fuel carbon tax applies to coal, peat and peat products.

³ [Programme for Government, Our Shared Future, June 2020.](#)

⁴ Those liable to mineral oil tax pay one amount which comprises both the carbon and non-carbon elements. For example, the current mineral oil tax rate on petrol is €671.43 per 1,000 litres, comprising a carbon element of €129.59 per 1,000 litres and a non-carbon element of €541.84 per 1,000 litres. Mineral oil tax rates and rates for the carbon component of mineral oil tax are set out in [Schedules 2 and 2A of the Finance Act 1999 \(as amended\)](#).

Figure 18.1 Net carbon receipts by taxhead, 2020 to 2023

Source: Revenue Commissioners

- 18.9** While solid fuel carbon tax receipts are on a slightly downward trend, receipts from natural gas carbon tax and more significantly the carbon component of mineral oil tax are increasing. Revenue stated that this is attributable mainly to the increases in the carbon tax rate over the period 2020 to 2023, as there have been only modest changes in the overall consumption of mineral oils and natural gas during that period.

Registration for carbon tax

- 18.10** Figure 18.2 provides an overview of registration requirements for the separate excises comprising the carbon tax.
- Mineral oil tax (including the carbon component) applies when fuel is first released for consumption in the State. Registration is required for those at the top of the supply chain, releasing fuel from tax warehouses. Forecourt operators buying fuel from suppliers in the State are not liable for mineral oil tax.
 - For natural gas carbon tax, registration is required for those supplying natural gas to consumers (i.e. end users) in the State. Supplies between suppliers are not subject to the tax.
 - For solid fuel carbon tax, suppliers who make a first supply of solid fuel in the State must register. Suppliers making subsequent supplies are not liable for the tax.

Figure 18.2 Review of registrations for carbon tax

	Mineral oil tax (including carbon tax)	Natural gas carbon tax	Solid fuel carbon tax
Registration	Revenue Online System (ROS) ^a	ROS or by post	Email or by post
Approved/processed by	<ul style="list-style-type: none"> Large Corporates Division (LCD) (in respect of oil warehouses) Central Repayments Office (for taxpayers solely seeking a repayment) 	<ul style="list-style-type: none"> Automatic approval (ROS applications) LCD (for paper forms) 	Specific unit within Collector General's Office
Tax receipts 2023	€808 million	€107 million	€19 million
Taxpayers registered	619 ^b	16	152
Audit reviewed	8	16	8
Findings	None	None	None

Source: Office of the Comptroller and Auditor General

- Notes:
- A warehouse keeper is a taxpayer, approved by Revenue, to receive and store mineral oil in a tax warehouse. Responsibility for registering warehouse keepers for mineral oil tax lies with LCD as part of the warehouse authorisation process. Registration is carried out at company level, so a trader only requires one registration, even if it has multiple warehouses.
 - This figure includes 25 large operators at the top of the supply chain who release fuel for consumption from tax warehouses and are accordingly obliged to register for the tax. The remainder are registered solely for the purpose of claiming repayments of mineral oil tax paid.

Compliance

Mineral oil tax

18.11 Suppliers liable to mineral oil tax are required to file monthly returns, with the return falling due 15 days after the end of the month e.g. a March return is due by 15 April. The return confirms the liability for the mineral oil tax, including the carbon component. The Motor, Oils and Transport Branch in Revenue's Large Corporates Division (LCD) and other branches with responsibility for mineral oil warehouses are responsible for compliance controls of mineral oil warehouses, including return and payment compliance.

18.12 Payment of mineral oil tax is made either on an immediate basis through 'daily' payments¹ or on a deferred basis² on the 15th day of the following month. Caseworkers in LCD's Motor, Oils and Transport Branch monitor the frequency and amounts paid by warehouses making daily payments. Any failure to make a payment or submit a return is a breach of the warehouse keeper's authorisation conditions.

18.13 If a Revenue caseworker believes that an underpayment has occurred, an assessment will be raised and interest may be charged on any outstanding liability. Revocation of the warehouse keeper's authorisation and mineral oil trader's licence may also be considered. Where warehouse keepers have been approved to operate on a deferred payment basis but have not adhered to the requirements to file and pay their liability by the due date, or where Revenue considers that the security guarantee provided has become inadequate, consideration may be given to requiring the warehouse keeper to revert to daily payments.

¹ These payments are commonly referred to as daily payments, although, by agreement with Revenue, they can cover periods up to a week.

² Warehouse keepers must apply for deferred payment arrangements and approval is contingent on a financial guarantee being in place. The guarantee must be sufficient to cover 150% of the trader's average projected monthly liability over a twelve-month period, rounded up as appropriate.

- 18.14** Revenue stated that there was a 100% compliance rate in 2023 for the 25 taxpayers who were required to file returns and pay the mineral oil tax (i.e. those releasing fuel from tax warehouses) and that accordingly, no enforcement action was required.

Natural gas and solid fuel carbon taxes

- 18.15** The compliance requirements for natural gas carbon tax and solid fuel carbon tax are summarised in Figure 18.3.
- 18.16** During 2023, Revenue raised 285 estimates for 92 taxpayers for solid fuel carbon tax. Of these, 220 failed to make a payment so a final demand letter issued — 214 payments were made on foot of the final demand letters. Further enforcement action was required in the remaining six cases — four cases totalling just over €165,000 were referred for sheriff enforcement, one case totalling almost €65,000 was referred to a solicitor for enforcement and one notice of attachment issued with a value of almost €117,000.¹

Figure 18.3 Compliance requirements for natural gas and solid fuel carbon taxes

Process	Natural gas carbon tax	Solid fuel carbon tax
File and pay	File bi-monthly returns and pay for each period by the last day of the following month i.e. January and February return must be filed and paid by 31 March. Returns must be filed even if the liability for that period is nil.	
Monitored by	Collector General's Office	
If return not filed by due date	Revenue will issue an estimate of the amount due and the supplier will become liable for that amount	
If amount not paid by supplier	Revenue proceed with enforcement action ^a ; interest accrues on late payments after due date	Seven to ten days after the final demand issues, Revenue proceed with enforcement action; interest accrues on late payments after the due date
File and pay compliance rate	100% ^b	63%

Source: Office of the Comptroller and Auditor General

- Notes:
- a A date by which Revenue would proceed with action has not yet been specified. It is noted that this is because there is 100% compliance for registered natural gas suppliers.
 - b Due to the 100% compliance rate, enforcement action has not been necessary to date in relation to natural gas carbon tax returns and payments.

Compliance interventions

Mineral oil tax

- 18.17** Between 2020 and 2023, LCD carried out 365 mineral oil tax interventions. Five of these interventions resulted in additional tax yield, totalling just over €6 million (including interest and penalties). The yield is recorded by Revenue under the taxhead for mineral oil tax — the amount is not split into the carbon and non-carbon components as it is a single charge of excise duty. Revenue's Medium Enterprises Division carried out a further 60 mineral oil tax interventions but there was no yield from these interventions.

¹ Where a payment is not made on foot of a final demand letter, Revenue has powers of attachment. This means that if the taxpayer is owed money, Revenue can require that the money owed to the taxpayer is paid to Revenue instead. This includes salary from an employer or money due from a State agency.

Natural gas carbon tax

18.18 Between 2020 and 2023, there were 99 compliance interventions completed under the taxhead for natural gas carbon tax, of which five yielded €97,000 (including interest and penalties). Almost 60% of the yield was collected from one company. Following a request from Revenue to carry out a self-review, the company made an unprompted qualifying disclosure regarding undervalued returns.¹ The remainder of the yield comprises reviews of repayment claims which were revised downwards due to incorrect calculations, and one claim for a repayment that was invalid as it was outside the time limits for applying.

Solid fuel carbon tax

18.19 Between 2020 and 2023, there were 103 compliance interventions carried out under the taxhead for solid fuel carbon tax which yielded approximately €291,000 (including interest and penalties), arising from six yielding cases. Of this, €203,000 (70%) was collected from two related companies. The intervention arose from information received from HM Revenue and Customs in Northern Ireland.² Following receipt of the correspondence from HM Revenue and Customs, Revenue raised a query with the companies which resulted in them submitting a prompted disclosure.

18.20 In 2023, Revenue's Medium Enterprises Division carried out a solid fuel carbon tax compliance project. The aim of the project was to identify Irish solid fuel traders that may have sourced solid fuel from outside the State and made the first supply of that fuel in the State, but failed to register as a solid fuel supplier. 33 cases were selected for review

- 21 cases were selected as they had purchases over €100,000 in 2020 from potential solid fuel suppliers who were not registered with Revenue
- 12 cases related to registered solid fuel traders who were selected in order to verify the accuracy of their returns.

18.21 Of the 33 cases selected for review

- 23 were closed with no further action required.
- Ten were escalated to an intervention, with eight cases finalised resulting in a yield of just over €884,000 (including interest and penalties). The remaining two cases are ongoing.

18.22 The 2023 business plan for Revenue's Business Division included compliance actions for solid fuel carbon tax resulting in the commencement of a solid fuel carbon tax compliance project. The aim of the project was to gather information and to assess the risk of unregistered traders in order to inform ongoing compliance activity. Cases were selected from both solid fuel carbon tax registered and unregistered traders that were known to be selling solid fuels. A total of 184 compliance contacts have been completed to date, including 151 control visits by excise or shadow economy teams. At August 2024, there were 19 interventions ongoing within the project.

¹ An unprompted qualifying disclosure is a disclosure made at any time before a Revenue audit notification letter issues or an investigation starts.

² 'Mutual assistance' is available between tax authorities of countries within the European Union under EU Directive 2010/24/EU. Under this Directive, information on a taxpayer may be requested or shared from one member state to another. This Directive continues to apply to relations with the United Kingdom until 31 December 2025.

Carbon tax repayments

18.23 There are various full or partial reliefs available from carbon taxation, some of which operate by way of remission (i.e. relief provided at source) and others that operate by way of repayment.

Mineral oil tax repayments

18.24 Full relief from both the carbon and non-carbon components of mineral oil tax is available in certain circumstances e.g. for fuel supplied for the purpose of commercial sea navigation. Relief from the carbon component of mineral oil tax applies to biofuels and to fuel supplied for certain uses such as in installations covered by a greenhouse gas permit. End-user reliefs generally operate by way of repayment which is claimed via the mineral oil tax e-repayment system.

18.25 In 2023, 208 taxpayers, or 34% of those registered, claimed a repayment of the carbon component of mineral oil tax, totalling €16.1 million. As part of this examination, a sample of 15 repayments totalling €1.2 million was selected for review, and no issues of concern were noted.

Natural gas and solid fuel carbon tax repayments

18.26 Various full or partial reliefs are available from natural gas carbon tax and solid fuel carbon tax, some being applied at source and others claimed via repayment.

18.27 A sample of 15 repayments, totalling €846,000, for natural gas carbon tax was selected for review. All but one of the payments were found to be in order. The remaining claim, totalling less than €10,000, while correctly due, related to the repayment of the carbon component of mineral oil tax but it was incorrectly recorded as a repayment of natural gas carbon tax.

18.28 There were only two repayments of solid fuel carbon tax (totalling less than €1,000) between 2019 and 2023. The examination team reviewed both repayments and no issues were noted.

18.29 Both natural gas carbon tax and solid fuel carbon tax repayments are recorded on Revenue's claims processing system. This system requires caseworkers to allocate a repayment to a taxhead by manually selecting the relevant account code from a drop-down menu. The audit found that repayments for some cases were allocated to an incorrect account code which resulted in the amount being recorded under the wrong taxhead.

18.30 As a result, the examination team found that the repayments included in the Revenue Account under 'carbon repayments' refer only to the carbon component of the mineral oil tax.¹ Repayments for natural gas carbon tax or solid fuel carbon tax are not included. However, the level of repayments for both taxheads is immaterial.

18.31 Revenue has stated that a new claims processing system for repayments of natural gas carbon tax was introduced in January 2024 and that a specific code was assigned to the repayments which should prevent similar misclassification issues in the future.

¹ [Account of the Receipt of Revenue of the State](#) (see Note 13: Excise duty).

Hypothecation of carbon tax funds

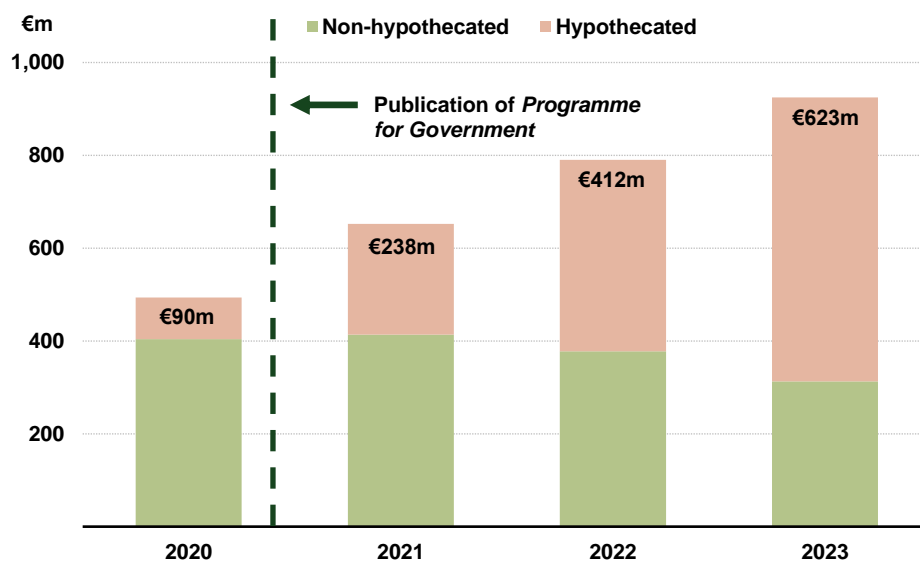
- 18.32** There have been three distinct phases in carbon tax allocation policy since the introduction of the tax. From late 2009 to 2019, carbon tax was introduced incrementally to cover all fossil fuels, with a number of increases in the charge being implemented over that period. All receipts from the tax were remitted to the Central Fund of the Exchequer.
- 18.33** As part of Budget 2020, the Minister for Finance announced that the projected revenue raised by a €6 per tonne increase in the carbon tax in 2020 would be ring-fenced for certain specific purposes: to protect those most exposed to higher fuel and energy costs; to support a just transition for displaced workers; and to invest in new climate action. It was estimated that the total additional tax take would be €90 million and it was stated that this would be allocated by the Department of Public Expenditure to ten specific measures across five departments. All but one of those measures (a once-off €20 million pilot housing regeneration programme) continue to be funded, with €70 million allocated from the carbon tax funds on an annual basis.
- 18.34** The 2020 Programme for Government committed to raising the carbon tax incrementally each year to reach a tax rate of €100 per tonne by 2030. It also committed to ‘hypothecate’ the proceeds of the increases in the carbon tax between 2021 and 2030 to specific spending programmes across three departments.¹ It was estimated in the Programme for Government that the tax increases would raise €9.5 billion up to 2030. The document stated that the funding would be used as follows
- €3 billion to prevent fuel poverty and ensure a ‘just transition’ via targeted social welfare and other initiatives
 - €5 billion to part fund a national retrofitting programme targeting all homes but with a particular emphasis on the midlands region and on social and low-income tenancies
 - €1.5 billion to encourage and incentivise farmers to farm in a greener and more sustainable way.
- 18.35** The 2020 Programme for Government envisaged that the hypothecation would be legislated for and that the additional carbon tax revenues would be managed via the Climate Action Fund. However, the legislation did not proceed.² Instead, receipts from the increases in the carbon tax continue to be paid, together with other receipts, into the Central Fund of the Exchequer. Exchequer funds are then voted for programmes that are linked to the carbon tax receipts.³ Such funding is administered in the same way as other voted funds, with the result that any of the funding that is not spent by departments during the year (and not carried over via formal arrangements for deferred surrender of unspent capital) is liable for surrender back to the Exchequer at the year-end.
- 18.36** Figure 18.4 presents the net carbon tax receipts collected by Revenue between 2020 and 2023 and the hypothecated funding allocated to votes/departments over that period. The hypothecated funding totalled €1.36 billion for the four years. This was distributed over five votes.
- 18.37** Since 2021, the hypothecated funding is allocated annually by the Department of Public Expenditure with the aim of achieving an even allocation (to 2030) of the €9.5 billion estimated receipts, as calculated in 2020, to be generated in the coming years by increases in the carbon tax rate.⁴ The Department of Public Expenditure stated that this is kept under annual review with reference to additional proceeds anticipated.

1 Tax hypothecation is the dedication of the revenue from a specific tax for a particular expenditure purpose.

2 The Department of Public Expenditure stated that expenditure from the Climate Action Fund is capped at €150 million per annum due to EU State aid rules. As a result, it would not be possible to achieve the Programme for Government goals via the Climate Action Fund and the chosen allocation approach was considered the best way to give effect to the commitment.

3 The annual revised estimates volumes published by the Department of Public Expenditure include a table setting out how projected revenue to be raised by increases in the carbon tax rate have been allocated as voted estimates for specific programmes and schemes. See [Appendix 7 of the Revised Estimates for Public Services 2024](#).

4 The Department produces an annual publication, at Budget time, setting out how the additional carbon tax funds are being allocated — see the Budget 2024 publication [here](#).

Figure 18.4 Net carbon tax receipts and hypothecated funding, 2020 – 2023

Source: Revenue Commissioners and Department of Public Expenditure's publication on the use of carbon tax funds for the years 2020 to 2023

18.38 As part of this examination, the €1.36 billion of funding allocated to the five votes from the increases in the carbon tax between 2020 and 2023 was reviewed with a view to confirming

- that the increases in the carbon tax funding allocated to the departments were spent on the specified initiatives
- whether the amounts were expended in full, deferred to the following year (in the case of capital funding) or surrendered to the Exchequer via the Central Fund.

Vote 29 Environment, Climate and Communications

18.39 Between 2020 and 2023, Vote 29 Environment, Climate and Communications was allocated a total of €660.5 million in capital funding from carbon tax related funds, distributed as follows

- €619 million for investment in residential and community energy efficiency programmes
- €24 million to the Just Transition Fund to support communities affected by decarbonisation of the economy
- €8 million to international climate change commitments
- €9.5 million to invest in low carbon transition initiatives, for example the continuation of electric vehicle grants and investment in electric vehicle charging infrastructure.¹

18.40 Of the €660.5 million allocated

- €482.1 million (73%) was spent on the relevant initiatives²
- €178.4 million remained unspent at the respective year-ends and was surrendered back to the Exchequer.

1 From 2021, funding for the low carbon transition initiatives continued under the remit of the Department of Transport.

2 In 2021, following receipt of the relevant approval, €160 million was transferred from Vote 29 to the Energy Efficiency National Fund. €100 million of the transfer was funding from the increases in carbon tax funding. Of that €100 million, €60 million was spent on energy efficiency grant schemes and €40 million on the energy efficiency loan guarantee scheme in 2022 and 2023.

Vote 30 Agriculture, Food and the Marine

18.41 Between 2020 and 2023, Vote 30 Agriculture, Food and the Marine was allocated an aggregate €110 million for green agricultural projects — €98 million in current expenditure and €12 million in capital expenditure. Of those budget amounts, a total of €45.4 million (41%) was spent on green agricultural projects and €64.6 million (59%) remained unspent. Of the €64.6 million that was unspent

- €60.6 million related to current expenditure and was surrendered back to the Exchequer into the Central Fund
- €4 million of capital expenditure was deferred and carried forward to the succeeding budget year (with Department of Public Expenditure approval), but was not re-allocated to the carbon tax supported schemes.

Vote 31 Transport

18.42 Between 2020 and 2023, Vote 31 Transport was allocated €70.5 million in capital funding from carbon tax related funds to support low carbon transition programmes with investments in electric vehicle purchase grants, electric vehicle charging infrastructure and investment in greenways and urban cycling infrastructure. This funding was provided under two pre-existing programme subheads.

18.43 Of the total allocated, €49 million (70%) was spent on the relevant initiatives. Of the €21.5 million that was unspent

- €0.5 million was surrendered to the Exchequer via the Central Fund
- €9 million was deferred and carried forward to future years, but was not allocated to the programmes that were to be funded by the increase in the carbon tax funds
- €12 million which was unspent at the end of 2023 was deferred and carried forward to be spent on relevant initiatives in 2024.

Vote 34 Housing, Local Government and Heritage

18.44 Between 2020 and 2023, Vote 34 Housing, Local Government and Heritage was allocated €40 million in capital funding from carbon tax related funds — €20 million for energy efficiency renovations to social housing in the midlands and €20 million for the restoration, conservation and management of protected peatlands.

18.45 Of the €20 million allocated to the social housing energy efficiency renovations programme, €3.8 million (19%) was spent on the programme and €16.2 million (81%) was surrendered back to the Exchequer.

18.46 Of the €20 million allocated to the restoration of peatlands, €12.7 million (63%) was spent on peatlands restoration. Of the €7.3 million that was unspent as at end 2023,

- €4.3 million was surrendered back to the Exchequer
- €3 million was carried forward at the end of 2023 to fund the peatlands restoration programme in 2024.

Vote 37 Social Protection

18.47 Between 2020 and 2023, Vote 37 Social Protection was allocated €482 million in current expenditure from carbon tax related funds. The funding was allocated to top-up four existing targeted social protection payments, as outlined in Figure 18.5.

Figure 18.5 Allocation of the increase in carbon tax funds to targeted social protection payments

Payment	2020	2021	2022	2023	Payment total
	€m	€m	€m	€m	€m
Fuel allowance	21	32	73	98	224
Working family payment	—	—	8	15	23
Increase in living-alone allowance	—	18	45	45	108
Increase to the qualified-child payment	—	19	48	60	127
Carbon tax funding allocated	21	69	174	218	482

Source: Office of the Comptroller and Auditor General

18.48 Of that €482 million

- €224 million was allocated to fund the increases in fuel allowance, €222 million (99%) of which was spent as planned and €2 million was surrendered¹
- €23 million was allocated to fund the increases in the working family payment, all of which was fully expended in the relevant years
- €108 million was allocated to fund increases in the living-alone allowance and €127 million was allocated to fund increases in the qualified-child payment.

The last two payments are both supplements paid in addition to core personal rate supports on a wide range of social protection schemes, depending on an individual's circumstances. The Department of Social Protection stated that expenditure on these allowances is charged as an element of expenditure across a wide range of scheme subheads, rather than as specific individual vote subheads. The additionality of this spending, and the extent to which it is attributable to carbon tax expenditure, could not therefore be confirmed.

Overall spending outcome

18.49 Of the €1.36 billion of funding allocated to votes from the increases in the carbon tax between 2020 and 2023, only 61% can be verified as having been spent in the target areas.

18.50 In line with the provisions of *Public Financial Procedures*, unspent capital funding at the end of a calendar year can (within certain limits) be carried forward to the following year. However, €13 million of the €28 million in carbon tax funding that was deferred between 2020 and 2023 was subsequently used on programmes that were not targeted for funding from the increases in the carbon tax.

¹ The €2 million was surrendered to the Exchequer in 2020. For 2021 to 2023, the original allocations were expended in full, and a supplementary was required to compensate for an overspend on the subhead.

- 18.51** Where funding is allocated to a programme and is unspent at the end of the relevant year (or by the end of the following year in the case of capital funding that has been deferred), it is surrendered back to the Exchequer, and the specific hypothecation or allocation is no longer applied. This was the case for €262 million (19%) of the funding allocated between 2020 and 2023. In relation to the level of underspend during that period, the Department of Public Expenditure stated that progress on certain key schemes (e.g. the warmer homes scheme) was impacted by significant environmental factors, namely the public health restrictions imposed as a result of the Covid-19 pandemic and the supply chain impacts of the war in Ukraine.
- 18.52** Of the €482 million allocated to the Department of Social Protection between 2020 and 2023, almost 50% related to payments that are not recorded in specific individual subheads in their accounts. As a result, it was not possible to trace these amounts and confirm that they were spent on the specific schemes or programmes for which they were allocated.

Performance metrics

- 18.53** The Department of Public Expenditure consulted with the relevant departments to develop 23 ex-ante performance metrics for the specific schemes and programmes receiving funding in 2020 via the carbon tax increases (see Annex 18C). The performance metrics, together with the 2020 targets, were published as part of the *Revised Estimates Volume for Public Services 2020*.¹
- 18.54** It was planned that future revised estimates for public services would include an assessment of the performance of the funded schemes and programmes against the selected metrics. However, this has not happened, notwithstanding that all but one of the measures continue to receive a combined allocation of €70 million from the carbon tax funds on an annual basis. The Department of Public Expenditure stated that performance reporting on the three broad areas of funding under the 2020 Programme for Government is captured through annual public service performance reports and revised estimates volumes.²
- 18.55** The Department of Public Expenditure has stated that departments receiving carbon tax related funding are ultimately responsible for the selection and reporting of metrics that best represent the impact of carbon tax funding on their programmes. The same principle applies generally to performance measures related to other voted expenditure.

¹ [Revised Estimates for Public Services 2020](#), Appendix 11.

² [Public Service Performance Report 2023: Revised Estimates for Public Services 2024](#).

Conclusions

Collection of carbon tax

- 18.56** Carbon taxes on fossil fuels were introduced in Ireland on a phased basis from December 2009. Carbon tax rates are based on charging an amount per tonne of carbon dioxide emissions. The rate of carbon tax has increased over the years, with the current rates being based on charging €56 per tonne of carbon dioxide emitted. Between 2020 and 2023, net carbon tax receipts have almost doubled from €494 million to €935 million.
- 18.57** Between 2020 and 2023, LCD carried out 365 mineral oil tax interventions, five of which resulted in additional tax yield totalling just over €6 million (including interest and penalties). Revenue carried out just over 200 interventions on solid fuel and natural gas carbon tax over the same period which yielded almost €400,000 (including interest and penalties).

Allocation of carbon tax

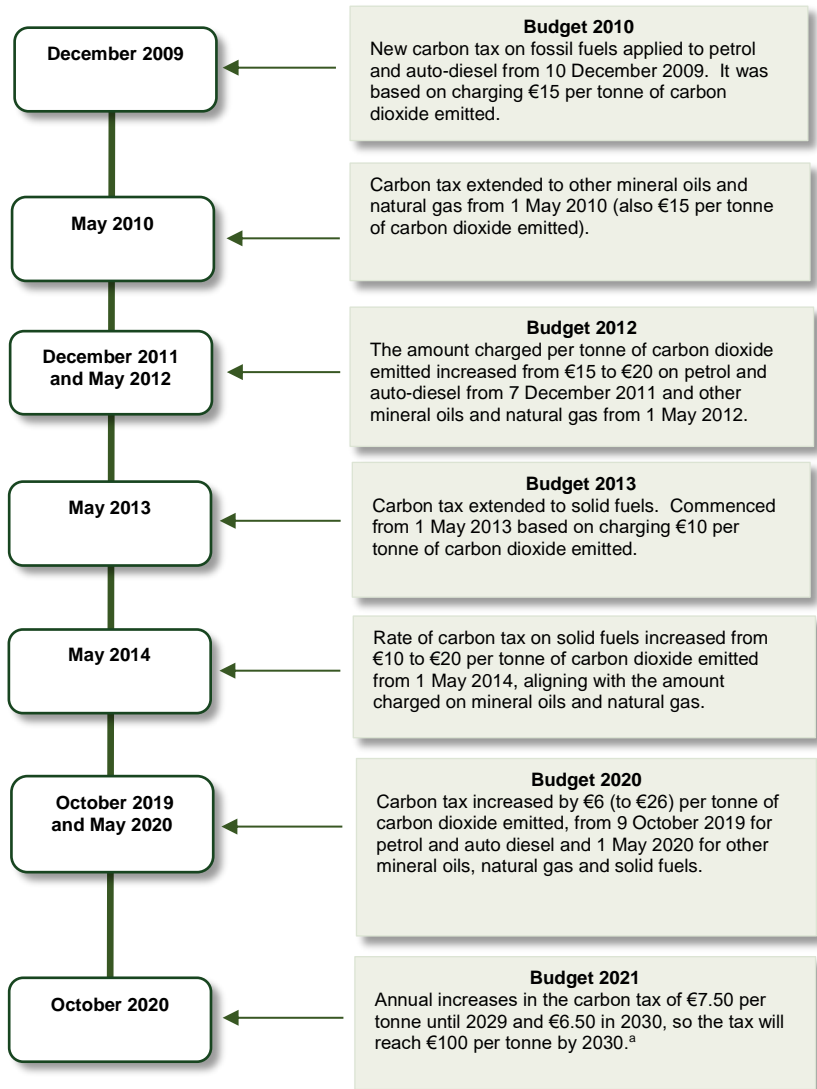
- 18.58** Since 2020, annual carbon tax increases have been implemented, with the objective of reaching a rate of €100 per tonne of carbon dioxide by 2030. In parallel, there is an objective to use the additional revenue yield from carbon tax increases during the 2021 to 2030 period to support schemes and programmes in a number of specific policy areas, aiming to prevent fuel poverty, ensure a just transition, part-fund a national retrofitting programme and incentivise farmers to farm in a greener and more sustainable way.
- 18.59** Ireland's system of central government finances requires all receipts to be lodged to the Central Fund of the Exchequer, unless provided for otherwise by law e.g. through the establishment of a statutory fund to hold specified receipts, to be used (only) for legally defined purposes. The resources of the Central Fund are available as a whole to be appropriated for spending by Dáil Éireann through the annual estimates and accountability processes.
- 18.60** It was envisaged at that time that the hypothecation of the tax increases from 2021 would be legislated for and that the additional carbon tax revenues would be managed via the Climate Action Fund. However, legislation did not proceed and the amounts continue to be managed via the Central Fund.
- 18.61** In the absence of the planned legislation, the Department of Public Expenditure developed a framework for allocating additional vote funding linked to the increases in the carbon tax receipts. The Department prepares a report each year outlining how the carbon tax funding is being allocated, including detail on the programmes being funded and how the funding is intended to be used. However, there is no mechanism in place for central oversight or monitoring on an aggregate basis of how much of the allocated funding is actually being expended on the target schemes and programmes. Without a central tracking system, it will not be possible, during or at the end of the 2021 – 2030 period, to say how much of the €9.5 billion due to be allocated from carbon tax receipts will actually have been spent in the targeted areas.

- 18.62** Between 2020 and 2023, €1.36 billion in funding was allocated by the Department of Public Expenditure to five departmental votes for additional carbon fund related activity. There was a consistent pattern of underspending on the target schemes and programmes in those four years, although this should be viewed in the context of environmental factors such as the public health restrictions imposed as a result of the Covid-19 pandemic and the supply chain impacts of the war in Ukraine.
- 18.63** Overall, only 61% of the €1.36 billion earmarked funding can be verified as having been spent on the target schemes and programmes. In line with normal vote funding rules, the unspent 19% of the allocated funds were surrendered back to the Exchequer. Around 17% of the funding was allocated to the Department of Social Protection but not recorded in specific 'carbon tax funding' subheads — it was not possible to separate these amounts and confirm that the intended additionality was achieved.
- 18.64** The Department of Public Expenditure, in consultation with the relevant departments, developed 23 ex-ante metrics (see Annex 18C) for assessing the performance of the 2020 programmes. Performance against the 2020 metrics was not systematically requested from, or reported on, by the relevant departments. Following the change in policy when the Programme for Government was published in 2020, the performance metrics were not updated. The Department of Public Expenditure stated that performance was instead captured through the *Public Service Performance Report* and the *Revised Estimates Volume*, as is standard policy with all areas of spending.
- 18.65** A hypothecated tax is one which aims to make a transparent and verifiable link between the tax revenue raised and the way in which that funding is applied. This can be facilitated through a statutory fund structure. Endeavouring to achieve the same kind of link and transparency within the normal voted expenditure framework is significantly more challenging.
- 18.66** While the planned linkage between (incremental) carbon tax receipts and target spending areas has been effected in the vote estimates process, the expenditure outturn is difficult to identify, and it appears that a significant part of the planned spending has not been achieved.
- 18.67** The transparency of the raising, collection and application of the (incremental) carbon tax receipts could be improved by the compilation of a separate annual report, even if on a non-statutory basis. However, this is a policy matter, and no recommendation is made here in that regard.

Annex 18A Evolution of the carbon tax

Table 18A.1 shows the evolution of the carbon tax since its introduction in December 2009. The tax was implemented in three phases to cover transport fuels, non-transport fuels and solid fuels.¹ There have been phased increases to carbon tax rates over the years and current rates (2024) are based on charging €56 per tonne of carbon dioxide emitted.

Table 18A.1 Evolution of the carbon tax



Source: Office of the Comptroller and Auditor General

Note: a Annual increases in the carbon tax rate occur in two stages — on Budget night for petrol and auto-diesel, and from 1 May the following year for other mineral oils, natural gas and solid fuels, to coincide with the expected end of the heating period.

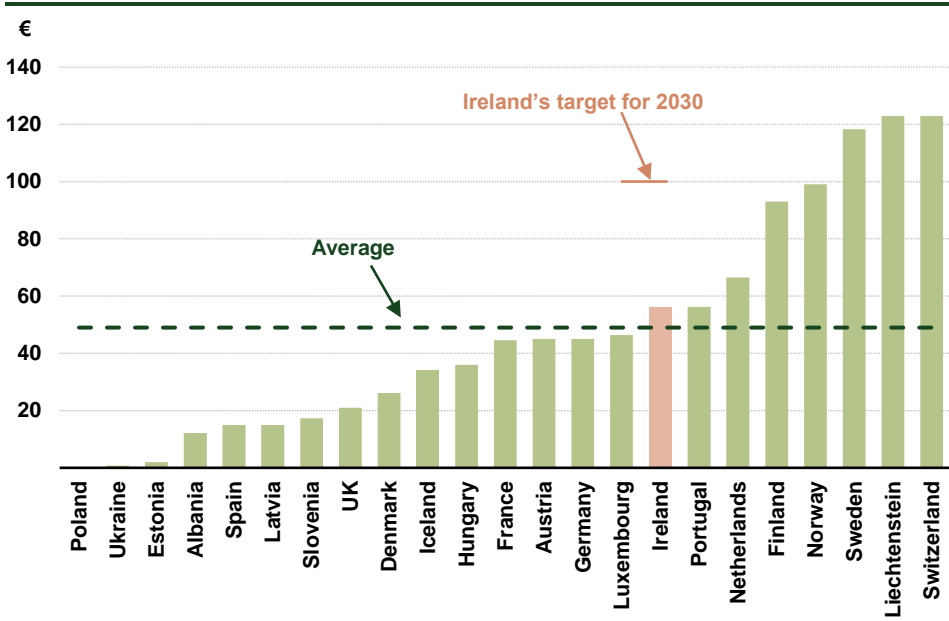
¹ Non-transport fuels refer to kerosene, marked gas oil, liquid petroleum gas, fuel oil and natural gas.

Annex 18B Approach to carbon tax in other jurisdictions

Finland was the first country to introduce a carbon tax in 1990. Since then, 23 European countries have introduced carbon taxes with the charge per tonne of carbon dioxide ranging from just under €1 per tonne of carbon emissions in Poland and Ukraine to more than €100 in Sweden, Liechtenstein, and Switzerland (see Table 18B.1). The average carbon tax rate among the 23 European countries was €49 as at April 2024.

While Ireland may appear to be above the European average, these charges are not directly comparable due to differences in coverage and other arrangements within each country.

Table 18B.1 Carbon tax charge per tonne of carbon dioxide emitted, April 2024^{a,b}



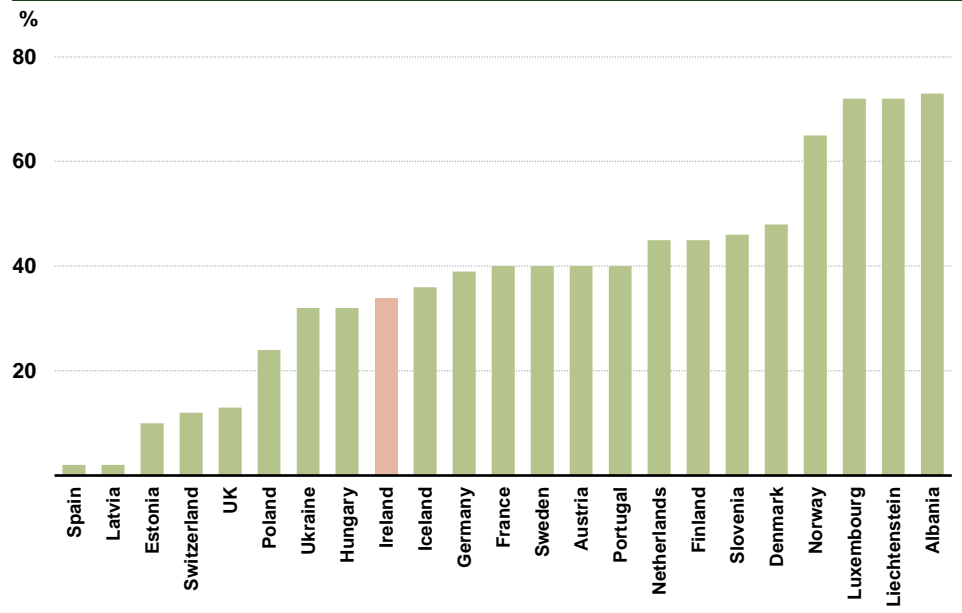
Source: Carbon Taxes in Europe, June 2024, Tax Foundation

Notes: a Prices are not directly comparable due to differences in coverage, compliance and compensation arrangements.

b Prices are at 1 April 2024, or latest available prior to 1 April each year.

Carbon taxes can be levied on different types of greenhouse gasses, such as carbon dioxide, methane, nitrous oxide and fluorinated gases. The extent of carbon tax implementation varies by country, resulting in differences in the proportion of greenhouse gas emissions subject to the tax. For example, Spain’s carbon tax is limited to fluorinated gases which affects just 2% of the country’s total greenhouse gas emissions while Albania’s carbon tax covers 73% of their greenhouse gas emissions. Ireland’s carbon tax is based on carbon dioxide emissions and covers 34% of the nation’s greenhouse gas emissions (see Table 18B.2). As a result, Ireland ranks 15th of the 23 European countries when the percentage of greenhouse gases emitted is considered.

Table 18B.2 Percentage share of total greenhouse gas emissions covered



Source: Carbon Taxes in Europe, June 2024, Tax Foundation

Annex 18C Ex-ante performance metrics for 2020 increase in carbon tax funding

In Budget 2020, the Minister for Finance announced a €6 per tonne increase in the carbon tax as the first step towards achieving the 2030 target of €100 per tonne. It was estimated that this would raise an additional €90 million in 2020 which would be ring-fenced to fund new climate action measures. Table 18C.1 sets out the 23 performance metrics and associated targets identified for the ten programmes receiving funding in 2020 via the carbon tax increase.

Table 18C.1 Carbon tax ex-ante performance metrics, 2020

Programme	Performance metric target
Fuel allowance	<ul style="list-style-type: none"> ▪ 370,000 households receiving increased fuel allowance payments ▪ €21 million additional funds disbursed to households at €56 per household
Energy poverty efficiency upgrades (Better Energy Warmer Homes)	<ul style="list-style-type: none"> ▪ 12.4 gigawatt hour (GWh) of energy savings ▪ 3,100 tonnes of greenhouse gas emissions savings ▪ Upgrade the energy efficiency of 4,000 homes of people living in, or at risk of, energy poverty
Aggregated Housing Upgrade Scheme	<ul style="list-style-type: none"> ▪ 600 – 850 tonnes of greenhouse gas emissions savings ▪ 2.5 – 3.4 GWh of energy savings ▪ 500 – 700 homes upgraded that reach B2 or cost optimal performance
Peatlands restoration	<ul style="list-style-type: none"> ▪ 4,945 tonnes of greenhouse gas emissions sequestered per year over a period of ten to 30 years ▪ 1,800 hectares of peatlands restored ▪ 250 hectares of active raised bog created over time ▪ 10% increase in height of the water table across all restored bogs ▪ 100 jobs (approximately) supported
Just Transition Fund	€6 million funds disbursed
Greenways/urban cycling	<ul style="list-style-type: none"> ▪ Five additional greenway projects funded for feasibility/detailed design/environmental screening ▪ An additional 4km of urban cycling infrastructure completed/improved
Continuation of EV purchase grants	<ul style="list-style-type: none"> ▪ 6,000 electric vehicle grants paid out ▪ 150,000 tonnes greenhouse gas emissions saved ▪ €2 million reduction in emissions associated with air pollution
Additional supports for EV charging infrastructure	<ul style="list-style-type: none"> ▪ 400 on-street charge points constructed ▪ Ten fast electric recharging points installed in major transport hubs dedicated to public service vehicles e.g. taxis
Contribution to Green Climate Fund	€4 million in funding provided to the Green Climate Fund
Green agricultural pilots	4,400 hectares of peatlands under agricultural use rewetted

Source: Revised Estimates for Public Services 2020

