

# A colossal missed opportunity



**Irish Fiscal  
Advisory Council**



# Background

Ireland has agreed EU climate commitments

There are potential costs if it fails to meet its targets

The costs we estimate are highly uncertain. But they could be enormous and **they need to be quantified**

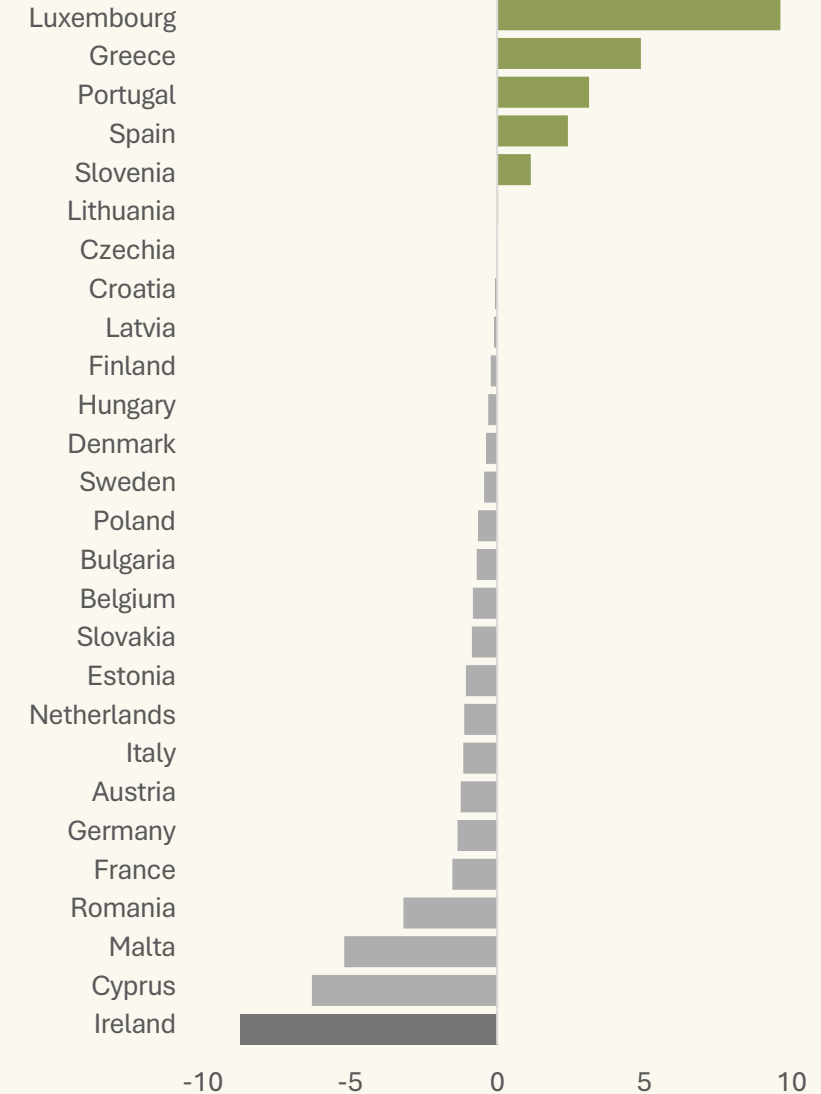
This report is a collaborative effort between our two bodies. It recognises the urgent need for realistic estimates of the costs facing Ireland if it fails to meet its climate commitments.

# Many countries off track

Cumulative gap under the Effort Sharing Regulation  
Mt CO<sub>2</sub> equivalent



Ireland is bottom on a per person basis



# Potential costs

€ billions

## Total potential costs

With existing measures

If additional measures are enacted



● With existing measures only

● If other planned measures are enacted

# Potential costs

€ billions

## Total potential costs

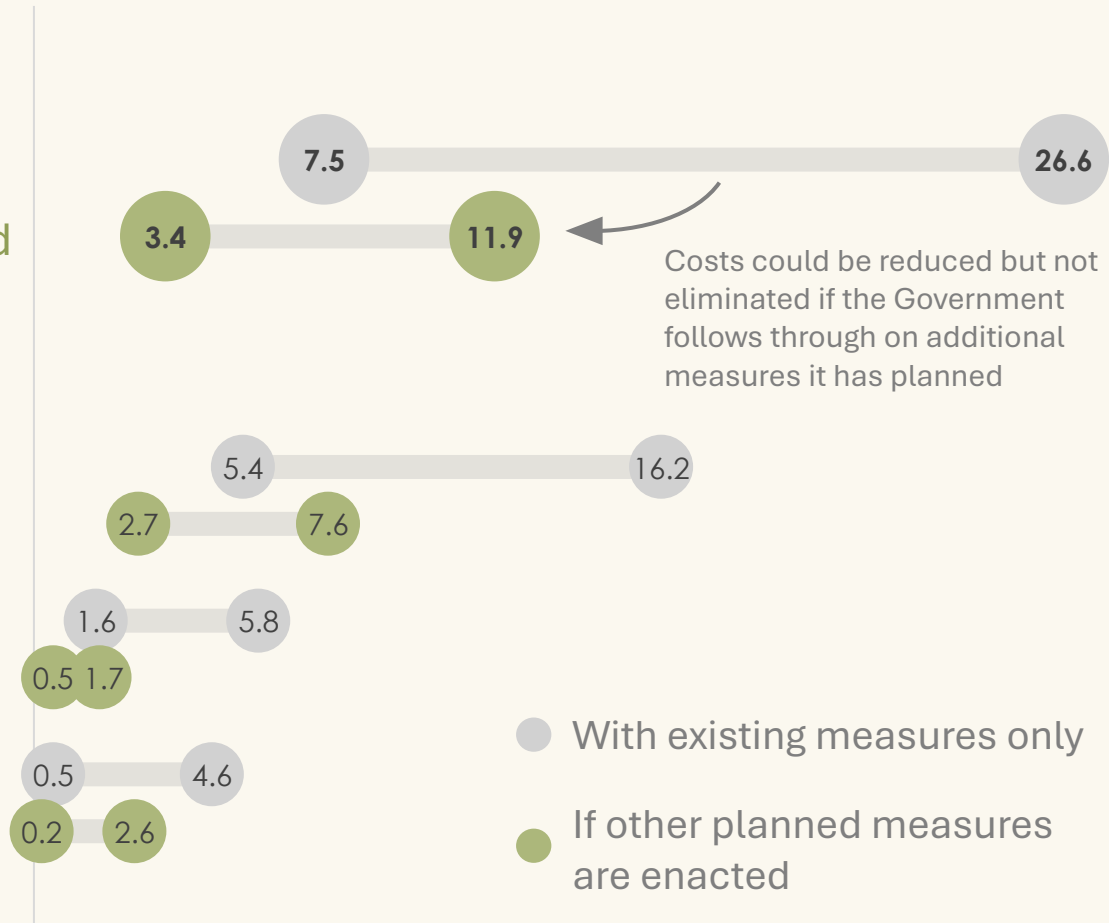
With existing measures

If additional measures are enacted

Effort Sharing Regulation

Land use and forestry regulation

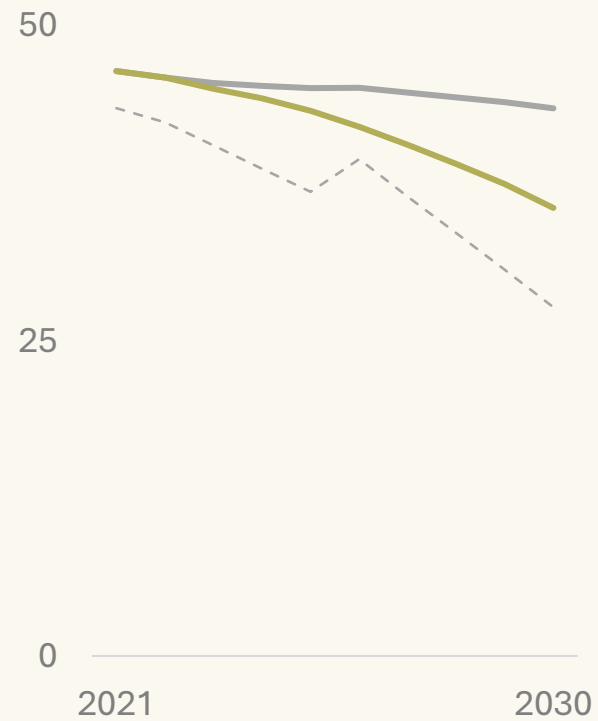
Renewable Energy Directive



# Ireland's projections

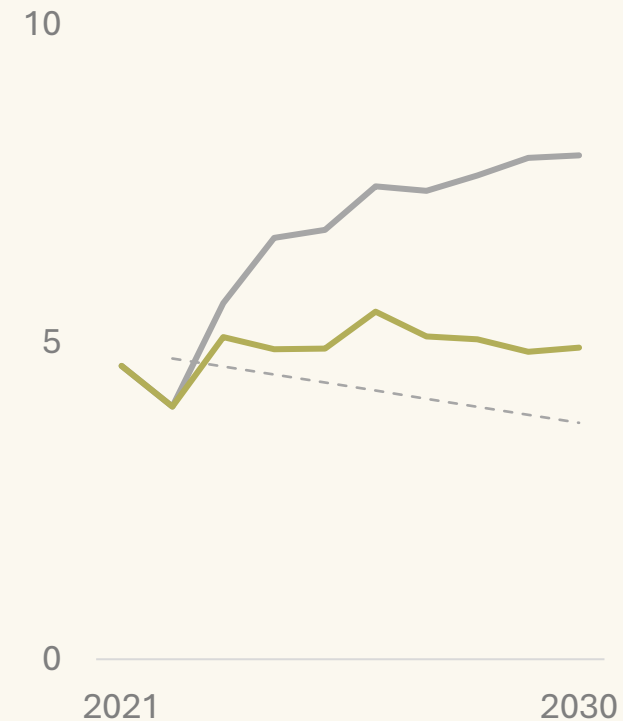
## Effort Sharing Regulation

Annual emissions, Mt CO2 equivalent



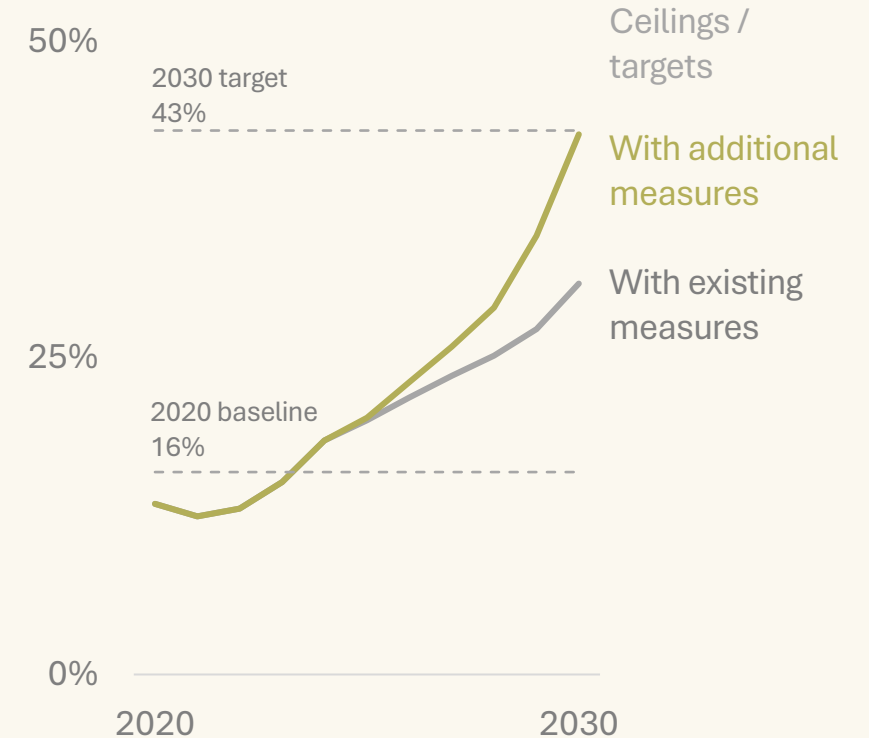
## Land use and forestry regulation

Annual emissions, Mt CO2 equivalent



## Renewable Energy Directive

% share of energy from renewables



# How we estimate these costs

€ billions

## Effort Sharing Regulation

ETS futures  
Analysts' predictions for ETS  
Analysts' predictions for ETS 2  
Marginal Abatement Cost

With additional measures		With existing measures only		
With ETS + LULUCF flexibility		With ETS + LULUCF flexibility		
	With ETS flexibility		With ETS flexibility	
ETS futures	2.7	3.6	5.4	6.1
Analysts' predictions for ETS	3.6	4.6	7.9	8.6
Analysts' predictions for ETS 2	4.1	4.9	9.0	9.5
Marginal Abatement Cost	6.2	7.6	15.6	16.2

## Land Use and Forestry Regulation

ETS futures  
ETS Analysts' predictions for ETS  
Analysts' predictions ETS 2  
Marginal Abatement Cost

With additional measures		With existing measures only	
ETS futures	0.5	1.6	
ETS Analysts' predictions for ETS	0.8	2.6	
Analysts' predictions ETS 2	0.9	3.0	
Marginal Abatement Cost	1.7	5.8	

## Renewable Energy Directive

Same cost as 2020  
Dutch gas futures  
German power futures  
Poland renewable energy price

With additional measures			With existing measures		
Missed Baseline for 2021-2022	Missed 2030 target + missed baseline for 2021-2022	Missed 2030 target + missed baseline for 2021-2022+ EU misses interim targets	Missed Baseline for 2021-2022	Missed 2030 target + missed baseline for 2021-2022	Missed 2030 target + missed baseline for 2021-2022+ EU misses interim targets
0.2	0.2	0.6	0.2	0.5	1.0
0.4	0.4	1.1	0.4	1.0	1.8
0.8	0.9	2.6	0.8	2.3	4.4
0.7	0.7	2.6	0.7	2.4	4.6

**Putting this  
in context...**



# A few measures could make a **BIG** difference

**€12 billion**

**Less than half**  
the upper range of  
**potential costs**

**just one-tenth**  
of planned  
**capital spending**  
over 2026-2030

7

**€7 billion**

**Upgrade the grid**

Expanding the electricity grid beyond current plans and making it far more resilient

**€4 billion**

**Lower EV cost**

Reducing the cost of 700,000 EVs to under €15,000 and ramping up charging networks

**Support forestry and peatlands**

Rewetting peatlands and supporting forestry

**< €1 billion**

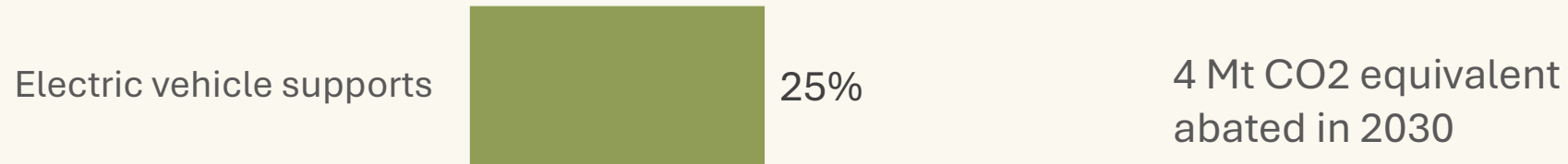
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# Such measures could reduce emissions

## Land Use and Forestry Regulation



## Effort sharing regulation



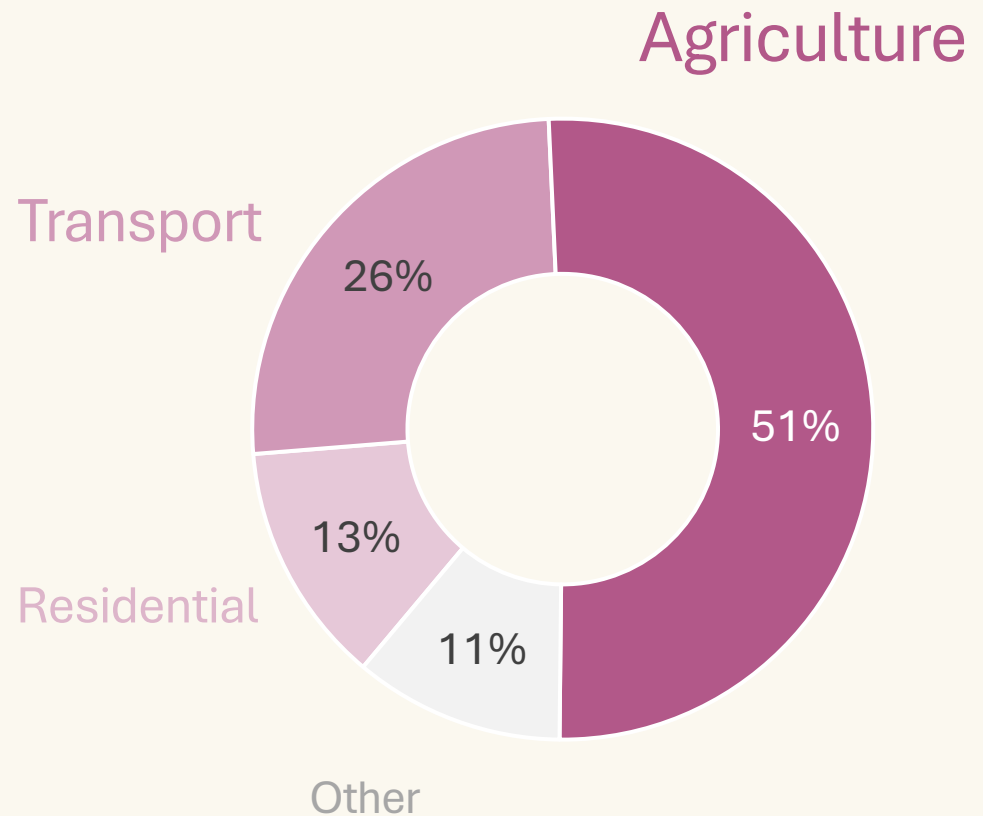
The percentages shown here are in terms of 2030 requirements.

# It's not all about money

Some areas require stronger action, without major financial intervention

**Agriculture:** more than half emissions in main regulation. A lot could be achieved by supporting forestry and making greater use of other technologies.

**Renewables:** Planning system is a big hold up for delivery.



Effort Sharing Regulation emissions in 2022.  
Environmental Protection Agency.

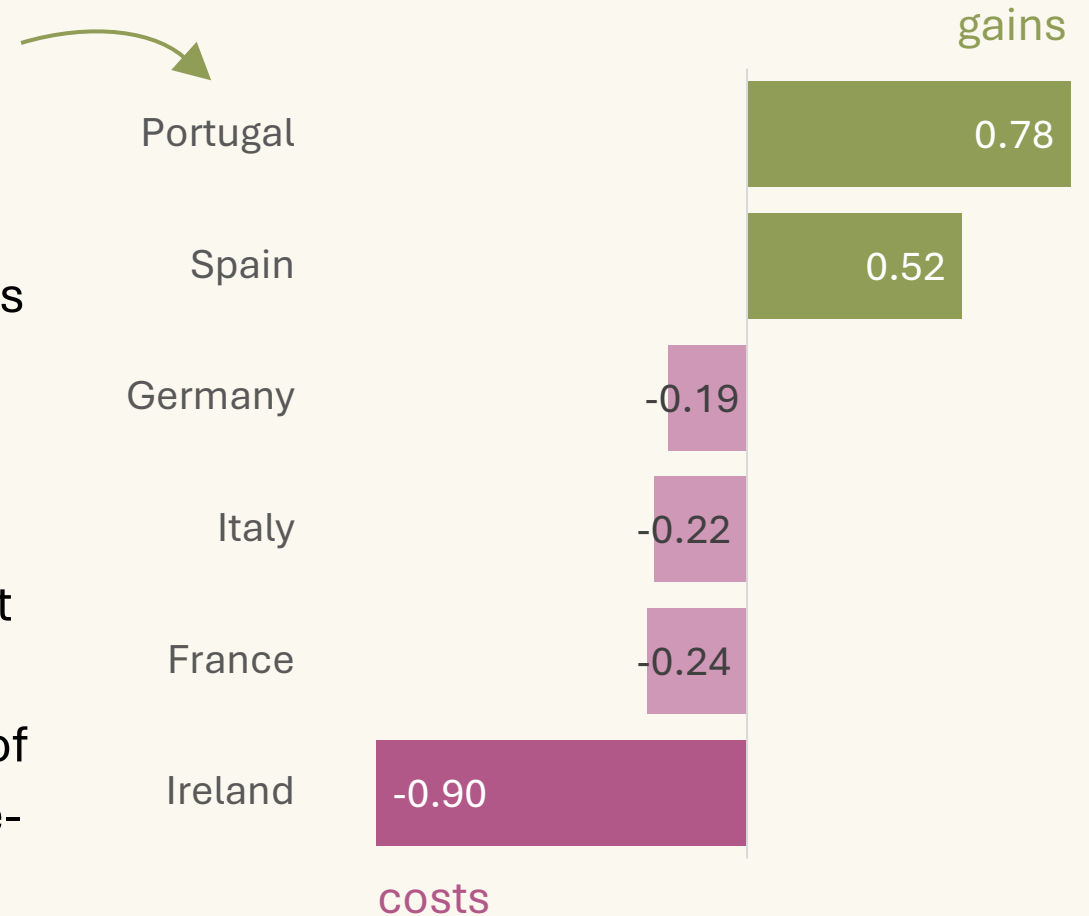
# Will it be enforced?

## Some countries will benefit

Countries such as Spain and Portugal are estimated to exceed their targets. This means they could sell surplus allowances to others. This could generate revenue of 0.5 to 0.8% of GDP.

## Costs are small for others

Ireland is an outlier in terms of the size of costs it faces. For instance, Germany, France, and Italy face large emissions gaps. However, as a share of their economies, the potential costs are just one-fifth of Ireland's burden.



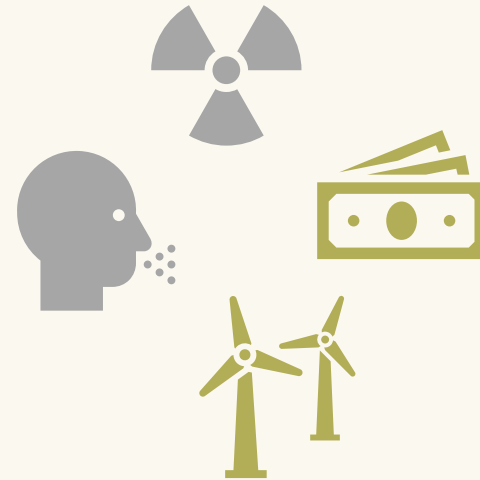
% GDP estimated costs of missing Effort Sharing Regulation. Ireland in % GNI\*. Own workings based on national "with additional measures" projections. They use ETS futures prices and assume no use of flexibilities.

# Action now makes sense

**Avoids risks** of big transfers to EU neighbours, a need for deeper emissions cuts, sudden policy shifts and EU legal challenges.

**Seize an opportunity** to keep money in economy and improve people's well-being here.

- Pollution, health risks, running costs ↓
- Energy security, climate resilience ↑



# Thank you

