

Submission on the Draft National Risk Assessment 2021-22

8 September 2021

This submission consists of our survey responses to the Department of the Taoiseach's consultation call for comments on their [2021-22 National Risk Assessment draft](#) (referred to below as the 'NRA draft').

Significant risks that are not included in the current draft assessment:

1. Geopolitical risks

Geopolitical unrest stemming from the climate and biodiversity crises seems likely to increase, triggered by mass forced migrations and increased pressure on the global water supply and other climate-sensitive resources¹.

This risk urgently needs to be mitigated by stronger emissions-cutting and biodiversity-protection measures, along with far more sustained support for climate justice in Global South countries².

While Ireland is small in terms of population, its current membership of the UN Security Council gives it considerable influence which it can make use of to advocate for these measures at EU and international level. Care needs to be taken, however, that this influence is not undermined by reputational damage arising from Ireland's current corporate taxation policy³.

The global phase-out of fossil fuel energy use that is required in order to bring about the climate mitigation described above is likely to have a significant geopolitical impact. Some possible scenarios for the geopolitics of 'net zero in 2050', with widely varying levels of risk impact, are explored in this [recent Financial Times article](#).

Many energy analysts believe that this situation is rendered far more complex by a decreasing global supply of high-quality oil⁴, which will have repercussions throughout the global economy. In our view, measures to improve energy efficiency, and - still more importantly - to reduce aggregate energy demand are therefore vital.

¹ See for example Scheffran, Jurgen: "The Geopolitical Impact of Climate Change in the Mediterranean Region: Climate Change as a Trigger of Conflict and Migration", 2020 <https://www.iemed.org/wp-content/uploads/2021/01/The-Geopolitical-Impact-of-Climate-Change-in-the-Mediterranean-Region-Climate-Change-as-a-Trigger-of-Conflict-and-Migration.pdf>

² At EU level, considerable progress on both emissions reduction and climate justice could be gained if the European ETS was moved 'upstream' to the point of production or import of fossil fuels, enlarged to include a bloc of Global South countries, and the revenues from permits sales were shared out as carbon dividends. This scenario is explored in 'Position paper on the Carbon Border Adjustment Mechanism and the Emissions Trading System', Feasta, October 2020 <https://www.feasta.org/wp-content/uploads/2021/06/Feasta-CBAM-position-paper.pdf>

³ 'Ireland among bank tax havens listed by French think tank', *Irish Times*, Sep 6 2021 <https://www.irishtimes.com/business/financial-services/ireland-among-bank-tax-havens-listed-by-french-think-tank-1.4665540>

⁴ See for example Hall, Charles, *Energy Return on Investment*, 2017 <https://www.springer.com/gp/book/9783319478203> and the website <https://surplusenergyeconomics.wordpress.com>

2. Economic risks

Point 3.3: 'sustainability of public finances'

For reasons explained below, we suggest changing this heading [in the NRA Draft] to 'Irish public and private debt sustainability'.

The response to the COVID-19 pandemic by governments and central banks, while imperfect, showed a welcome willingness to be flexible. However, the NRA draft reflects a widespread concern about the dangers of the resulting - and potentially excessive - public debt overhang.

As the NRA draft points out, the terms of the current COVID-19-related public debt are relatively 'lenient'. The draft emphasises a perceived need to ensure that spending is steadily reduced post-pandemic in order to avoid locking in high public spending practises and expectations.

Many argue, however, that this framing of public spending as something that automatically needs to be minimised post-pandemic is misleading, since carefully-planned public spending is in fact a form of investment that will contribute to a healthier overall economy. Moreover, in jurisdictions which have direct control over their monetary policy, it seems clear that public debt is in fact in a different category from private debt and in a certain sense, may not really be debt at all⁵.

It is true that this last point does not apply to Eurozone countries, which are faced with particular financial constraints owing to their lack of monetary autonomy and the (strongly contested) terms of the Maastricht Treaty. It is also the case that in practice there is actually a global pecking order of countries in terms of their ability to be truly flexible in their fiscal and monetary policies without triggering inflation and scaring away investors. From the perspective of ecological economics, the value of money is strongly connected to a high-quality fossil fuel energy supply, which would explain why the US, whose dollar is still necessary for purchasing oil in much of the world, continues to reign supreme in its ability to adjust its public spending.

Beyond all this, there is a more profound risk concerning public spending, and indeed the financial sector in Ireland: this is the significant risk that the Irish economy will not expand sufficiently in the medium to long term to allow its debts - both public and private - to be repaid.

This risk may be difficult to recognise at present, since Ireland's economy experienced considerable growth in 2020 and the global economy seems set to rebound in 2021 from the slump of 2020. However, owing to the very strong correlation historically between GDP growth and the use of fossil fuels and other indications that economic expansion tends to be strongly linked to dangerous environmental damage⁶, we would argue that those sectors of the economy which are particularly dependent on GDP growth - such as the financial sector - need to be adapted so that they can function adequately in situations of zero growth or economic contraction. The secular stagnation of recent years may be an indication that the economy has in fact been hitting against biophysical limits to GDP growth for some time (although thus far this has mostly been 'camouflaged' by high levels of debt-fuelled spending)⁷.

We therefore believe that creative thinking about risk mitigation in finance is urgently needed. Possible measures which could be introduced within the State include an increased emphasis on the generation of future State revenue from sources which are not dependent on economic expansion, such

⁵ See for example Kelton, Stephanie, *The Deficit Myth*, 2020

⁶ See for example Parrique et al, 'Decoupling debunked – Evidence and arguments against green growth as a sole strategy for sustainability', EEB, 2019 <https://eeb.org/library/decoupling-debunked/>

⁷ <https://surplusenergyeconomics.wordpress.com>

as site value tax, and the introduction of 'safe haven' bank deposits as is currently being considered in the Netherlands⁸.

An additional mitigation measure that could be introduced within Ireland would be the introduction of public or community banking. This would build the resilience of the Irish financial sector by helping to keep money circulating within communities rather than immediately leaking elsewhere, and by reducing the sector's problematic over-dependency on two large commercial banks, which has been exacerbated by the recently-announced withdrawal of Ulster Bank from Ireland⁹.

Relatedly, "Community Wealth Building" practices, including locally-focussed green procurement policies by large anchor institutions, would also help to increase the multiplier effect of funding¹⁰.

Certain measures can only be carried out at Eurozone or EU level. A decoupling of the Euro supply from commercial bank lending should be seriously considered¹¹.

The gradual weaning of the EU economy off its dependency on oil, if handled well, should have the beneficial side-effect of enabling the ECB to become more financially nimble - provided that sufficient awareness exists within the ECB and other EU-level institutions that this will be necessary.

The conversion of some public and private debt to equity is also very likely to prove necessary, given the limits to aggregate GDP growth mentioned above. This will affect pension funds. If well-managed, however, it will actually increase most people's economic security and relieve intergenerational tensions. It will help to alter the current dynamic whereby the young are being forced not only to deal with the long-term consequences of fossil fuel use and other environmental damage caused by the older generation, but are actually being pressured financially into contributing to it.

The Irish Minister for Finance, Paschal Donohoe, is well-placed as the head of the Eurogroup of finance ministers to discuss these challenges with colleagues and to ensure that these potential risk mitigation measures are carefully investigated, along with other possibilities.

Point 3.5 - Labour shortages and capacity constraints

Counterintuitive though it may seem, the introduction of a Universal Basic Income along with strengthened social services could help to alleviate risk associated with skills shortages. It would help enable people to more easily move to areas where their skills are in demand, to undergo part-time or full-time training where necessary, and more generally, to be able to consider a wider range of options and career choices.

Point 3.7: Disruption to secure and sustainable energy supply

Energy powers the economy, and the energy supply is a significant risk factor at present. This section of the NRA draft therefore seems under-developed.

Periodic disruption of the sustainable energy supply is not merely a risk but a certainty. The supply of wind and solar energy is intermittent by nature, and renewable energy storage (despite widespread

⁸ <https://www.feasta.org/2021/04/30/towards-a-recession-hardy-irish-banking-system/>

⁹ Banking on the Community: Investing Locally for Resilience' <https://www.feasta.org/2021/03/31/banking-on-the-community-investing-locally-for-resilience-webinar-on-april-14/> (videos from a recent webinar on public banking in Ireland, organised by Feasta and CEF)

¹⁰ An overview of Community Wealth Building can be found here: <https://cles.org.uk/community-wealth-building/what-is-community-wealth-building/>

¹¹ <https://sovereignmoney.site>

claims to the contrary) remains a serious issue - particularly on a seasonal basis¹² - and is highly dependent on the availability of the minerals that are used in battery manufacture. The IEA estimates¹³ that in order to achieve net zero emissions by 2050¹⁴, the supply of such minerals will need to increase six-fold - yet many of them are already scarce¹⁵ and prices for them are rising¹⁶.

The urgently-needed renewable energy transition also poses specific challenges in terms of the cost of renewable energy and its continued dependency on fossil fuels for the construction and installation of its infrastructure. While renewable energy is becoming cheaper, its limited energy return on investment means that it is unlikely to ever be as cheaply available as oil was in the latter's 'golden age', from roughly 1920 to 1970¹⁷.

As mentioned above, measures to increase energy efficiency and reduce the economy's overall energy demand are therefore of vital importance. Examples of energy efficiency measures include mass retrofitting programmes and improved public transport infrastructure. These are often framed as environmental risk alleviation measures, but could also significantly improve the country's energy security.

Steps can and should also be taken to help to adjust demand to intermittent energy supply wherever possible. Although this appears to be a relatively unexplored area in policymaking circles, there are actually abundant historical examples of it which can be revisited and further developed or adapted¹⁸.

3. Social risks

The NRA draft correctly mentions that growing inequality is a factor behind growing dissatisfaction with democracy and the rise of populism (p31). Research indicates that there is a risk of high inequality contributing to a lack of trust in government and disinterest in civic participation¹⁹.

The draft proposes 'inclusive growth' as a remedy for this. However, as implied above, a more realistic approach would be to take what ecological economist Kate Raworth calls a 'growth-agnostic' stance, and thus identify risk mitigation measures that could alleviate inequality regardless of whether GDP growth is taking place²⁰.

¹² <http://www.feasta.org/2018/01/28/the-real-lesson-of-the-energie-wende-is-that-the-german-economy-uses-too-much-energy-to-be-sustainable-and-needs-to-degrow/>

¹³ 'The role of critical minerals in the clean energy transition', IEA, 2021 <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions/executive-summary>

¹⁴ This projection appears to assume that the transport fleet would remain the same size as at present. If the fleet was reduced in size - i.e., if the economy was restructured in such a way that less transport was necessary - that would of course make it easier to achieve full electrification.

¹⁵ 'Projected battery minerals and metals global shortage,' Simon Michaux, 2019 (presentation) <https://www.minersoc.org/wp-content/uploads/2019/05/3ICM-Michaux.pdf>

¹⁶ 'Battery recalls and supply crunch challenge electric vehicle revolution', *Financial Times*, Sep 7 2021 <https://www.ft.com/content/23d41d4d-2406-414d-9ac3-3728f94b52db?desktop=true&segmentId=7c8f09b9-9b61-4fbb-9430-9208a9e233c8#comments-anchor>

¹⁷ Hall, Charles, *Energy Return on Investment*, 2017 <https://www.springer.com/gp/book/9783319478203>

¹⁸ <https://www.lowtechmagazine.com/2017/09/how-to-run-the-economy-on-the-weather.html>

¹⁹ <https://equalitytrust.org.uk/trust-participation-attitudes-and-happiness>

²⁰ Some such measures are described in 'The UK's Path to a Doughnut-Shaped Recovery' by Stratford, Beth and O'Neill, Dan, University of Leeds 2021: <https://goodlife.leeds.ac.uk/doughnut-shaped-recovery/>

Such measures could include a site value tax (SVT). (The current Government proposal to introduce a levy on the site value of vacant properties whose use has been rezoned seems positive, but a full SVT would have still more positive impacts.)

If implemented in parallel with other measures, a SVT could help to ease the pressure on the housing market in Ireland, discourage land hoarding and property price inflation and indirectly make the renewable energy transition more affordable for a majority of people. Research carried out in 2012 indicated that if a 2% SVT were introduced and replaced existing property taxes, stamp duty and rates, it would generate additional revenue of approximately €1 billion per annum²¹. That figure would probably be larger now.

More generally, the introduction of 'commons-based taxation' would encourage the judicious use of resources while avoiding the socially regressive effects of income tax or VAT, and help to lessen the overall economy's dependence on GDP growth. Another example of commons-based taxation (apart from site value tax) is a Financial Transactions Tax (FTT). The Robin Hood Campaign estimates that revenue of approximately €320 to €360 million a year could be raised if an FTT were introduced that followed European Commission guidelines.

Such forms of taxation are highly socially progressive and their effects would be still more progressive if the revenues generated by them were used to fund a 'social wage' (universal basic services) along with a Universal Basic Income in Ireland. These twin measures could significantly alleviate many of the social risks referred to in the draft, including intergenerational ones, and would also eliminate the stigma attached to receiving benefits²².

4. Environmental risks

While 'maximising the potential of our renewable energy resources, energy efficiency measures and electricity interconnectors' are all listed in the draft as vital to the renewable energy transition in the NRA draft's sub-section 'decarbonise the economy', there is a missing element: the need to reduce overall energy use in absolute terms (rather than simply improving energy efficiency). This has already been discussed under 'economic risks' above.

In order to prevent energy efficiency improvements from triggering rebound - whereby the benefits of improvements in energy efficiency are undermined by an increase in overall energy consumption²³ - we believe governments need to legislate for a hard cap and gradual phaseout mechanism to be applied to the supply of fossil fuel. In the case of Ireland, such a cap and phaseout would have to be legislated for and applied at EU level²⁴, but the Irish government can and should advocate for it.

Capping and gradually phasing out the fossil fuel supply upstream would be a far more effective and efficient way to alleviate climate risk than trying to track down and phase out every single fossil-fuel-derived emission²⁵. It would however need to be accompanied by a declining cap on total national reactive nitrogen usage²⁶, in order to prevent a further rebound from fossil fuel production to unsustainable biofuel production in agriculture. This second cap (on nitrogen usage) should be applied at the national level.

²¹ <https://smarntaxfiles.files.wordpress.com/2012/01/site-value-tax-in-ireland-identify-consulting-final-report.pdf>

²² More information on UBI can be found on the websites of Basic Income Ireland (<https://basicincome.ie>), Social Justice Ireland (<https://www.socialjustice.ie/content/policy-issues/type/basic-income>) and Feasta's Basic Income group (<https://www.feasta.org/category/basic-income/>).

²³ <https://www.carbonbrief.org/guest-post-why-rebound-effects-may-cut-energy-savings-in-half>

²⁴ <https://www.feasta.org/wp-content/uploads/2021/06/Feasta-CBAM-position-paper.pdf>

²⁵ See <http://www.framespotting.com/capandshare/> and <https://www.feasta.org/category/documents/projects/cap-and-share/>

²⁶ 'Agricultural emissions in Irish climate change mitigation policy: Science and Solutions', Stop Climate Chaos Ireland, 2020: https://www.stopclimatechaos.ie/assets/files/pdf/agricultural_emissions_science_and_solutions.pdf

More generally, we wish to emphasise that the pervasive assumption in political and policymaking circles that the economy can and must continue to expand its GDP presents a highly significant environmental risk.

This is in part because it renders climate mitigation overly dependent on as-yet-undiscovered carbon-capture technologies, as-yet-undiscovered minerals and other raw materials for batteries and IT equipment, and energy efficiency measures. But equally importantly, it also limits analysts' ability to imagine the different kind of economy that will actually be needed in order to address the climate and biodiversity crises.

A recent study²⁷ published in *Nature* investigates the potential effects on 1.5 degree scenarios if the perceived need for GDP growth is relaxed, by comparing standard IPCC scenarios (which always incorporate growth) with two 'degrowth scenarios'. It found that 'the degrowth scenarios minimize many key risks for feasibility and sustainability compared to technology-driven pathways, such as the reliance on high energy-GDP decoupling, large-scale carbon dioxide removal and large-scale and high-speed renewable energy transformation.'

Point 5.4: Pandemics

The introduction of a Universal Basic Income would be likely to significantly support mitigation efforts with regard to both COVID-19 and future pandemics, as it would make it easier for people with symptoms of contagious disease to take time off work without facing significant penalties.

Another public health risk which we recommend including in the assessment is addiction. Ireland has relatively high rates of alcoholism and obesity²⁸, which have many knock-on health effects, including a greater susceptibility to contagious diseases. Research indicates that there is a strong link between stress and addictive behaviour²⁹, so risk mitigation for addiction should focus on relieving stress. Many of the measures outlined in this submission, particularly those which would reduce financial pressures, are also likely to have the beneficial side-effect of reducing stress.

We recommend pointing out in the assessment that the close connection between environmental degradation and human health crises (such as pandemics) is mirrored by a far more positive connection between an economy that supports a healthy environment, and good human health. This can sometimes manifest in dramatic ways: for example, research from the UK indicates that a switch to more climate-friendly active transport (walking and cycling) could have a surprisingly striking effect on healthcare costs³⁰.

4. Technological risks

In section 6.2, under the heading 'Disruptive Technologies', the environmental footprint of data centres and other high-energy-use IT needs to be included as a risk^{31 32}. Steps will need to be taken to

²⁷ '1.5 °C degrowth scenarios suggest the need for new mitigation pathways', *Nature*, May 2021 <https://www.nature.com/articles/s41467-021-22884-9>

²⁸ European Commission: Ireland Country Health Profile, 2017, p3

²⁹ <https://www.feasta.org/2011/07/16/is-over-consumption-hard-wired-into-our-genes/>

³⁰ David, Adrian, 'Claiming the Health Dividend', UK Department of Transport, 2014 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/371096/claiming_the_health_dividend.pdf

³¹ 'How to stop data centres from gobbling up the world's electricity', *Nature*, 13 September 2018 <https://www.nature.com/articles/d41586-018-06610-y>

³² 'Why Ireland's data centre boom is complicating climate efforts,' *Irish Times*, Jan 6 2020 <https://www.irishtimes.com/business/technology/why-ireland-s-data-centre-boom-is-complicating-climate-efforts-1.4131768>

ensure that any expansion of energy use in the IT sector does not impinge on Ireland's environmental or energy security. The introduction of a cap on the fossil fuel supply, mentioned above, would help with this, but care also needs to be taken that the well-funded IT sector does not come to dominate renewable energy consumption in Ireland, to the detriment of households and other types of business.

The IT sector is also vulnerable to the potential mineral and ore shortages that were alluded to under 'economic risks' above.

The introduction of a Universal Basic Income along with a social wage (universal basic services) - already mentioned under 'social risks' above - could be a significant help to those whose work has been displaced by IT automation, though care needs to be taken that both UBI and social services are included in the mix, rather than one being used to 'justify' the other's reduction or elimination. A social wage without UBI deprives people of sufficient choice about how to use their time and energy, while UBI without social wage puts them at risk from problems arising from inequality of power and the limitations of money. If the two were introduced together, an additional benefit would be that they would probably bring each other's costs down.

Learnings which could be incorporated into the National Risk Assessment from recently materialised risks such as COVID-19

Despite its many limitations, the overall societal response to the COVID19 pandemic has shown that governments, businesses, communities and families are all capable of being creative and adaptable when they are faced with a genuine emergency that is broadly acknowledged as such.

The Government response, however, presents a series of risks which could be described as 'perception risks'. These also apply to the WEF's recommendations and risk analyses, and to the economic analyses of certain widely-respected and frequently-cited international organisations, such as the OECD.

Perception risks arise from a lack of recognition that many pervasive assumptions about the nature of the economy are not scientifically-established truths, but simply hypotheses. When combined with common human errors such as confirmation bias³³, the framing effect³⁴ and availability bias³⁵, such assumptions risk seriously hampering efforts to regenerate the economy in the context of a global pandemic and an existential environmental crisis. This is because they can crimp policymakers' ability to imagine what might be possible - and also what might be desirable.

One such assumption - which is particularly widespread, and already touched on above - is that the sole means to generating employment, achieving financial sustainability, reducing inequality and providing adequate public services is through sustained GDP growth. Yet in reality, measures exist that would address all of these (important) issues without requiring GDP growth³⁶.

Another such assumption is that more open economies systematically generate greater overall prosperity³⁷. This assumption makes it harder to create the intellectual space necessary for developing mitigation strategies for pandemics, resource scarcity and environmental breakdown, all of which

³³ https://en.wikipedia.org/wiki/Confirmation_bias

³⁴ [https://en.wikipedia.org/wiki/Framing_effect_\(psychology\)](https://en.wikipedia.org/wiki/Framing_effect_(psychology))

³⁵ https://en.wikipedia.org/wiki/Availability_heuristic

Some such measures are described in 'The UK's Path to a Doughnut-Shaped Recovery' by Stratford, Beth and O'Neill, Dan, University of Leeds 2021: <https://goodlife.leeds.ac.uk/doughnut-shaped-recovery/>

³⁷ This assumption is heavily contested. Economist Jason Hickel argues, for example, that the African countries are essentially developing the European ones at present, rather than the other way round. See also the extensive research of institutional economist Ha-Joon Chang.

render long international supply chains more fragile and vulnerable (as has been almost universally recognised at this point).

It is noteworthy that the COVID-19 pandemic has generated some clarity about peoples' actual priorities. An Ulster Bank survey carried out in the Republic of Ireland in June 2020 found that "a huge 85% of respondents claim that their priorities have changed since COVID-19 restrictions were introduced. New emphasis on the importance of connection with your family (93%, increase of 6%) and physical/ mental health (90%/ 88%, both increased by 10%) far outweighed the importance of time spent working, at just 40% (decreased by 8%)....more people worried about their health and the health of people in their household/ family (50%) than a recession (24%)."³⁸

Prioritising the goals mentioned in the Ulster Bank survey - good relationships and good physical and mental health - should also help to mitigate all of the risks outlined in the draft and above.

Feasta (the Foundation for the Economics of Sustainability) is an ecological economics think tank, based in Ireland but with international membership. 'Feasta' is the Irish word for 'in the future'. Our aims are to identify the characteristics (economic, cultural and environmental) of a truly sustainable society, articulate how the necessary transition can be effected and promote the implementation of the measures required for this purpose.

Feasta is a member of the Irish Environmental Network, the Environmental Pillar, Stop Climate Chaos and the Wellbeing Economy Alliance, and a partner of the International Movement for Monetary Reform. Further information can be found at <http://www.feasta.org>.

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³⁸ <https://www.ulsterbank.ie/content/dam/Ulster/CorporateAffairs/MediaRI/PandemicSurveyPressRelease.pdf>