

Using Cap and Share to control Irish road transport emissions

A more focussed alternative to a carbon tax

Carbon dioxide emissions from road transport increased by 150.9% between 1990–2005, far faster than for any other sector, as Table 1 shows.

	Growth %
Industry	39.0
Transport	150.9
Residential	27.1
Commercial/public	83.1
Agriculture	29.0
Overall growth	72.2

As a result, Ireland's oil use per person for transportation rose far above the EU-25 average and Ireland became the most car dependent country in the EU in terms of the distance travelled per person per year.

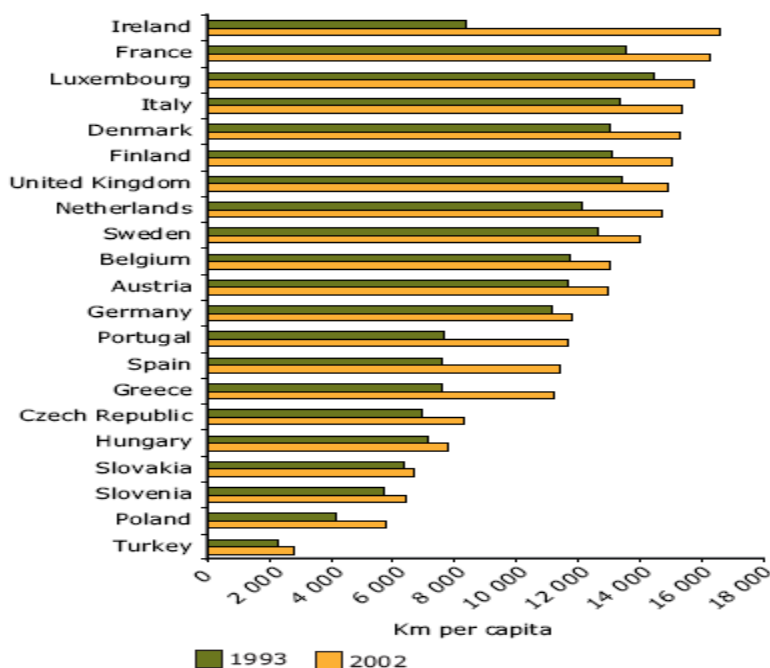


Illustration 1: The growth in the distance the average Irish person travels a year by car moved from around average in 1993 to the highest in the EU in 2002.

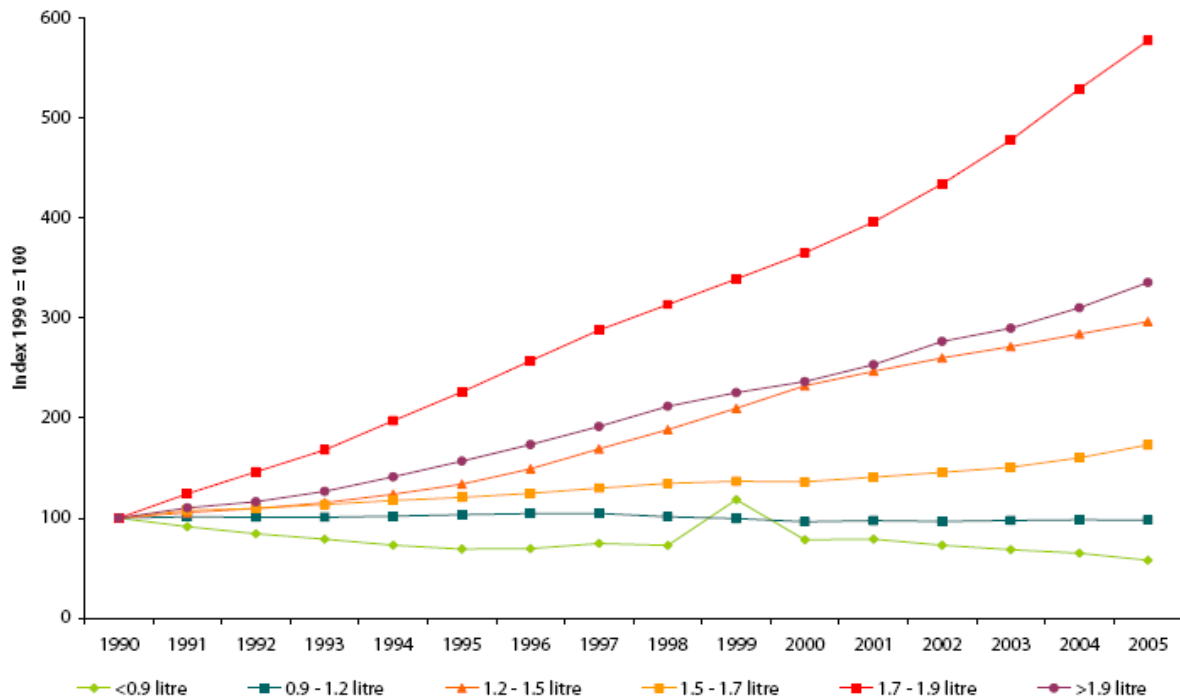


Illustration 2: While the number of cars of around one litre capacity stayed constant between 1990 and 2005, almost six times as many cars with 1.7-1.9 litre engines were being bought. Source: SEI.

Road freight transport also increased, and by more than was warranted by the increase in national income. Moreover, there was no increase in the sector's efficiency.

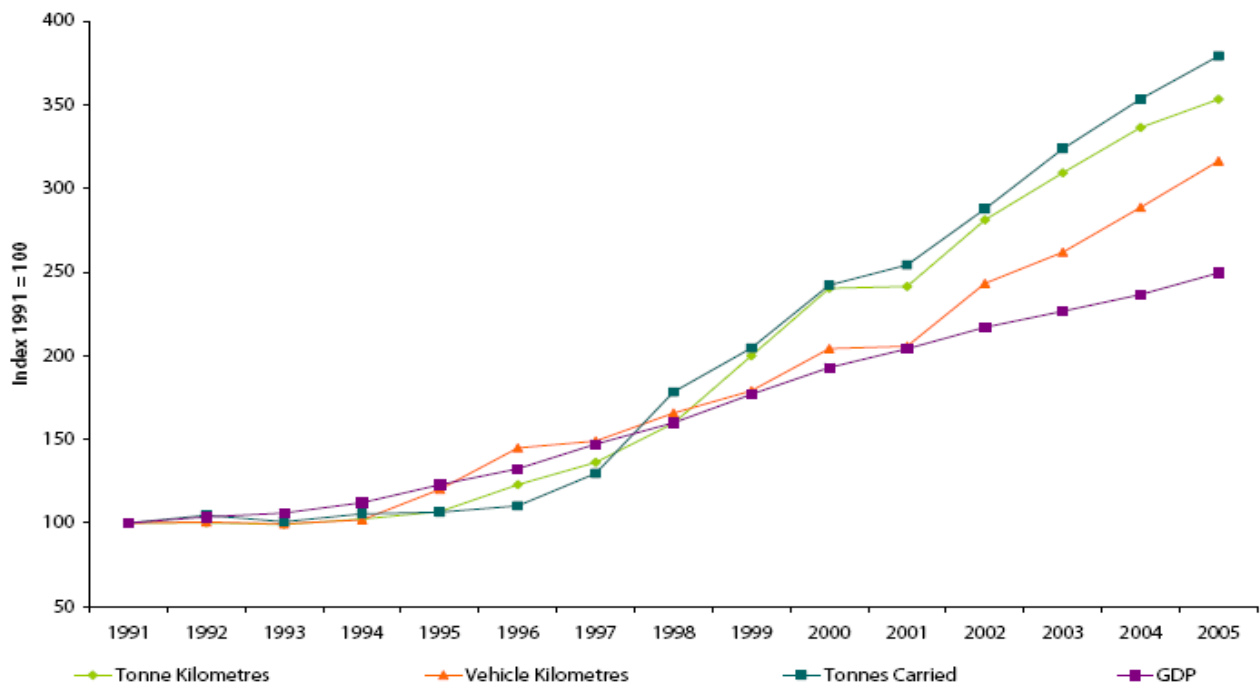


Illustration 3: In proportion to national income, more tonnes were carried further in 2005 than 1991. In other words, the economy became less efficient from a transport perspective. Source: SEI

A massive carbon tax or increase in the excise duty on petrol and diesel would be required to reverse this trend. The Shell Oil company believes that a carbon dioxide price of between €150 and €300 per tonne would be required to bring about a significant change in consumer behaviour. This would increase the price of a litre of petrol by between 34.5 cents and 69 cents a litre of diesel by 40.5 cents and 81 cents a litre. Increases of this order are likely to be politically impossible to introduce. Moreover, a carbon tax that achieved such increases would do enormous damage to the competitiveness of other aspects of the economy.

Achieving the same result with Cap and Share would be much more politically acceptable, however. It would involve:

1. Calculating the current tonnage of CO₂ emissions from the use of petrol and diesel in Ireland. This tonnage would be set as the cap.
2. Preparing an up-to-date list of everyone aged 18 and over who is permanently resident in the country. Draft lists could be published which had been prepared by combining the electoral register with each person's social welfare reference number. People would then be invited to check each year that they were on the register and their details were correct.
3. Each year, each person on the register would receive through the post a certificate giving them the right to their share of the total tonnage of CO₂ to be released by the transport sector over the following twelve months. .
4. Within a year of receiving his or her certificate, a recipient would be able to take it to a bank or post office and, after proving that he or she was the person named on it, sell it for whatever the market price was on that day. Any certificates not sold within the year would be cancelled.
5. The banks and post offices would deposit the certificates they had bought to their accounts with the issuing agency , exactly as if they were lodging cash to a bank account. The banks would then sell the tonnage they had registered with the agency to companies importing or producing fossil-based transport fuels in Ireland. These companies would also maintain accounts with the issuing agency so that tonnages could be readily transferred from vendor to purchaser.
6. Companies introducing fossil-based transport fuels into the Irish economy would pay Customs a sufficient emissions tonnage to cover the weight of CO₂ to be released by the fuels they sold. These payments would be collected as part of the existing fuel duty collection process.

The advantages of using C&S are:

1. It is quick, easy and cheap to implement and then to run.
2. Because everyone gets the same allocation, it would be seen as fair.
3. It automatically protects the less well-off. As the cap tightens, the price of the right to emit a tonne of CO₂ will rise. This will increase the price of motor fuels, freight and passenger transport tickets. However, the public will automatically receive full compensation for these rises from the sale of their certificates, thus avoiding knock-on inflationary effects. Anyone whose lifestyle requires less transport than the national average will come out better off.
4. C&S was presented to the Department of Transport two months' ago at a meeting of the Senior Managers' Forum. As a result, the Department has said that it will include it as an option in the forthcoming Green Paper on Sustainable Transport. Comhar is proposing to commission research into the economic effects of using C&S in the way outlined above and has approached the Sustainable Development Commission in Britain proposing that all Ireland be covered by the study. The UK Department for Transport is attracted by the idea after hearing about it at a conference in London.
5. It would be possible to include heating oils, gas and domestic coal in the same system, so that all Irish emissions were controlled – industry's by the present ETS, and the consumer's by Cap and Share.
6. In comparison with the introduction of a carbon tax, it would have minimal effects on the cost of doing business in Ireland.
7. It is a novel Irish idea which is almost certain to be adopted in Europe if taken up here, earning the country praise and prestige that came with the plastic bag tax and the smoking ban.



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