



Rialtas na hÉireann  
Government of Ireland

# Green Budgeting Initiatives & Sustainable Finance in Ireland

25 March 2025, World Bank Public Expenditure Management Peer-Assisted Learning network

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# Green Public Financial Management Workstreams

## Budgetary Tools

Green Budget  
Tagging of Revenue  
and Expenditure

Performance  
Reporting &  
Impact  
Measurement

Infrastructure  
Guidelines &  
National  
Development  
Plan Review

Spending  
Reviews;  
Social Impact  
Assessments,  
Reviews &  
Papers

Macro  
Economic &  
Fiscal  
Analysis  
e.g. I3E  
Carbon Tax

Tax  
Strategy  
Group  
Papers

Climate  
Action Plan;  
National  
Adaptation  
Framework;

Irish  
Sovereign  
Green  
Bonds

Sustainable  
Finance  
Roadmap

International  
Climate  
Finance

## Appraisal & Evaluation

## Policy Development

## Sustainable Finance

# Establishing Green Budgeting Practices

## First steps

- The **Climate Change Advisory Council (CCAC)** advised the Government to use the annual budgetary process to support climate action. Green Budgeting (GB) was identified as a means of doing so.
- 2018: Ministerial announcement as part of Budget speech, and publication setting out the **overarching principles of green budgeting**:
- Joined the OECD Paris Collaborative; Coalition of Finance Ministers for Climate Action; European Commission Green Budgeting Expert Group; TSI Exchange Programme.

## Since then:

- **Climate-favourable expenditure** allocations reported in REV from 2019; **unfavourable allocations** from 2024;
- **Hypothecated Carbon Tax revenues** reporting in Budget from 2020;
- **Climate/environmental impact of capital expenditure plans** assessed in 2021;
- **Climate-unfavourable subsidies/supports** inventory published in Jan 2023;
- **GB tagging of tax/tax expenditures** from 2021
- GB Tax analysis was the next natural step and the Department felt it important to consider both the positive and negative climate contributions as part of this. It was also important to consider the wider context of domestic and international climate targets and previous analysis of the effects of fiscal policy.
- This approach informed the decision to commence Green Budgeting Tax analysis with the publication for **Budget 2022** (October 2021).





# Budget Publications - Green Budgeting

- Green Budgeting analysis is now **a key part of the Budgetary framework**, and has been published as part of the Budget in each year since the first Green Budgeting paper published on Budget Day 2022.
- As outlined in the Department of Finance's *Statement of Strategy 2024-2025*, the Departments mission is to “lead in the achievement of the Government’s economic, fiscal and financial policy goals”, having regard to the commitments set out in the ‘Programme for Government 2025 - Securing Ireland’s Future’.
- Under **Strategic Goal 5: “Promote environmentally sustainable economic progress”**, green budgeting initiatives from a tax perspective play an important role.
- Green Budgeting provides an evidence base and reflects the link between how tax and tax expenditure measures can influence individual and business behaviours towards supporting climate and environmental goals.
- Latest analysis was published as part of [Budget 2025: Beyond GDP - Quality of Life Assessment](#) and [gov.ie - Green Budgeting \(www.gov.ie\)](#)

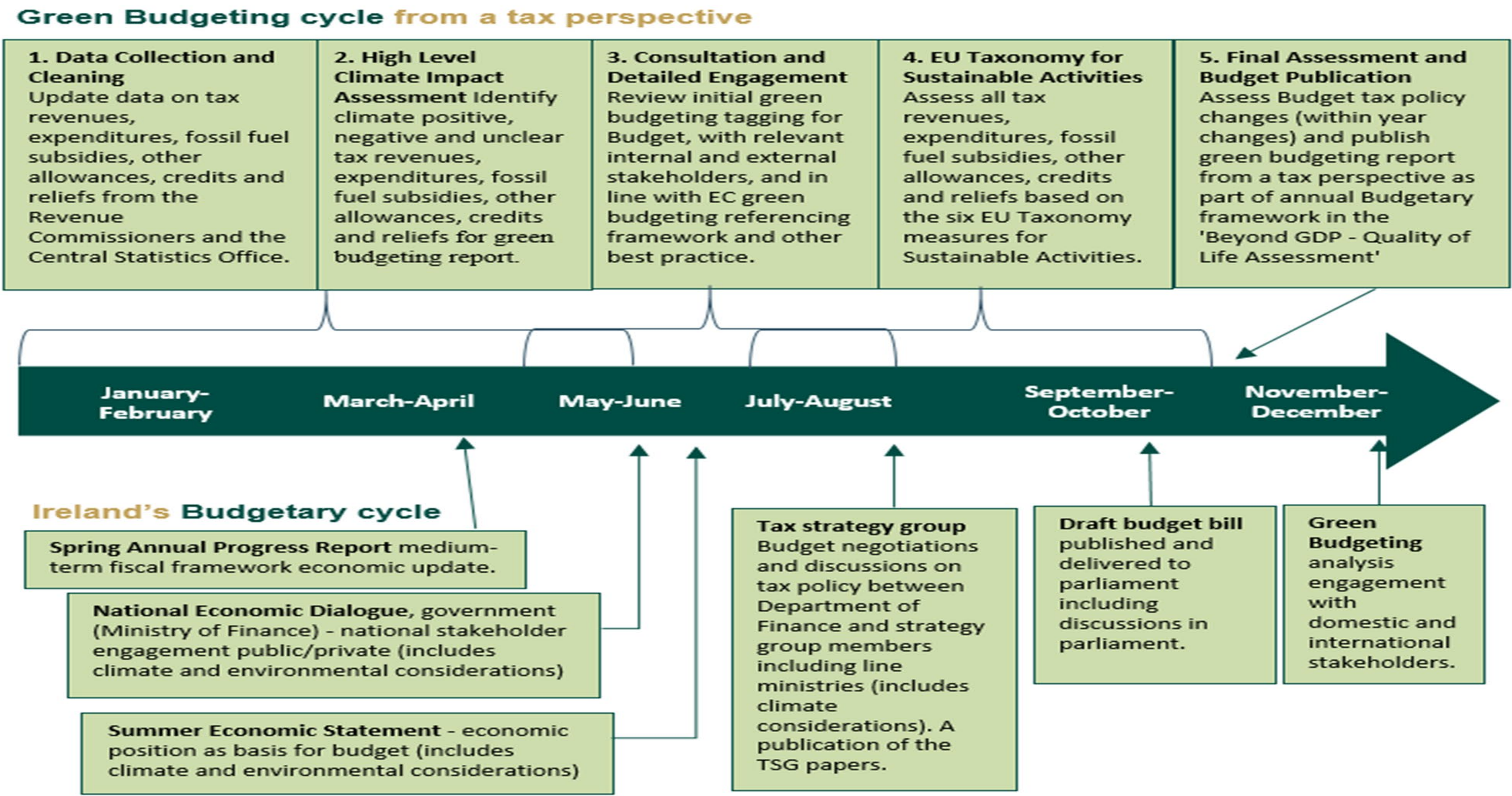




# Green Budgeting: part of the Budgetary Framework in Ireland



**Figure 1: Budget cycle and green budgeting from a tax perspective in Ireland**

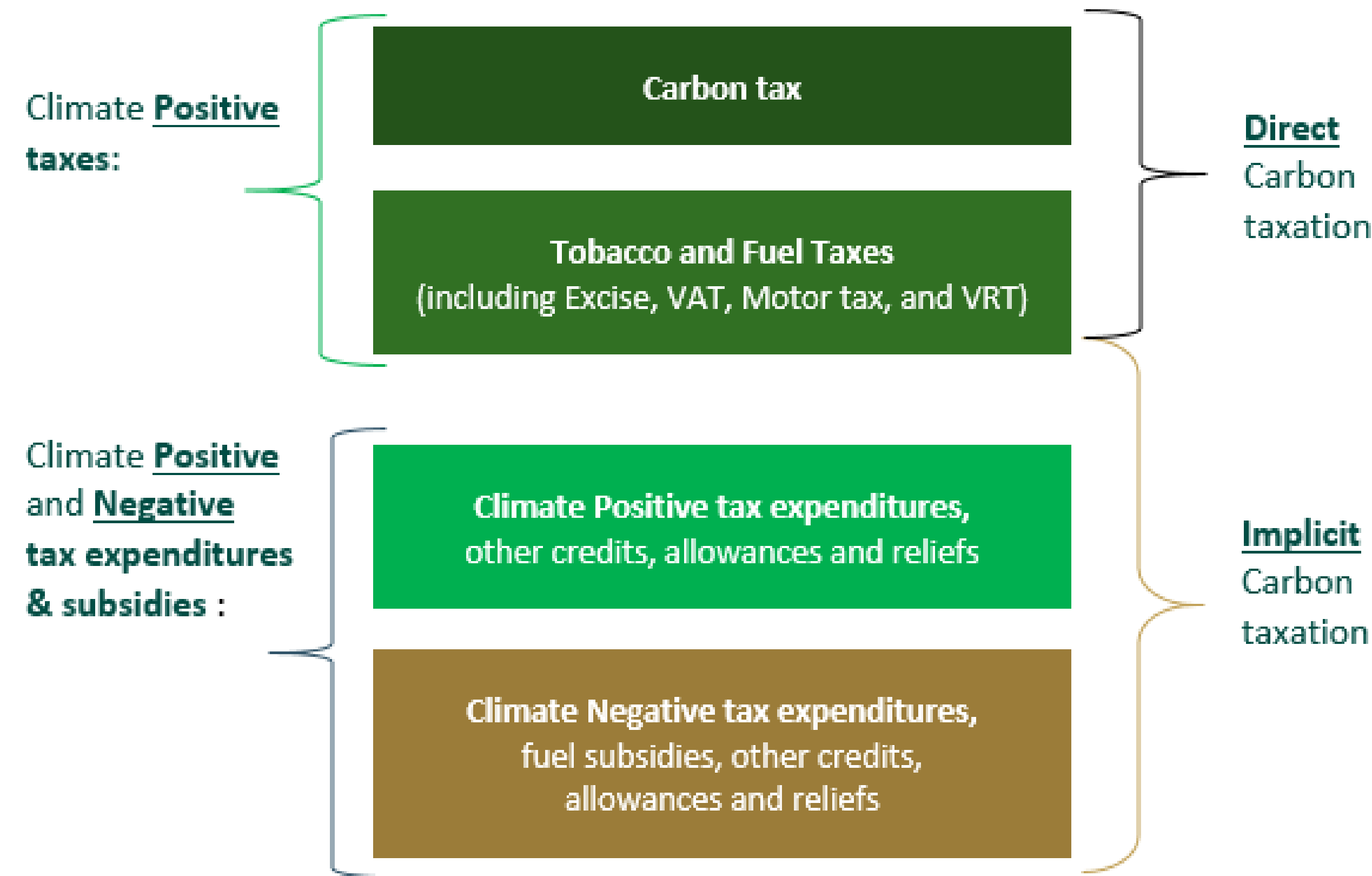




# Overview of Green Budgeting from a Tax Perspective - Data



Figure 7: Overview of green budgeting from a tax perspective  
CO<sub>2</sub> direct and implicit taxation in Ireland

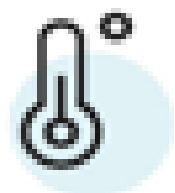



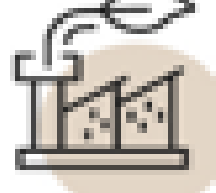



Source: Department of Finance. Note Emissions Trading Scheme (ETS) is currently not included in Green Budgeting analysis.



# Overview of the Green Budgeting Methodology - Climate Positive tax measures







Table 3: Green Budgeting Climate Positive Tax Revenue - Budget 2025

Climate positive tax revenue raising measures	€ million						
		(1) Climate change mitigation	(2) Climate change adaptation	(3) Sustainable use and protection of water and marine resources	(4) Transition to a circular economy	(5) Pollution prevention and control	(6) Protection and restoration of biodiversity and ecosystems
	2022						
Total relevant Excise*1	1,554	✓	✓	?	?	✓	✓
Tobacco Tax	1,181	✓	✓	?	?	✓	✓
Carbon Tax	791	✓	✓	?	?	✓	✓
Vehicle Registration Tax	757	✓	✓	?	?	✓	✓
Motor tax	904	✓	✓	?	?	✓	✓
VAT (Other Fuels 13.5 per cent)	687	✓	✓	?	?	✓	✓
VAT (Motor Fuel 23 per cent)	752	✓	✓	?	?	✓	✓
Total Tax Revenues	6,606						

Source: Revenue data, Department of Finance analysis.

Note: Considered in analysis however tax measure link to EU taxonomy measure unclear/not tagged = ?. Tax measure tagged using EU Green Budgeting framework and EU taxonomy = ✓

Table 4: Green Budgeting 2025 - climate negative tax expenditures, other credits, allowances and reliefs

Climate negative tax expenditures, other credits, allowances and reliefs	€ million						
		(1) Climate change mitigation	(2) Climate change adaptation	(3) Sustainable use and protection of water and marine resources	(4) Transition to a circular economy	(5) Pollution prevention and control	(6) Protection and restoration of biodiversity and ecosystems
	2022						
VAT - Marine Diesel *1	0.1	✗	✗	✗	?	✗	✗
VAT - Disabled vehicle users *1	29.1	✗	✗	?	?	✗	✗
VAT - Touring Coaches *1	6.0	✗	✗	?	?	✗	✗
VAT - Effective Lower Rate for Fuel/Energy Services *2	512.9	✗	✗	?	?	✗	✗
VAT - Auto Diesel VAT Refund *2	241.0	✗	✗	?	?	✗	✗
VAT - Jet Kerosene Exemption*2	233.1	✗	✗	?	?	✗	✗
VRT - Exemptions *1	21.2	✗	✗	?	?	✗	✗
VRT - Relief for leased cars *1	0.0	✗	✗	?	?	✗	✗
VRT - Remissions /repayments for drivers and passengers with disabilities *1	40.6	✗	✗	?	?	✗	✗
Excise - Aviation Gasoline Repayment *1	0.2	✗	✗	?	?	✗	✗
Excise - Diesel Rebate Scheme *1	35.9	✗	✗	?	?	✗	✗
Excise - Horticulture relief *1	0.0	✗	✗	?	?	✗	✗
Excise - Lower duty on Kerosene *1	408.9	✗	✗	?	?	✗	✗
Excise - Exemption on Aviation Fuel *2	552.9	✗	✗	?	?	✗	✗
Excise - Exemption: Domestic Electricity Use *2	5.1	✗	✗	?	?	✗	✗
Excise - Repayment: Commercial Sea Navigation*1	16.5	✗	✗	✗	?	✗	✗
Excise - Lower duty on Auto-diesel *1	307.9	✗	✗	?	?	✗	✗
Excise - Lower duty on Fuel Oil *1	14.0	✗	✗	?	?	✗	✗
Excise - Lower duty on Marked Gas Oil *1	397.3	✗	✗	?	?	✗	✗
Excise - Fuel Repayment for Disabled Drivers and Disabled Passengers*1	9.8	✗	✗	?	?	✗	✗
Corporation Tax – ACA for Gas Vehicles *1	0.0	✗	✗	?	?	✗	✗
Corp. tax and Income Tax - Multi-storey Car Parks Income Tax*1	0.1	✗	✗	?	?	✗	✗
Income Tax - Fisher tax credit *1	0.0	✗	✗	✗	?	✗	✗
Income Tax - General Stock Relief *1	0.0	✗	✗	?	?	✗	✗
Income Tax - Stock Relief for Registered Farm Partnerships *1	0.0	✗	✗	?	?	✗	✗
Income Tax - Stock Relief for Young Trained Farmer *** *1	0.0	✗	✗	?	?	✗	✗
Total tax expenditures, other credits, allowances and reliefs	2,833						

Source: Revenue data, Department of Finance analysis.

Note: Considered in analysis however tax measure link to EU taxonomy measure unclear/not tagged = ?. Tax measure tagged using EU Green Budgeting framework and EU taxonomy = ✗

## Overview of the Green

## Budgeting Methodology:

### - Climate Negative tax

### expenditure measures











# Overview of the Green Budgeting Methodology - Climate Positive tax expenditure measures



**Table 5: Green Budgeting 2025 - climate positive tax expenditures, other credits, allowances and reliefs**

Climate positive tax expenditures, other credits, allowances and reliefs	€ million						
		(1) Climate change mitigation	(2) Climate change adaptation	(3) Sustainable use and protection of water and marine resources	(4) Transition to a circular economy	(5) Pollution prevention and control	(6) Protection and restoration of biodiversity and ecosystems
	2022						
VRT- Relief for Electric Vehicles*1	19	✓	✓	?	?	✓	✓
Stamp Duty – Commercial Woodlands*1	42	✓	✓	?	?	✓	✓
Corp. tax and Income tax - Energy Efficient Capital Allowances*1	13	✓	✓	?	?	✓	✓
Corp. tax and Income tax - Park and Ride*1	0	✓	✓	?	?	✓	✓
Corp. tax and Income tax - Woodlands*1	32	✓	✓	?	?	✓	✓
BIK – Cycle to work scheme *3	8	✓	✓	?	?	✓	✓
Income tax – TaxSaver travel pass *3	8	✓	✓	?	?	✓	✓
<b>Total tax expenditures, other credits, allowances and reliefs</b>	<b>119</b>						

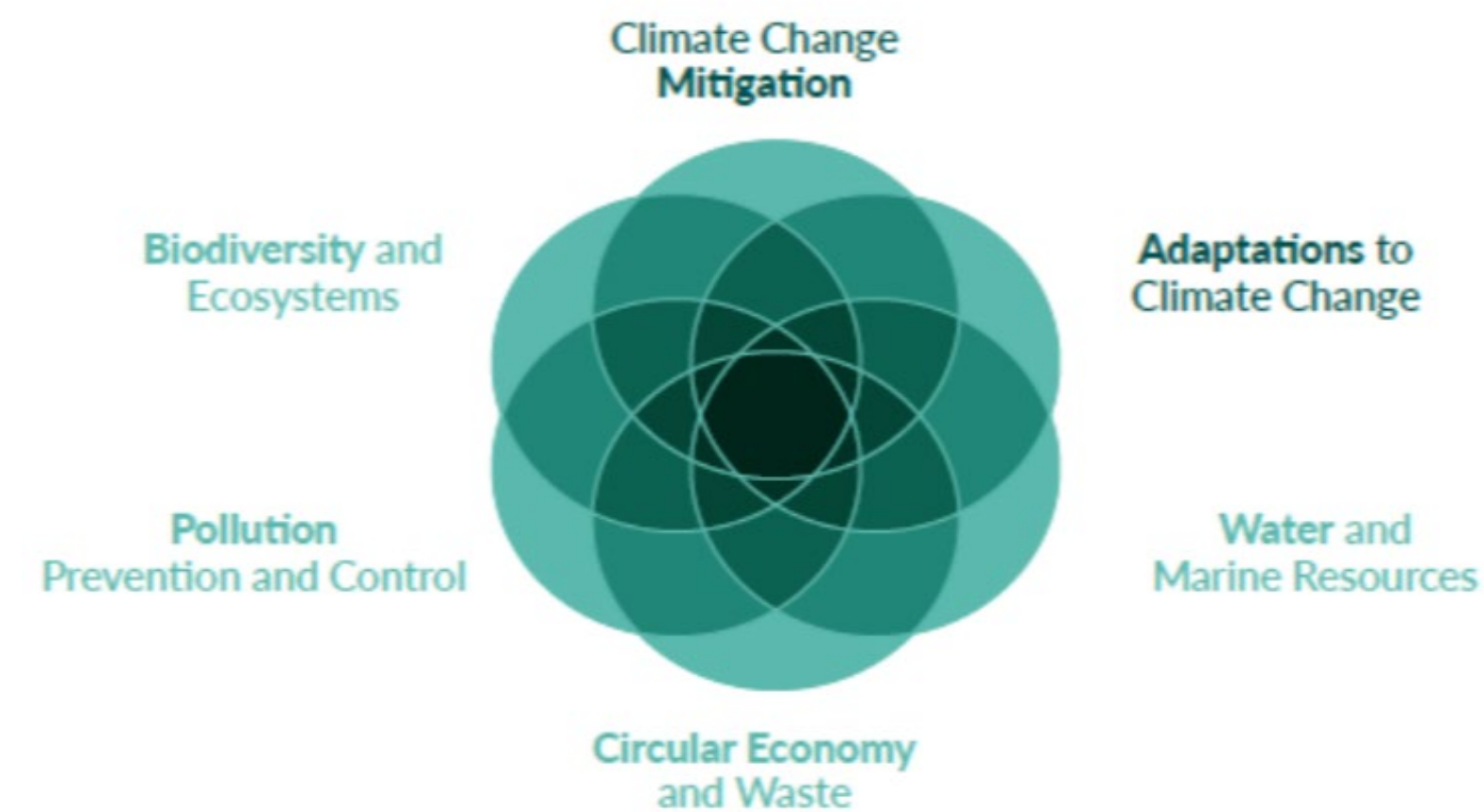
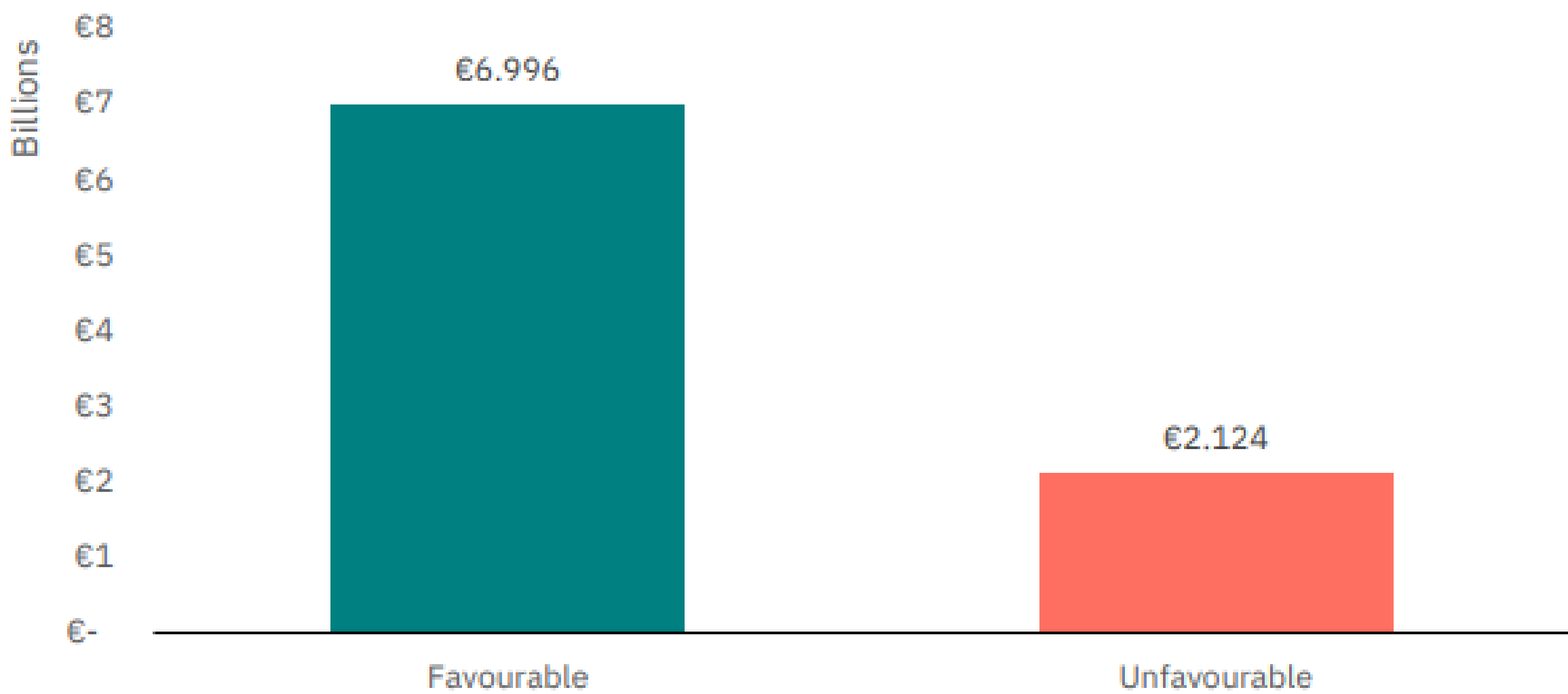
Source: Revenue data, Department of Finance analysis.

Note: Considered in analysis however tax measure link to EU taxonomy measure unclear/not tagged = ?. Tax measure tagged using EU Green Budgeting framework and EU taxonomy = ✓

# Green Budgeting in Expenditure



- Annual tracking and classification of voted expenditure allocations
- Reference to 6 climate and environmental criteria
- Interdepartmental collaboration
- Fosters policy discussion - is the expenditure we are allocating to climate and the environmental goals well-targeted, impactful and sustainable?
- 2025 Overview results:



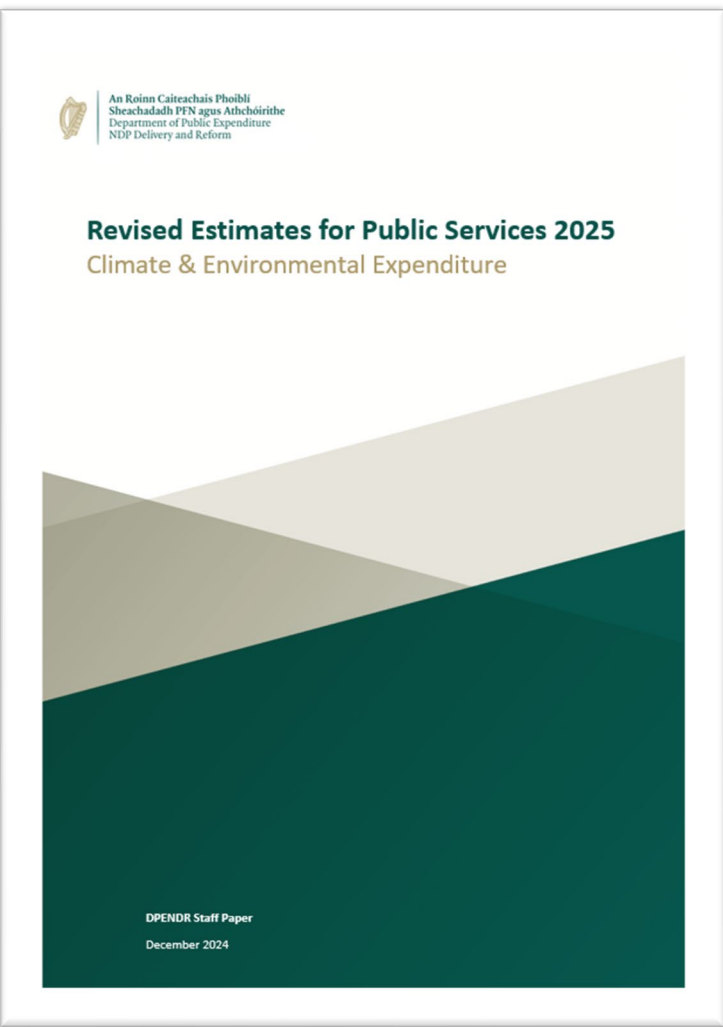
Vote 13: Office of Public Works				
Programme/Scheme	Subhead	2022 € 000	2023 € 000	% Change
Flood Risk Management (OPW)	A.5	85,516	76,520	-11%
Total		85,516	76,520	-

Vote 29: Department of Environment, Climate & Communications				
Programme/Scheme	Subhead	2022 € 000	2023 € 000	% Change
Environmental Protection Agency - Administrative expenses	A.3	41,619	43,761	5%
Environmental and Climate Research	A.4	14,300	17,250	21%
Carbon Fund	A.5	4,500	2,905	-35%
International Climate Change Commitments	A.6	15,000	26,500	77%
Climate Initiatives	A.7	11,077	10,931	-1%
Just Transition Fund (IE & EU)	A.8	34,000	12,420	-63%
Shared Island Fund	A.9	-	1,800	n/a
SEI Admin and General Expenses	B.3	21,475	27,971	30%
Residential/Community Retrofit Programmes	B.4	94,952	355,265	274%
Other Energy Efficiency Programmes	B.5	46,065	82,765	80%
Energy Research Programmes	B.7	25,010	30,350	21%
Regulation of District Heating	B.14	-	689	n/a
Residential Retrofit Loan Guarantee Scheme	B.15	-	4,780	n/a
Waste Management Programmes	C.6	37,010	42,890	16%
Environmental Sustainability	C.8	-	500	n/a
Total		345,008	660,777	92%

Vote 30: Department of Agriculture, Food and Marine				
Programme/Scheme	Subhead	2022 € 000	2023 € 000	% Change
Agri-environmental Schemes <sup>1</sup>	B.3	-	160,737	n/a
Agri-Climate Rural Environment Scheme <sup>1</sup>	B.14	336,178	160,000	n/a
Organic Farming Scheme <sup>1</sup>	B.15	-	12,684	n/a
Beef Sustainability Schemes	B.6	85,791	57,000	-34%
Brexit Beef Scheme	B.16	-	28,000	n/a
Forestry and Bio-energy	B.10	100,000	112,415	12%
Carbon Tax Measures (and Just Transition Fund in 2023)	B.13	3,500	13,650	290%
Marine Institute Grant	D.4	45,027	41,421	-8%
Total		570,496	585,907	3%





# Green Budgeting – Climate and Environmental Transport Expenditure



## 5.8 Transport

### Vote 31

#### Climate & Environmentally Favourable Expenditure:

Programme	2024 Total €,000	Change %	2023 Total €,000	Relevant Expenditure %
A.3 Active Travel Infrastructure	297,650	-	297,650	100
A.4 Greenways	60,000	-	60,000	100
B.4 Public Service Provision Payments	613,463	9%	563,774	100
B.5 Public Transport Investment	971,056	11%	876,504	100
C.7 EV Grants and Infrastructure (formerly B.3 -Carbon Reduction)	118,072	13%	New in 2024	100

#### Climate & Environmentally Unfavourable Expenditure:

C.3 National Roads Investment	570750	-16%	678168	45
C.4 Regional and Local Roads Investment	623,667	-0%	625916	11
D.3 Regional Airports	16,942	-39%	27,648	100
E.3 IRCG	94,555	20%	78,755	100

Please note 2023 figures have been slightly amended following REV publication. This does not affect 2024 totals.

A baseline assumption of this assessment is that reducing journeys by private car in favour of public transport, cycling or walking lowers energy consumption and greenhouse gas emissions. In general terms, all funding allocated to the Department of Transport that prioritises these objectives is considered broadly favourable to emissions reduction and pollution prevention, while all funding that facilitates and supports private car use is considered potentially unfavourable to those criteria. As with all other assessments, this reflects acknowledgement of the likely practical consequences of this funding from a climate and environmental perspective so that consideration can be given to how any impact can be mitigated or minimised, and where this is not possible, it highlights the need for the Government to have regard to other measures to offset the potentially unfavourable consequences of necessary expenditures.

The Department of Transport defines **Active Travel** as 'travelling with a purpose using your own energy' through walking, cycling or wheeling. It forms part of the National Sustainable Mobility Policy which aims to achieve an increase in the number of people travelling by cleaner and greener transport and a shift away from the private car to greater use of active travel and public transport. The Department of Transport defines **Greenways** as 'a recreational or pedestrian corridor for non-motorised journeys, developed in an integrated manner which enhances both the environment and quality of life of the surrounding area' (Strategy for the Future Development of National and Regional Greenways). Greenways can be used to enable greater levels of cycling and walking amongst leisure users, tourists, and commuters. This forms part of the National Sustainable Mobility Policy which aims to achieve an increase in the number of people travelling by cleaner and greener transport and a shift away from the private car to greater use of active travel and public transport.

The National Transport Authority is responsible for the procurement of public transport services in Ireland. It has entered into a series of contracts with public transport operators, both State-owned and private companies, for the provision of bus, tram and rail services. **Public Service Provision Payments** in general support the provision of public transport services that are deemed socially necessary but are not commercially viable, and funding is provided by the Government for these services. Such services are often referred to as Public Service Obligation (PSO) services.<sup>26</sup>

Investment in **public transport infrastructure** connects people and places in a sustainable way by supporting: safe, accessible, comfortable and affordable journeys to and from home, work, education, shops and leisure; travel by cleaner and greener public transport; and a shift away from the private car to greater use of public transport. This is considered to have directly favourable impacts on climate change mitigation efforts and the reduction of the release of pollutants from tailpipe emissions of internal combustion engine vehicles release.<sup>27</sup>

**Electric Vehicle (EV) grants and infrastructure** have the objective of decarbonisation of private transport network. EVs have lower emissions than internal combustion engine (ICE) vehicles and have zero tailpipe emissions, both of which have a direct effect on mitigation efforts and on air quality. Even when emissions from Irish electricity generation are considered, CO2 emissions from EVs are less than those from ICE vehicles, and also nitrogen oxides, sulphur oxides and particulates are reduced in comparison.<sup>28</sup>

The element of funding for **national, regional and local roads investment** that is allocated from subheads C.3 and C.4 for the construction of new roads is considered potentially unfavourable to mitigation and pollution prevention and control due to the facilitation of use of private cars, the majority of the stock of which in Ireland is currently comprised of ICE vehicles. The basic underlying principle is that road infrastructure investments are likely to make journeys faster and easier, which can lead to people switching from making journeys by public transport to cars, and or making more frequent or longer car journeys<sup>29</sup>. Maintenance of the existing road network is readily identifiable in the REV structure and is not considered to have the same extent of impact, as many of these

investments involve benefits to adaptation that would otherwise not be progressed, and is therefore not included in the above proportions.

Exchequer support is provided to Ireland's **regional airports** through a Regional Airports Programme (RAP) 2021–2025. The RAP supports those airports that provide connectivity and handle fewer than 1 million passengers annually. This funding provides capital and operational supports to the airports of Donegal, Kerry and Ireland West Airport Knock, and meets contracted costs of PSO air services from Donegal to Dublin. Under EU Regulation No. 1008/2008, the Government has established the PSO air service, on the basis that the service is considered necessary for the economic development of the north-west region and would not be provided on a commercial basis. Other funding is predominantly targeted at safety and security and sustainability related projects and activities. A material amount of the funding under this subhead is considered potentially climate unfavourable, as aviation is an emissions-intensive activity and this funding supports aviation activity on this route, which likely results in higher levels of emissions than would occur in the absence of the supports. In addition, operational supports to these airports lowers costs for the aviation industry. This is discussed further in DPENDR's 2023 [Review of Fossil Fuel Subsidies and other Potentially Climate Harmful Supports](#).

The allocation to the **Irish Coast Guard (IRCG)** is considered potentially unfavourable to climate change mitigation due to the necessary, but fossil fuel-intensive activity, funded from that subhead. The Coast Guard's role is to provide maritime search and rescue, maritime casualty, and pollution response service. The Coast Guard is a Division within the Irish Maritime Directorate (IMD) of the Department of Transport. The Irish Maritime Directorate's mission is to have a safe, sustainable maritime sector that meets its international obligations and domestic needs, delivers a world class emergency response service, and promotes and protects Ireland's economic interests as an island nation. Funding for IRCG likely results in higher levels of emissions than would occur in the absence of the supports, notwithstanding the other important policy purposes for which funding is provided.

[Publication link](#)

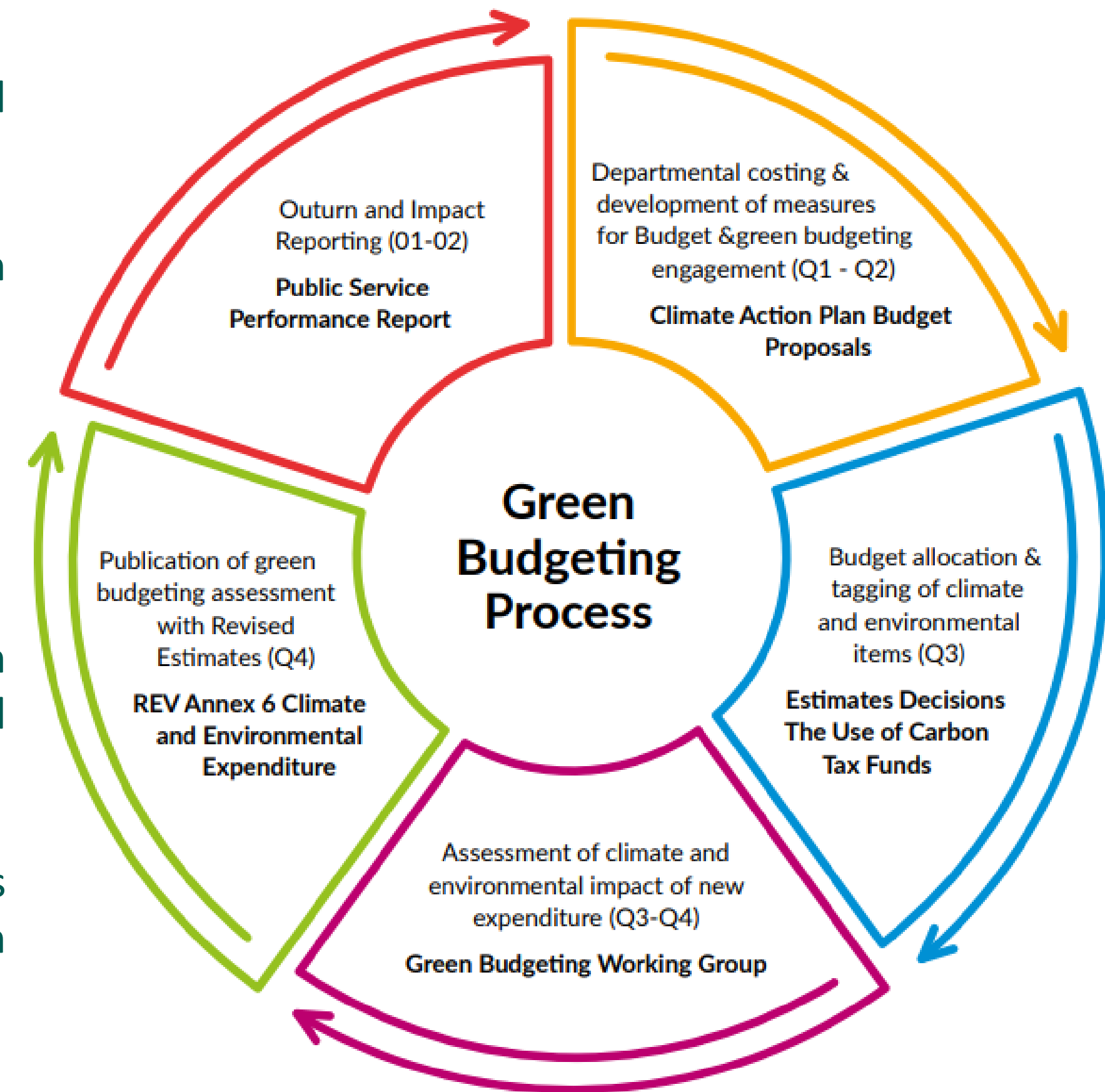
<sup>26</sup> <https://www.nationaltransport.ie/public-transport-services/public-transport-contracts/>  
<sup>27</sup> <https://www.gov.ie/en/publication/848df-national-sustainable-mobility-policy/>  
<sup>28</sup> <https://www.seai.ie/technologies/electric-vehicles/why-drive-electric/the-environment/>  
<sup>29</sup> See, for example, <https://www.gov.uk/government/publications/induced-travel-demand-an-evidence-review> and <https://www.mdpi.com/2071-1050/11/18/4973>



# Reporting on Outcomes – the Performance Budgeting Framework



- Performance budgeting introduced in 2012 in Ireland
- Moving from sole focus on provision of resources to:
  - How are resources used?
  - What is delivered?
  - What are the impacts?
- Strengthening the link between fiscal and expenditure policies and delivery
- Cyclical annual budgetary process with iterative improvements in efficiency

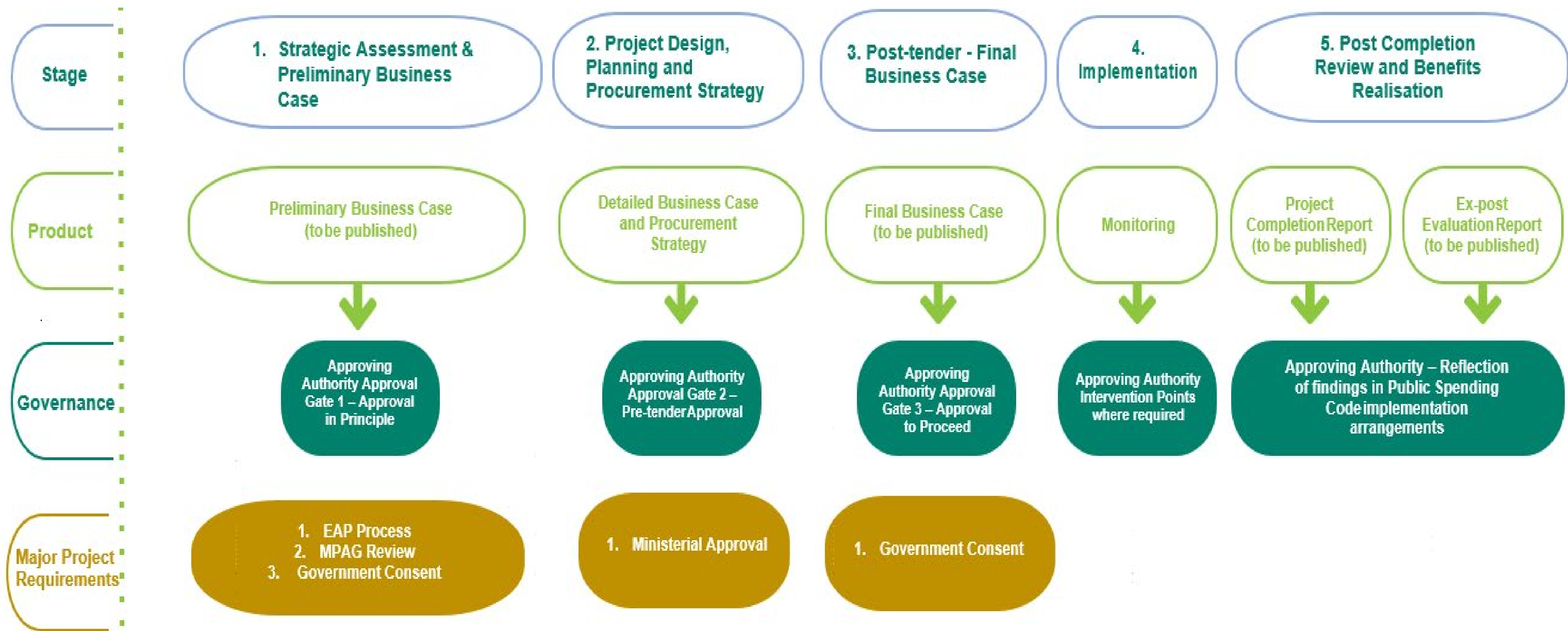






# Appraisal & Evaluation

# Infrastructure Project Lifecycle





# Climate Considerations in Capital Appraisal



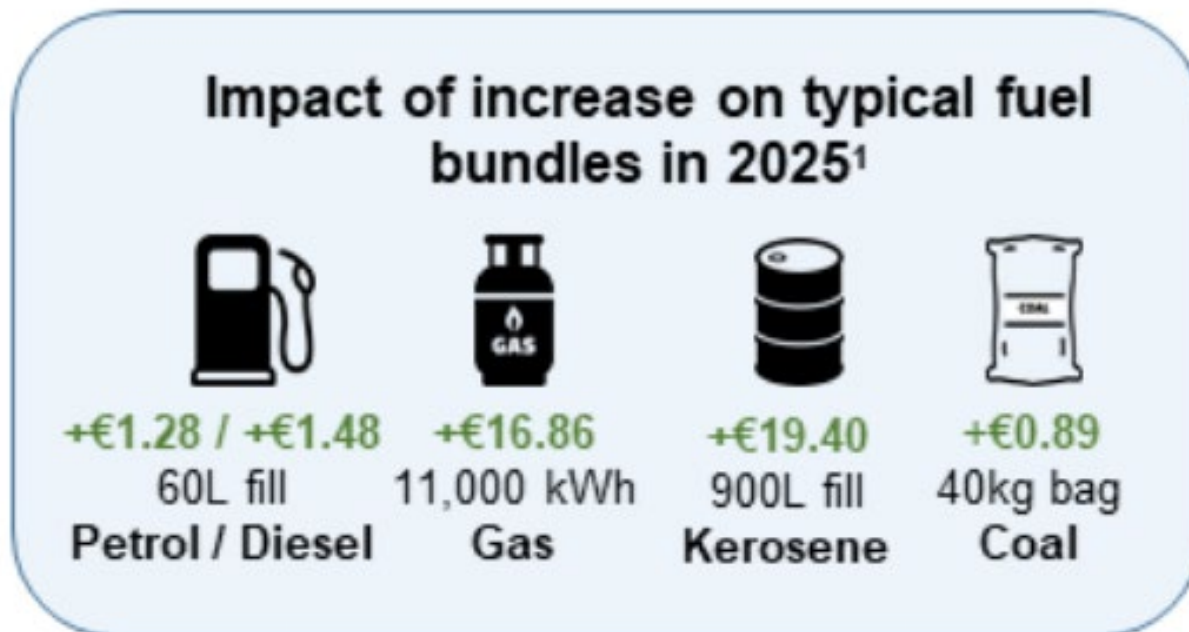
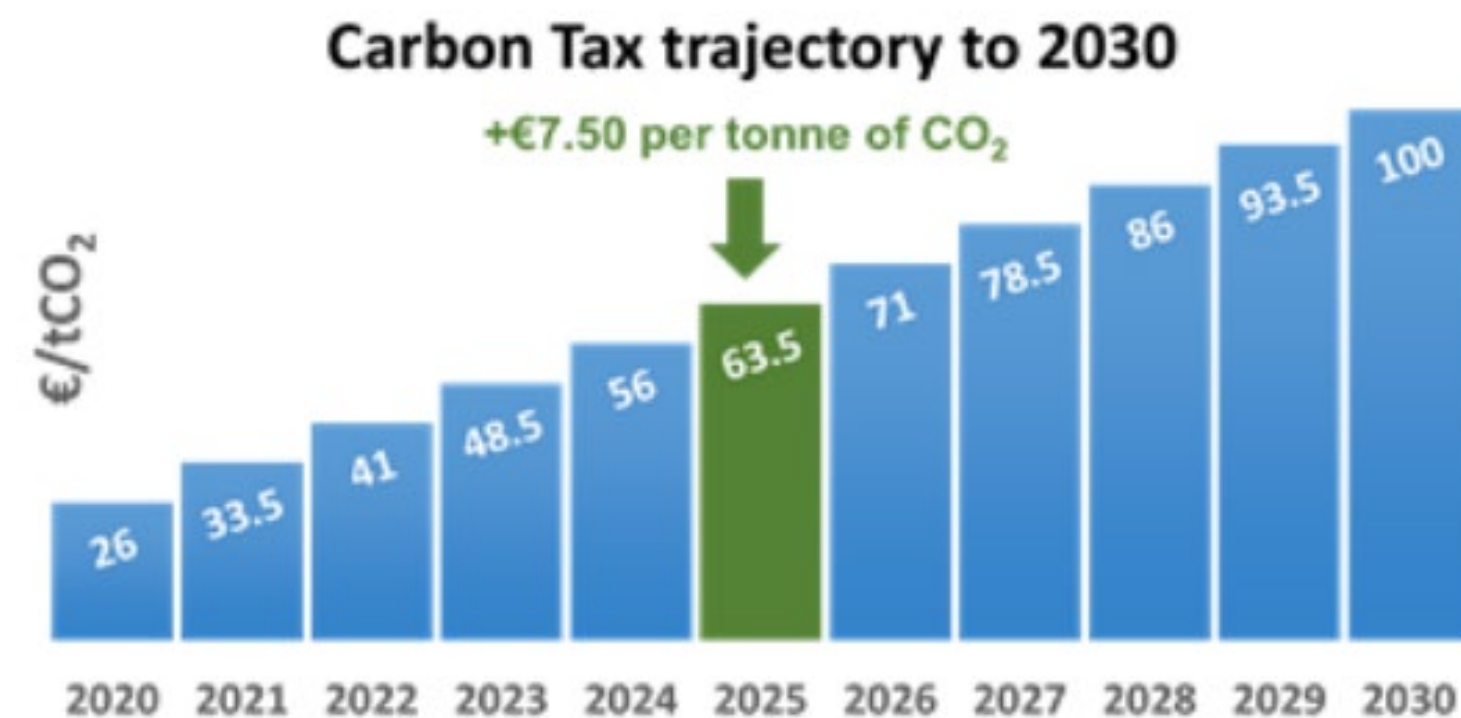
- The [Infrastructure Guidelines](#) provides updated climate based economic appraisal parameters
- Within the Preliminary Business Case, the Sponsoring Agency sets out all relevant climate and environmental related information under a specific section, titled ‘Climate and Environmental Performance.’ This includes:
  - *Consistency with climate action policies and targets*
  - *Assessment of the impact of the project/programme on greenhouse gas emissions*
  - *Resilience of a project/programme to the impacts of climate change*
- Accounting Officers and Approving Authorities are required to evaluate climate related outcomes for example reducing greenhouse gases (GHG), reducing traffic volumes, or increasing the level of renewable energy produced etc.
- Following the publication of the Infrastructure Guidelines in Dec 2023, the new Shadow Price of Carbon came into effect in March 2024
  - *One Shadow Price for all emissions (no longer separate values for ETS and non-ETS emissions).*
  - *Significant increase in the Shadow Price of Carbon.*
  - *Updated energy emissions factors, Global Warming Potential rates and damage values for non-greenhouse gas pollutants.*



# Carbon Tax Revenue Recycling & Macroeconomic & Fiscal Analysis



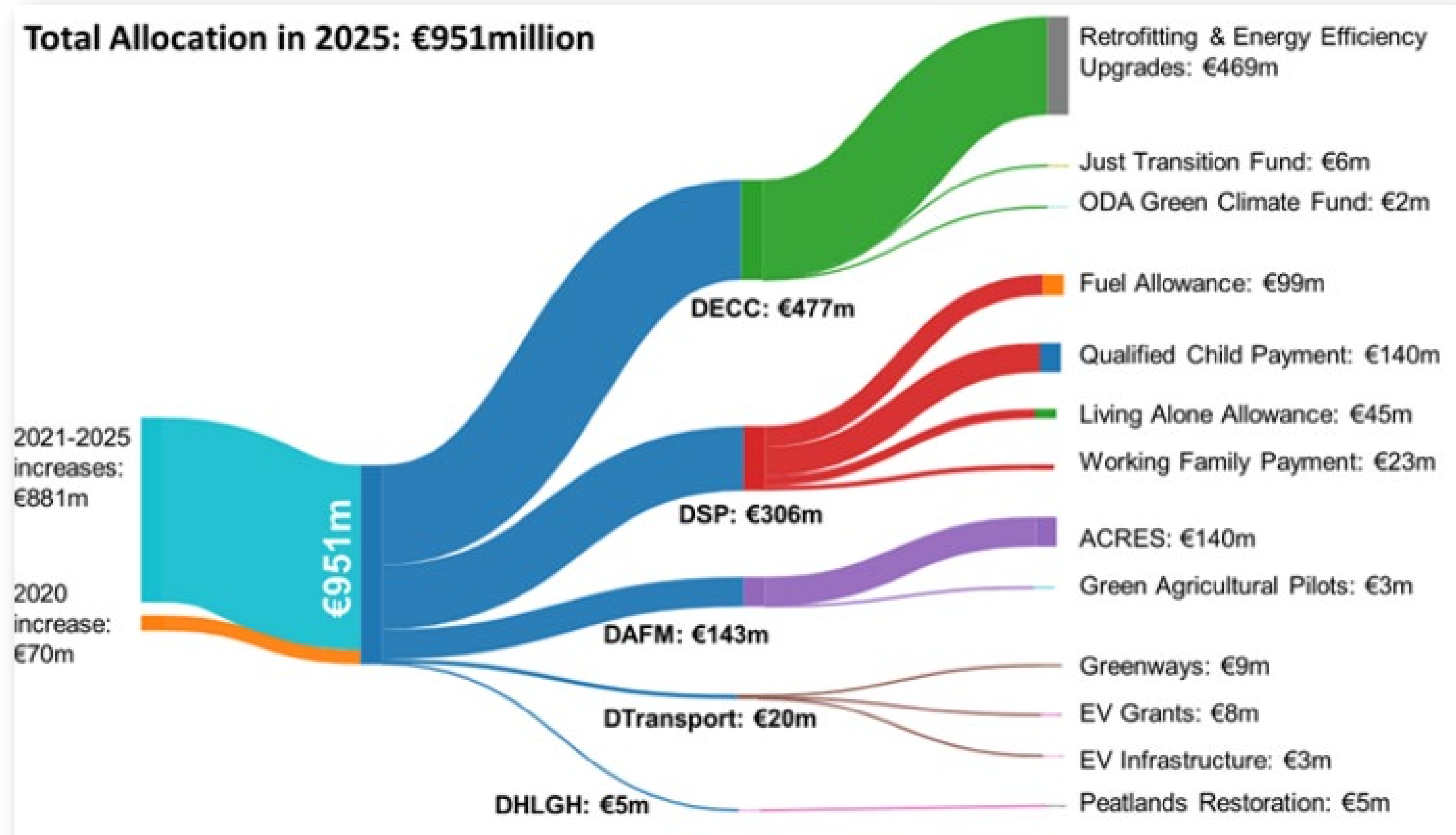
# Budget 2025: The use of carbon tax funds



**Distributional Impacts<sup>3</sup>**

- Net impact of the Budget 2025 carbon tax increase and the social protection package is **progressive**.
- Households in the bottom five income deciles are **better off** due to the measures funded by additional carbon tax funds.

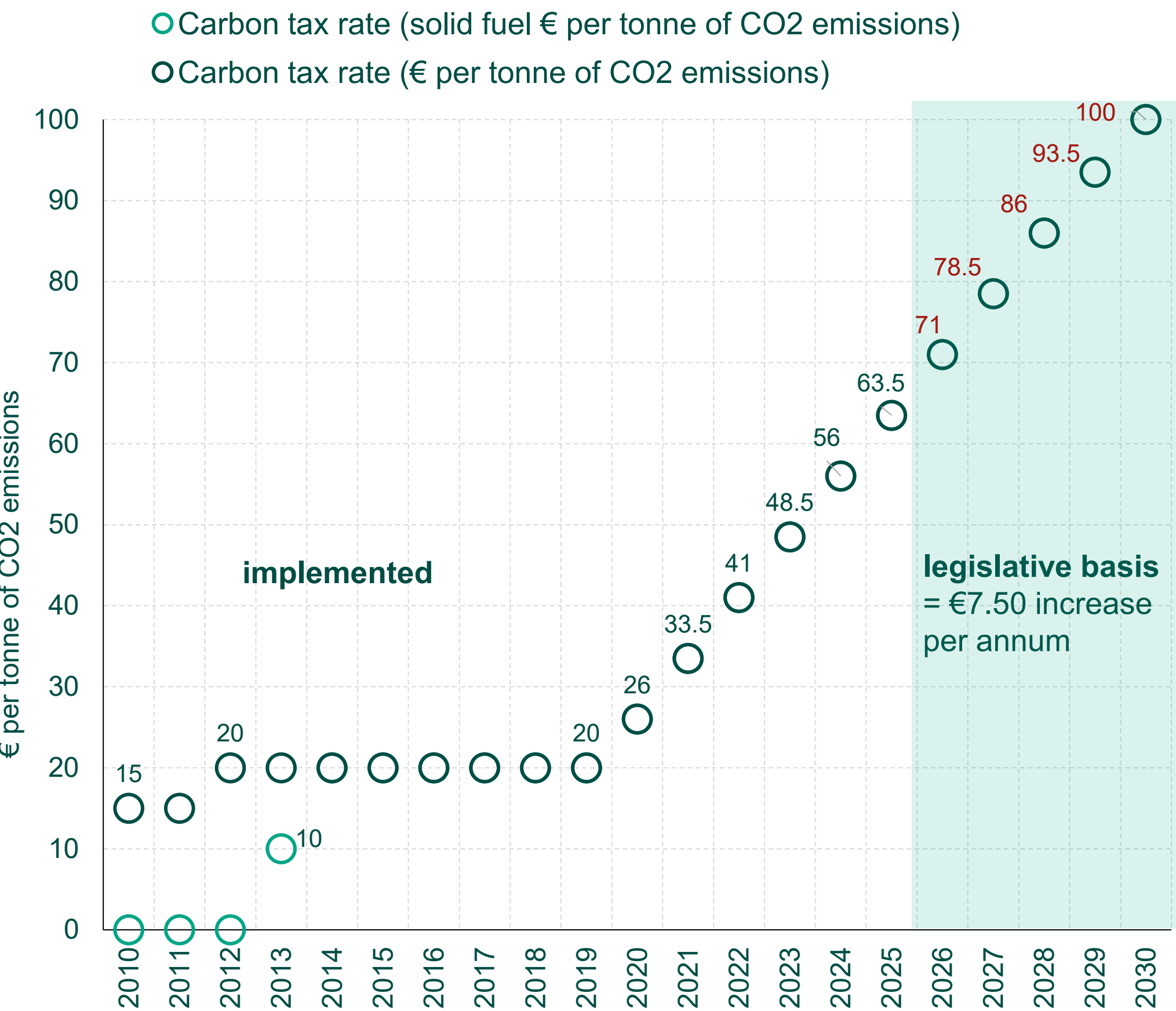
**€3.1 billion in total carbon tax allocations 2020-2025**



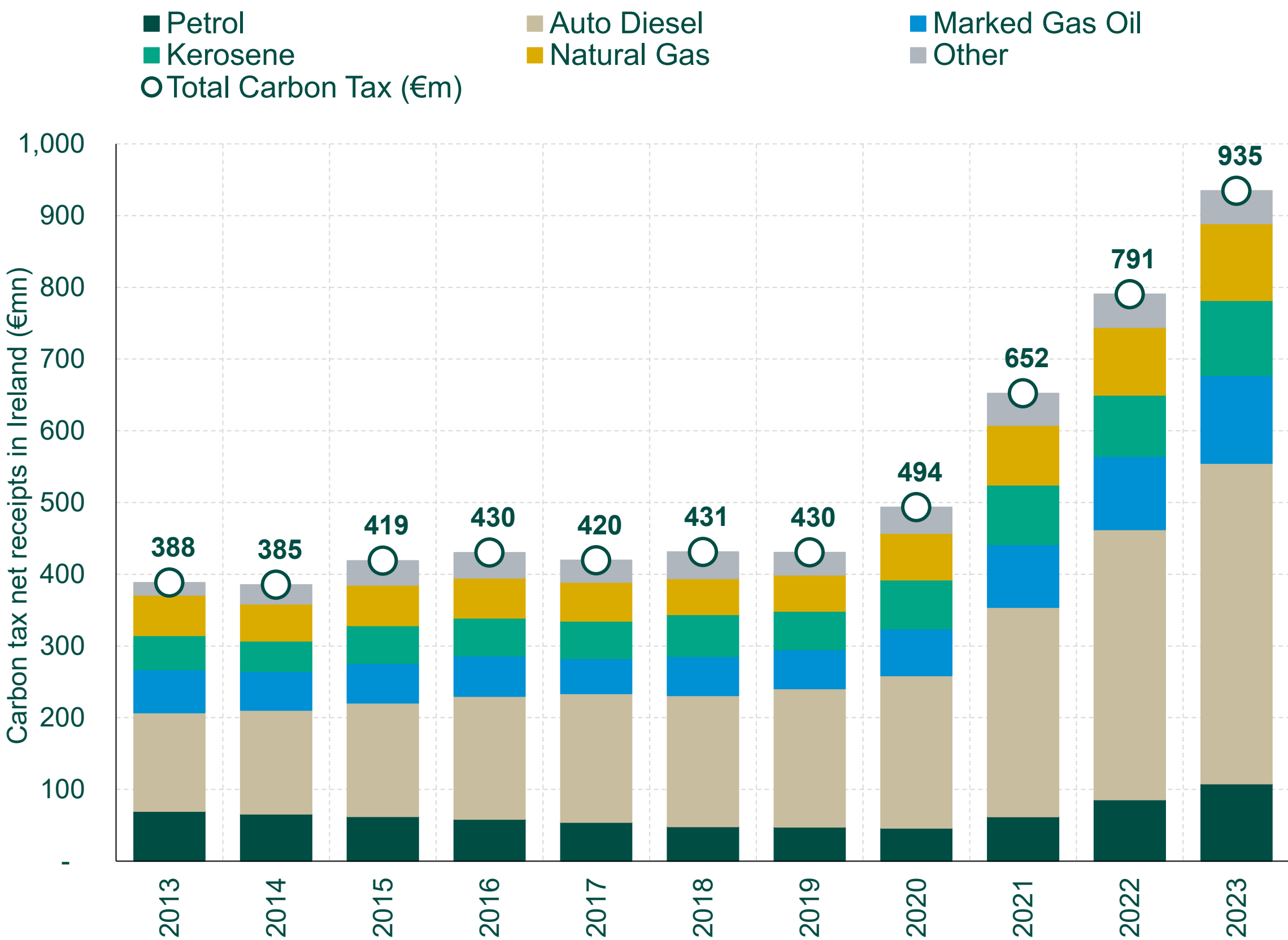
# De-carbonisation – impact on economy and public finances



## Carbon pricing – pathway to €100 per tonne



## Transition to carbon neutrality: Need to mobilise new revenue streams



Source: Revenue Data, Department of Finance analysis.

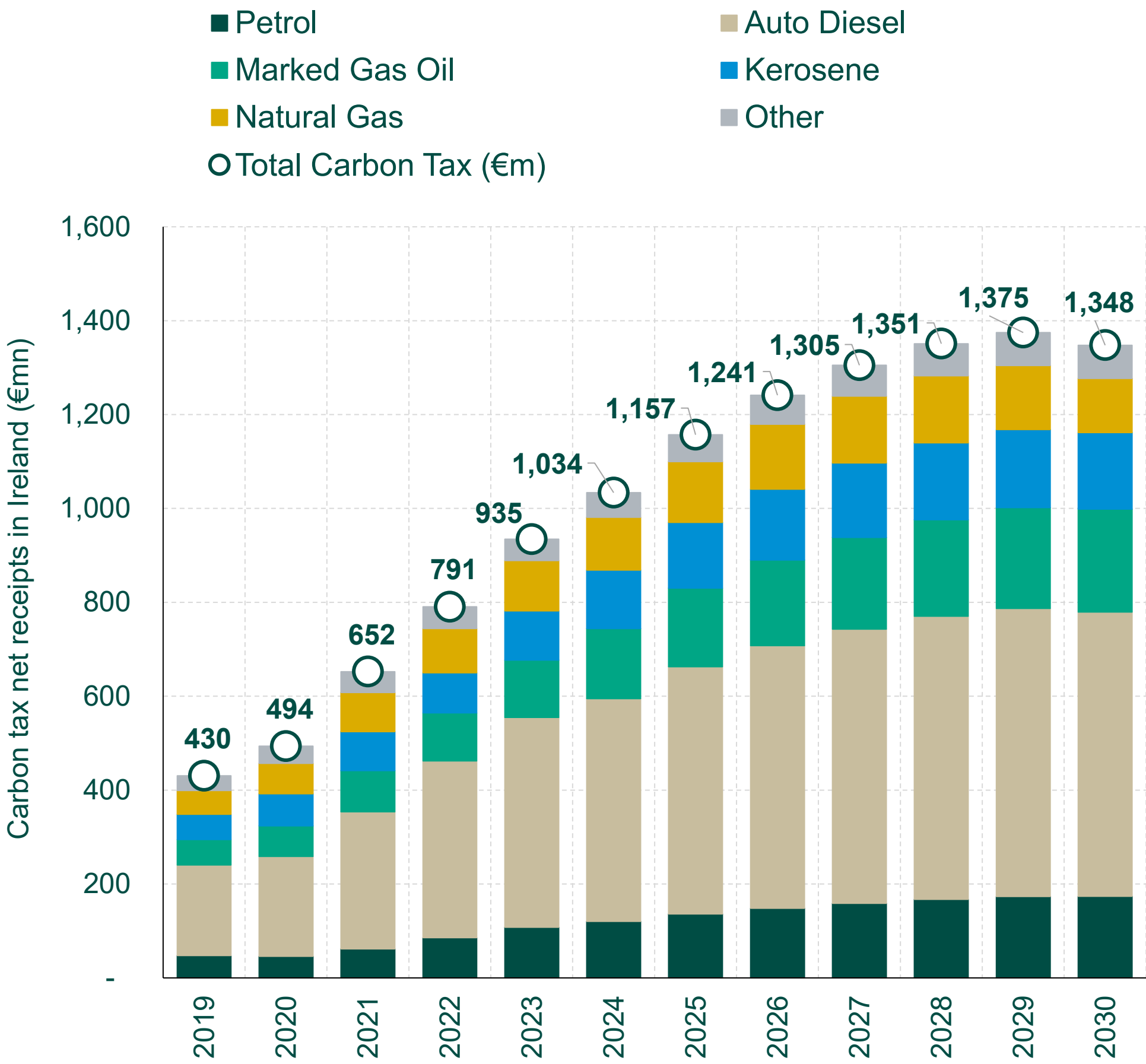
Source: Revenue Data, Department of Finance analysis.



# De-carbonisation – impact on economy and public finances

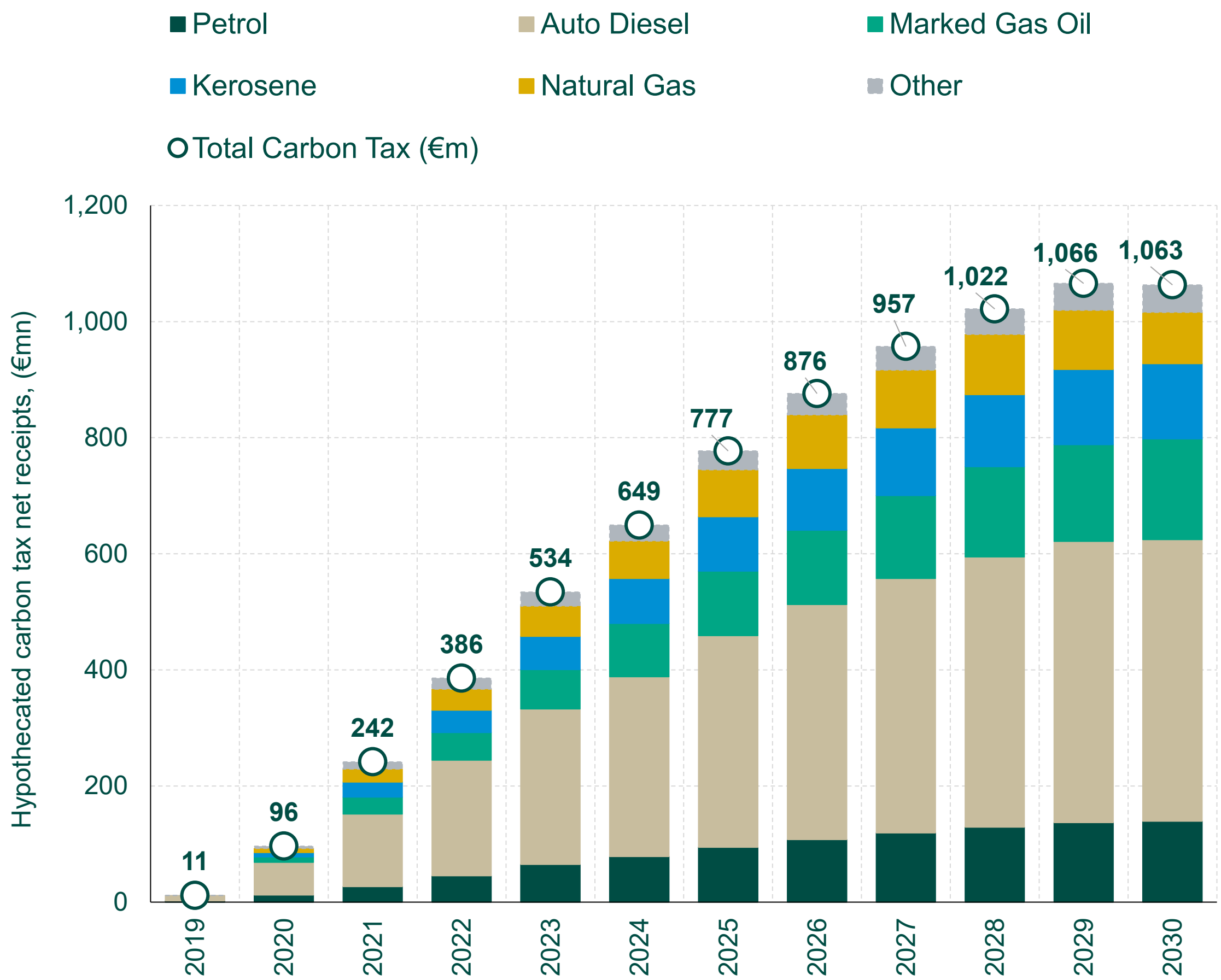


Carbon tax net receipts in Ireland, (€mn) 2019- 2030



Source: Revenue Data, Department of Finance analysis.

Hypothecated carbon tax net receipts, (€mn) 2019- 2030



Source: Revenue Data, Department of Finance analysis.



# Green Public Financial Management Workstreams

## Budgetary Tools

Green Budget Tagging of Revenue and Expenditure

Performance Reporting & Impact Measurement

Infrastructure Guidelines & National Development Plan Review

Spending Reviews; Social Impact Assessments, Reviews & Papers

Macro Economic & Fiscal Analysis  
e.g. I3E; Carbon Tax

Tax Strategy Group Papers

Climate Action Plan; National Adaptation Framework;

Irish Sovereign Green Bonds

Sustainable Finance Roadmap

International Climate Finance

## Appraisal & Evaluation

## Policy Development

## Sustainable Finance

# Useful Links



**Overview:** [Green Budgeting – Expenditure](#); [Green Budgeting - Finance](#)

## Expenditure:

- [An Introduction to the Implementation of Green Budgeting In Ireland](#) (2018)
- [Use of Carbon Tax Funds 2020](#) (2019)
- [NTMA: Irish Sovereign Green Bond Allocation & Impact Reports](#)
- [Climate and Environmental Assessment of the National Development Plan Review](#) (2022)
- [Review of Fossil Fuel Subsidies and Other Potentially Climate Harmful Supports](#) (2023)
- [Climate & Environmental Expenditure in REV 2025](#) (2024) [Budget 2025: The use of carbon tax funds](#)

## Finance:

- 2024: Green Budgeting (Chapter 6): [Budget 2025: Beyond GDP - Quality of Life Assessment](#) & [Budget 2025: Beyond GDP – Chartpack](#)
- [Carbon Tax Exchequer Revenue Projections 2024-2030](#)
- 2023: Green Budgeting (chapter 6): [gov.ie - Budget 2024: Beyond GDP - Quality of Life Assessment \(www.gov.ie\)](#) –
- [Potential-fiscal-impacts-of-the-transition-to-a-lower-carbon-economy-in-ireland/](#) - Economic analysis paper
- ‘A Conscious Decoupling: the relationship between economic activity and greenhouse gas emissions in Ireland’: [gov - Economic insights - Spring 2023 \(www.gov.ie\)](#) –
- 2022: Green Budgeting (chapter 6): [Budget 2023: Beyond GDP - Quality of Life Assessment](#)
- 2021: Green budgeting methodology and approach: [A Review of Green Budgeting from a Tax Perspective](#)