‘We tax what we eat, what we earn – but we don’t tax jet fuel’

Wopke Hoekstra, Europe’s climate commissioner, speaks about fossil fuel subsidies, carbon pricing and seismic election results in the Netherlands

Daniel Murray

Wopke Hoekstra was 36 in 2011 when he decided to leave a well-paying job as a management consultant with McKinsey and enter Dutch politics.

Since then he has served as minister for finance, minister for foreign affairs and deputy prime minister, before being appointed as the European climate commissioner at the end of last year.

“It was certainly easier in the private sector,” Hoekstra chuckled, as he sat down with the *Business Post* for the Five Degrees of Change energy and environment podcast.

“But even though it is difficult, and even though it is long hours and it comes with all sorts of complications and implications for your private life, it gives tremendous meaning.”

When Hoekstra’s name was put forward as the replacement for his Dutch colleague Frans Timmermans as climate commissioner last year, there was some backlash due to his brief stint working for Shell.

“Just to put it into context, it was from 2002 to 2004,” Hoekstra said. “Now while that is not exactly the Stone Age, I would argue that many of our perspectives changed thereafter. For me personally, it was Al Gore’s *An Inconvenient Truth* movie, and it was the Paris Agreement. These types of things reshaped my own perspective.”

Hoekstra said his own experience tallied with the majority of people around the world, who had arrived too late to climate action. “But that is the reason why more is needed now.”

Unique position

Hoekstra now finds himself in a unique position, politically speaking.

He did not put himself forward in the Netherlands’ pre-Christmas elections, having already been appointed by his Christian Democratic Appeal party as commissioner.

With the elections leading to a seismic shift in support to Geert Wilders’ populist right wing, and a loss of support for Hoekstra’s party, no government has yet been formed.

When the next Dutch government is formed, it is fairly certain Hoekstra will not be reappointed as commissioner.

From this vantage point, what is Hoekstra’s view of the Dutch election, and the wider European trends it reflects, in terms of the rise of populist, anti-immigration and anti-climate action parties?

He said he was hesitant to comment on national politics but there was a concern in countries including the Netherlands “about the lack of ability to steer migration”.

On the question of climate action, and the wider pushback against the European Green Deal, Hoekstra strikes a brighter tone.

“By far, more people I talk to are convinced that we need to continue with our climate action, simply because they experienced the floodings, they experienced the droughts, they experienced all the adverse effects,” he said.

He nevertheless recognises that there has been a backlash, both from farmers and wider industry.

Hoekstra’s answer to this is that the EU needs to make a better case for why climate action is good for economic competitiveness in the long run.

“You cannot have one without the other,” he said. “So let's not be lured into the illusion that you can only have climate change or climate action at the expense of the economy.”

Climate diplomacy

Hoekstra said there were three elements that would drive better buy- in to the Green Deal from the public and industry. A greater focus on a just transition, levelling the playing field with the likes of the US and China which are subsidising their green industries, and bringing energy prices down.

Hoekstra is also a big believer in increasing the EU’s climate diplomacy, as the bloc represents just 7 per cent of global emissions.

“The reality is that if we do not manage to drive down that 93 per cent more effectively, we will all get wet feet,” he said.

Following this logic, China, the largest source of greenhouse gas emissions in the world, should be top of Hoekstra’s list.

Yet the relationship between the EU and China is tense, not least because of concerns over some of China’s government supported green industries, like solar and electric vehicles, and the impact their success is having on the European market.

“I think what both sides realise is that we have no alternative than to work together . . . for the simple reason that we already see the dramatic effects of climate change, and there is a joint responsibility to tackle it. And that is the one thing I do sense when I talk to my Chinese interlocutors, they see that this is happening.”

Cop 28, the latest UN intergovernmental climate conference, was heralded as a “victory of diplomacy” by Hoekstra.

This was due to its final text including wording around a “transition away from fossil fuels”, as well as greater financial commitments for vulnerable countries and scaling up renewable energy.

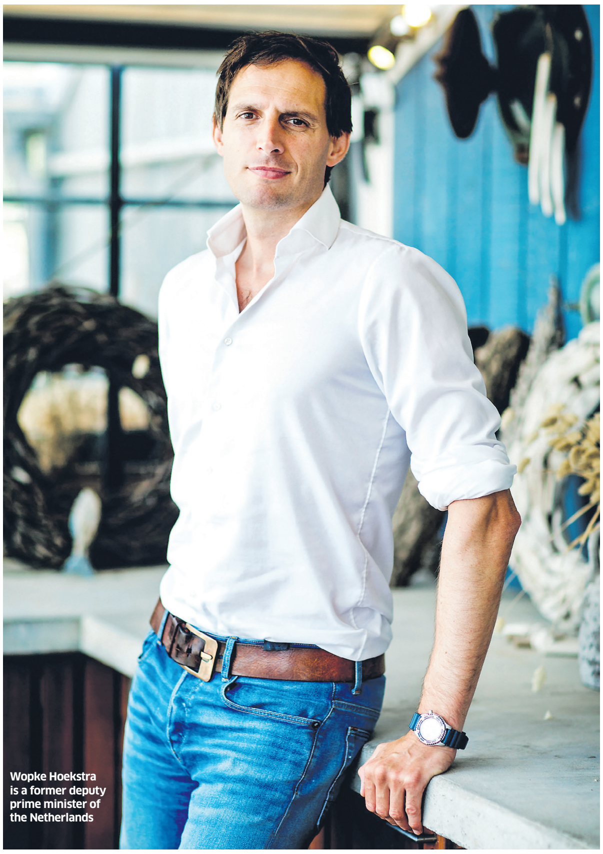
The conference has been criticised for the fact that in an effort to keep all 196 countries on side, it can only ever move as fast as its slowest member.

“Yet at the same time, I would articulate that one of the things we did manage to pull off at the last Cop was to make sure that the supermajority that [wants] more climate action actually became very vocal, and managed to take those along that might have been on the sceptical side or on the more hesitant side,” he said.

As well as climate diplomacy, the EU is using the size of its single market and its regulatory power to strong-arm other countries into climate action. Nowhere has this been better demonstrated than with the Carbon Border Adjustment Mechanism, which is effectively a new tariff on certain goods entering the EU that create higher emissions in their making.

“I’m always saying to our friends from abroad, that the best (carbon border mechanism) is one that doesn't make any money, because that would actually imply that emissions are not taking place outside of the European Union because others have also stepped up their game.”

Hoekstra said the mechanism was an extension of the logic around carbon pricing within the EU. Currently, that is achieved through the emissions trading scheme (ETS), whereby a price is put on carbon for heavy industry, aviation and energy production. A certain number of credits are then provided by the EU, which companies in those sectors trade if they are unable to reduce emissions, providing a financial incentive for efficiency and decarbonisation.



Wopke Hoekstra is a former deputy prime minister of the Netherlands

> Both sides realise that we have no alternative than to work together . . . for the simple reason that we already see the dramatic effects of climate change

What has flown under the radar in Ireland is that this scheme is to be extended to the transport and heating sectors by 2027, though Ireland will have an exemption until 2030.

Could Hoekstra see Ireland’s exemption extended beyond 2030, so that we continue to just implement our own carbon tax, which is likely to be higher than the EU’s anyway?

While Hoekstra said he couldn’t comment on Ireland’s specific arrangements, he believed that the EU always tried to develop policies which worked across borders while allowing flexbility for member states.

What he is certain about is that the carbon price system will be extended to other regions in the future as groups of countries around the world develop their own agreements similar to the EU’s.

The flip side of putting a price on carbon is addressing the subsidies that governments around the world currently spend on fossil fuels, which are estimated by the IMF to be in the region of €7 trillion.

Hoekstra is determined to address that but admits it will be a difficult process.

“You need to make sure you’re comparing apples to apples. Because some of these subsidies actually do have a clear transition type of logic to them, or have been used to help out citizens who face an immediate threat, like in the case of the of the summer of 2022 when we were all transitioning away from Russian gas.”

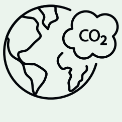
However, one subsidy he cannot get his head around is the tax exemption on aviation jet fuel.

“We tax basically everything in life: we tax what we eat, we tax the money we make at our jobs and we are taxed one last time when we die. The one thing we don’t tax is us flying across the globe. We don’t tax kerosene. So if you still have a combustion engine car you fill it up, and with your one little car you're paying more taxes on the fuel than the Boeing. That is pretty bizarre,” he said.

He said that given that aviation was a growing sector and there was a desire to incentivise it to become greener coupled with the need to generate more money for climate action, there were a growing number of reasons for taxing jet fuel.

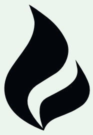
“Will this be easy? No, it’s going to be pretty difficult because tax is the prerogative of the member states,” Hoekstra said. “So it is not something that we can easily create. But I’m convinced that over time, we will make sure to do arrive at a system whereby we do tax kerosene.”

The numbers



7%

of global emissions accounted for by the European union



€7tn

estimated global subsidies spent on fossil fuels

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The carbon question: have our emissions finally peaked?

Something strange is definitely happening when economic activity is thriving while emissions fall – the Business Post has examined the sectors to see if the descent will continue

Daniel Murray
Political Journalist of The Year

if Irish emissions have begun an inexorable downward trajectory, will that descent be fast enough to reach the state's target Getty

While global emissions continue to grow, early indications are that Ireland's greenhouse gas emissions fell in 2023, for the second year in a row.

That would be remarkable given the increase in economic activity in recent years and raises an important question.

Have Ireland's emissions finally decoupled from economic activity and entered their final descent?

While Irish emissions in fact reached their highest level in 2005, at 71 million tonnes of carbon, they have since been explicitly tied to the rise and fall of the economy.

Emissions fell to just under 60 million tonnes as the economy ground to a halt during the crash years, but rebounded strongly during the subsequent economic recovery back up towards 65 million tonnes.

When economic activity was put on ice during the pandemic, emissions fell to under 60 million tonnes again, before bouncing back to 62 million in 2021.

But something strange happened in 2022, when emissions fell by 1.9 per cent to 60.7 million tonnes, despite an increase in economic output.

Early estimates for 2023 are that they fell a further 4 per cent to 5 per cent to 58 million tonnes, which would be their lowest level since 1993.

So has the link between economic growth and emissions finally been broken? And if Irish emissions have begun an inexorable downward trajectory, will that descent be fast enough to reach the state's target of halving emissions to close to 30 million tonnes by 2030?

To answer those questions, we need to look at the four highest emitting sectors: Agriculture, Transport, Electricity and Residential Buildings.

Agriculture

These emissions are heavily tied to cow numbers, due to both methane from the livestock, and nitrogen from fertiliser use on the grasslands they graze on.

Since the lifting of milk quotas in 2015, Ireland's dairy herd has increased, and agricultural emissions have been expanding. In fact, it was in 2021 that these emissions hit their highest level ever, at 23.6 million tonnes.

But in 2022 they fell by 1.2 per cent, and the expectation is that in 2023, they may stabilise or marginally fall.

Kevin Hanrahan, economist with Teagasc, the agriculture and food development authority, said that the natural ceiling for dairy expansion had been reached on most farms, while poor milk prices and high costs of inputs were putting pressure on the sector.

"As a result, the profitability of dairy farmers dramatically reduced in 2023 compared to 2022, to an order of around 50 per cent per litre. So the incentive to expand was massively scaled back in 2023," he said.

Combined with steadily falling beef cow numbers,meaning overall cattle numbers fell by 25,000 last year and Hanrahan thinks the agricultural sector has likely reached a turning point, with emissions possibly having peaked in 2021.

"Given the climate policy context and our assessment of the market outlook, we are really unlikely to see any repeat of the growth we saw in the dairy sector since 2015," Hanrahan said.

"I expect there will be a fall in emissions in 2023. But they won't fall dramatically. Something like a repeat of the fall we saw in 2022."

Another 1 per cent fall in agriculture would take emissions to around 23 million tonnes in 2023. But the sector needs to hit 20 million tonnes by the end of 2025 to stay within its first carbon budget, and then fall to 17.5 million tonnes by 2030 if the overall 25 per cent reduction target is to be met.

Those targets will prove difficult with technology improvements alone. The Environmental Protection Agency (EPA) has projected the sector falling short by about 1.5 million tonnes even if all policy measures in the climate action plan implemented by 2030.

Additional action is therefore likely to require livestock farmers getting rid of some of their animals voluntarily. That will only happen if new markets for farmland become available, like making biomethane from grass, or being paid to restore land to nature and sequester carbon.

Transport

The real problem child of Ireland's climate ambitions is transport. Transport emissions have more than doubled since 1990, at a much faster rate than any other sector. Following a dramatic fall in emissions during Covid-19, they have climbed again to 11.6 million tonnes in 2022, with no sign that they will stop growing.

"I still think transport emissions will be up in 2023," Brian Caulfield, professor of transportation at Trinity College Dublin, said. "It's because there is no short-term fix in transport. It is a much more long-term thing to realise, both because of big infrastructure projects, and because it has to do with where people live and their attitudes."

Fuel sales for 2023 suggest that transport emissions could be up 3 per cent to 4 per cent in 2023, following a 6 per cent growth in 2022. It makes transport the only high emitting sector that is not declining.

While electric vehicle (EV) sales increased to 19 per cent of all car sales last year, the overall number in the national fleet remains low, at around 34,000, or around 1 per cent.

A tipping point may come in the middle of the decade where the impacts of EV sales and the retirement of older cars will begin to be seen in transport emissions. But the target of reaching close to 1 million EVs on Irish roads by 2030, or nearly half the fleet, is steep, and even if it is achieved, it will not be enough to reduce emissions by 50 per cent to 6 million tonnes in 2030.

The EPA projects that even with all the ambitious policy measures in the climate action plan implemented – such as increased biofuel blends, hitting 1 million EVs, and delivering Bus Connects and the Dart expansion – emissions will only fall by 35 per cent.

The department of transport has modelled the additional "mode shift" that will be needed to reach the target, and that will require measures to discourage private car use which could prove controversial, such as higher parking fees in cities, low-emissions zones, and removing road space.

"Those demand side measures are the difficult things we need to do to get to our targets," Caulfield said. "It is still too difficult to predict a peak year for transport emissions. Real progress is going to take much longer than many policy makers realise, and I think there is another bad year to come yet."

Electricity

The electricity sector has long been Ireland's star performer for reducing emissions. From a high of 15.7 million tonnes in 2000, the sector halved emissions to 8.2 million tonnes in 2020.

This was thanks primarily to a revolution in onshore wind energy, which now produces about 35 per cent of our power.

But in 2021, there was a hiccup. Emissions shot up by 17 per cent, as rising power demand, limited new renewable projects, and troubles with gas generation saw the return of coal power generation at Moneypoint, to keep the country's lights on.

There was a small 1.8 per cent decrease in electricity emissions in 2022, but in 2023, early estimates are that something extraordinary happened.

The estimates are that emissions went from 9.5 million tonnes to 7.5 million tonnes, a 21 per cent reduction.

"That would be a record reduction in emissions that historically we have never seen. For any country to do that is just remarkable," Paul Deane, energy researcher at the MaREI institute at University College Cork said.

The main drivers of that reduction were increased electricity imports from the UK through interconnectors, where emissions count as part of the UK's inventory and not ours, and a reduction on coal and peat electricity in Ireland.

Deane considers these two levers to now be "bottomed out", meaning additional reductions will have to come from putting new renewables onto the system.

"My view for 2024 is that we'll probably see emissions plateau somewhere around where they are at the moment. It's going to be very hard to reduce emissions further. The policy lever is to build more and more wind," he said.

Deane said that with limited new wind capacity coming on stream, and demand continuing to increase from the likes of data centres, there was even a "risk of emissions drifting slowly back upwards between 2024 and 2028".

"But then in 2028, we hope offshore wind will come online, which will make a big difference," he said.

Residential

Emissions from the heating of buildings has ebbed and flowed over the last 30 years, due population growth and fuel switching.

Increased housing and a growing population drove an upward trend after 1997, peaking at about 8.9 million tonnes in 2010.

Emissions hovered around 7 million tonnes until 2020, where they began a gradual descent thanks to increasing retrofits and new regulations, hitting about 6 million tonnes in 2022.

"The ramp rate has been tracking fairly well on the retrofit side of things and the signs are good for this year as well," Jim Scheer, head of data and insights with the Sustainable Energy Authority of Ireland said. "The problem is that the ramp rate needs to be exponential between now and 2030 in order to get near our carbon budgets."

For retrofitting, that will require increasing from a rate of approximately 8,000 retrofits to a BER rating of B2 in 2022, to 75,000 a year from 2025. It will also require increasing from 2,286 heat pump installations in 2022, to 14,000 a year by 2025, and 100,000 a year by 2030.

All of this is conditional on a relatively new industry taking off.

Enhanced regulations should limit the emissions impact of the large increase in the housing stock being planned in the years ahead.

While falling gas prices could lead to an increase in use, Scheer thinks it is likely peak emissions in the sector have likely been hit.

"Population growth and economic growth do tend to drive these emissions," he said.

But hitting the 2030 target of reducing residential heating emissions by 40 per cent to 4 million tonnes will require all of the above to be delivered, along with the role out of biomethane and district heating schemes.

"We need to be vigilant, not complacent," Scheer said.

Ireland has peaked but fall is too slow

Taking all of these sectors together, it looks likely that Ireland's emissions may have peaked and begun a steady but slow decline.

But there is the risk that non-delivery of climate action could lead to an increase emissions tick back up in individual years.

What is certain is that the first carbon budget at the end of next year looks like it will be missed, while the even steeper 2030 carbon budget will require a dramatic turnaround in all sectors.

The numbers

38%
Agriculture emissions

19%
Transport emissions

14%
Electricity emissions

9%
Residential buildings

Strengthening logistics and supply sector is vital for the Irish economy as it navigates challenges

The interconnectedness of the world economy means logistics and supply play a key role

Jack Chambers

Attacks by Houthi rebels in the Red Sea, the obstruction of the Suez Canal by the Evergreen bulk vessel and the blockade of container ships carrying grain in the port of Odesa may all seem like remote and isolated global events occurring in far-flung locations.

We read about these incidents in newspapers or watch television reports on the evening news. For most people, it's hard to connect these seemingly distant events with real, discernable or tangible impacts on their everyday lives.

The smartphone in your pocket, the oranges in your fridge, the medication in your cabinet, and the car, bus or train you use to take to work every day are all perfect examples of why this is not the case.

The interconnected nature of the modern Irish economy and the way that the goods we all depend on are moved around the planet means that an incident involving a container ship halfway around the world can quickly be the reason your favourite fruit isn't on the supermarket shelf – or the iPhone you ordered two months ago still says "in shipping" on the online tracker.

Ultimately, the logistics and supply chain sector underpins the global economy, connects people and countries and – particularly in the case of our island economy – is vital to the success of Irish businesses. In 2022, Ireland's imports reached a record level of €141 billion in 2022, up 35 per cent compared with 2021. The country's exports of goods reached a record level of €208 billion, an increase of more than €42 billion compared with 2021.

A competitive logistics and supply chain sector is key to maintaining and improving Ireland's competitiveness across the whole economy. For exporting businesses in industry and enterprise, the logistics and the supply chain sector provides access to the EU single market and all global markets. Export growth in Ireland has been consistently strong for many years now.

Increasing awareness and understanding of the crucial role the sector plays is needed to ensure that the sector continues to attract skilled and diverse individuals to safeguard its future. As minister, I am committed to delivering this.

However, it is a sector that faces a particular set of challenges. It suffers from workforce shortages. Just 31 per cent workers in the logistics and supply chain sector are female, by comparison with 47 per cent in the wider economy. There is clearly untapped potential there.

At the same time, one in four truck and van drivers are 55 years and older, and 43 per cent of other drivers and operatives are 55 years and older. A new generation of diverse talent is needed.

It is for these reasons the government has this past week run the second-ever National Logistics and Supply Chain Skills Week, consisting of a series of in-person and digital, national and regional talks, career fairs and other events to promote the sector.

Despite the obvious challenges, there are also many reasons to be optimistic. This past week I have been fortunate to meet with passionate, determined and ambitious young people from diverse backgrounds who are already forging exciting careers in the sector.

At our LogisTYcs event in the Sport Ireland campus on Friday, there was huge curiosity, enthusiasm and positivity among the hundreds of transition year students in attendance – particularly in the new and emerging areas within the logistics and supply chain sector like drone technology.

The choice of career and educational opportunities now available in this sector is vast. From freight forwarding and data analytics to driving, warehousing and everything in between, there is a huge array of roles and careers possible in logistics and supply chain.

The sector is also on the frontline in terms of Ireland meeting our climate action plan emissions reduction targets, putting climate solutions at the centre of Ireland's social and economic development.

For anyone passionate about ensuring Ireland plays its part in tackling climate change, the sector offers many opportunities to drive this change.

Logistics and supply chain professionals are key decision makers on what products get made, how they are packaged, how they are transported and how waste can be eliminated.

The sector is ideal for young people looking to excel in a sector responsible for feeding, fuelling and delivering goods around the world, powering Ireland's economy, and playing a leading role in the transformation to a greener, cleaner global society.

Jack Chambers is the Minister of State at the Department of Transport.

The numbers

€141bn
In 2022, Ireland's imports reached record levels

€208bn
The country's 2022 exports reached record levels also

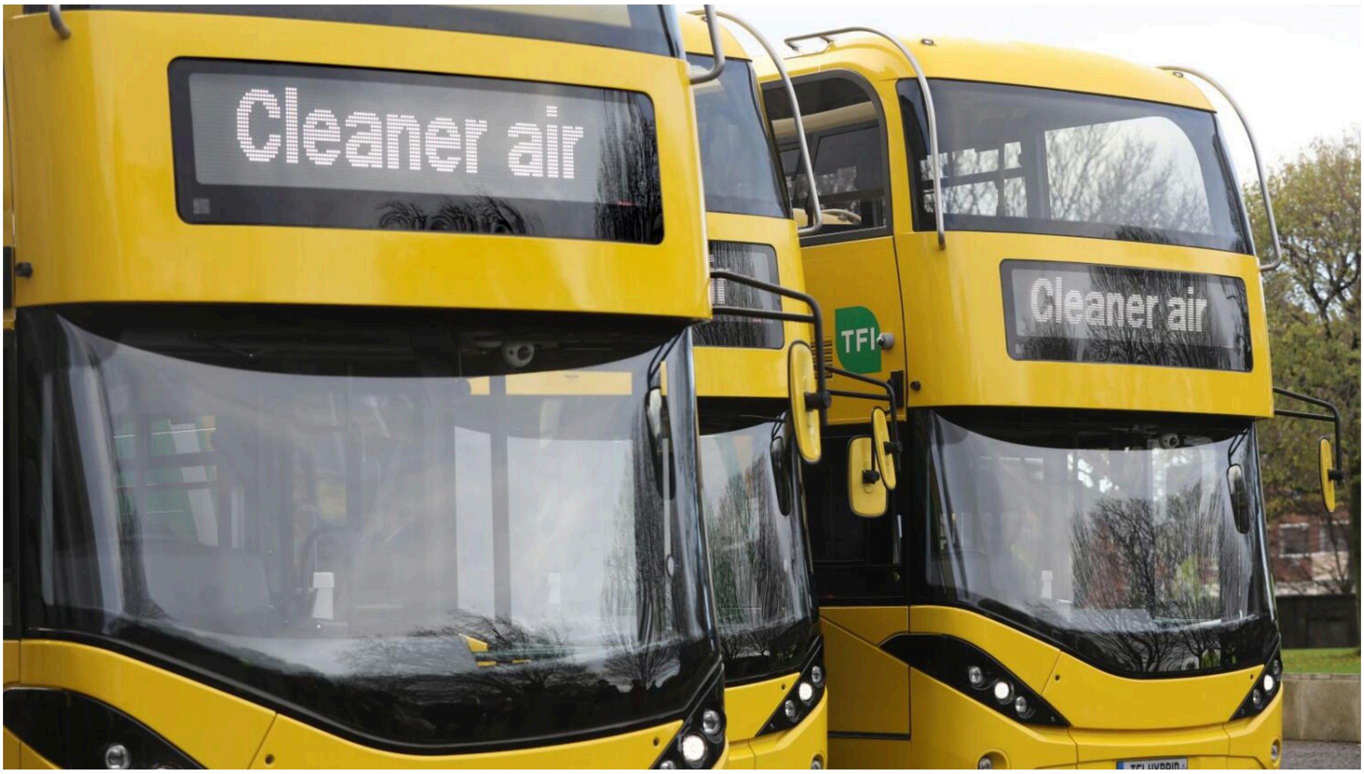
31%
of workers in the logistics and supply chain sector are female

TRANSPORT

Over 100 new electric buses to sit idle in Dublin until year-end due to undersupply of charging infrastructure

A programme to install charging infrastructure for 136 buses was intended to be complete by the end of August, but will now be delayed

DANIEL MURRAY | JULY 4, 2023



The electric buses are part of the NTA's plans to transition urban bus services to zero-emission bus fleet. Picture: Leah Farrell/RollingNews.ie

More than 100 electric buses acquired by the National Transport Authority (NTA) will sit idle in Dublin until close to the end of the year, due to a lack of charging infrastructure, the *Business Post* has learned.

100 double decker buses arrived in Ireland earlier this year after being purchased for Dublin Bus as part of the electrification of the public bus fleet. Registration of the vehicles for road use is currently underway, while testing, commissioning and driver training on the new buses will take place across the rest of the summer. A further 34 single-decker buses are also in Dublin since earlier this year, which will be used on a new orbital bus route in Dublin, where there are physical height constraints preventing the use of double deck buses.

A programme to install charging infrastructure for 136 buses in the Summerhill and Phibsborough bus depots was intended to be complete by the end of August, with buses then to be swapped into service in place of older diesel only buses on an incremental basis over a three month period.

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However, the Business Post has learned that the contractor employed by Dublin Bus to install the chargers hasn't been able to get planning consent in time for the project, and so the charging infrastructure will not be ready until the autumn or winter.

“While the contractor had programmed for all of these chargers to be installed and commissioned by the start of September, the contractor has now indicated that the completion date will slip due to a delay in obtaining a planning consent for aspects of the contractor’s design,” a spokesman for the NTA said.

“Dublin Bus is engaging with the contractor to minimise this delay and it is still intended that the new electric buses will be brought into operational service later this year on an incremental basis – vehicles will be gradually swapped out on a week-by-week basis over about a three month period.”

The electric buses are part of the NTA’s plans to transition urban bus services to zero-emission bus fleet. The intention is that new zero-battery-electric buses will replace the older diesel-powered fleet on an incremental basis, as the latter buses reach the end of their efficient operational life, which is generally about 12 years.

Dublin is to be the first location where that fleet transition will start, and by 2032 it is intended that 85 per cent of the Dublin fleet will be zero-emission with the remaining 15 per cent being low-emission hybrid diesel-electric vehicles. By 2035 these hybrid diesel-electric vehicles will also have been phased out and the fleet will be fully zero-emission.

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