14th NERI Labour Market Conference
SETU Waterford

May 26th 2026

Ireland's Carbon Tax & Poverty:

hidden recycling

Dr Micheál Collins

School of Social Policy, Social Work & Social Justice
Geary Institute for Public Policy
University College Dublin
ml.collins@ucd.ie

UCD School of Social Policy, Social Work and Social Justice
Scoil an Pholasaí Shóisialta, na hOibre Sóisialta agus na Córa Sóisialta UCD

UCD Geary Institute for Public Policy
RESEARCH | ANALYSIS | EVIDENCE

Outline

1. Introduction
2. Poverty in Ireland
3. Ireland’s Carbon Tax
4. Hidden Recycling
5. Some Lessons

Sources cited

1. Introduction

- Poverty & low-income receive recurring focus in Irish fiscal policy formation and implementation
  - Why?
    - Strong NGOs who do the work
    - Politicians watch it, policy makers watch it…part of the narrative
    - Not perfect…
- Drawing on a few recent publications for this presentation:

Social Policy and Society (2023), page 1 of 16
doi:10.1017/S147474642300043X
CAMBRIDGE UNIVERSITY PRESS
SPA
ARTICLE
A Hidden Cost: Estimating the Public Service Cost of Poverty in Ireland
Micheál L. Collins
School of Social Policy, Social Work and Social Justice, University College Dublin, Dublin, Ireland
Email: ml.collins@ucd.ie
(Received 21 September 2022; revised 14 August 2023; accepted 13 October 2023)
Abstract
Keywords: Poverty; public expenditure; public services; social investment; Ireland
Introduction
Social Policy & Society (2025) 24:2, 299–318
Taxation, Environmental Sustainability, and Distributive Outcomes: Balancing Behavioural Change and Fairness
Paul Bridgen* and Micheál L. Collins**
*University of Southampton, Southampton, UK
**University College Dublin, Dublin, Ireland
Corresponding author: Micheál L. Collins; Email: ml.collins@ucd.ie
Abstract
Keywords: carbon taxes, greenhouse gas emissions, fairness, United Kingdom, Ireland.
Introduction
299
15TH EDITION
THE ECONOMY OF IRELAND
Policy Making in a Global Context
Edited by John O'Hagan, Francis O'Toole & Ciara Whelan
BLOOMSBURY
12
Inequality
Micheál Collins*
Chapter Outline
1. Introduction 274
2. Concepts: Equality, Inequality and Poverty 275
3. Inequality: Consequences and Responses 279
4. Measurement, Performance and Evaluation 286
5. Conclusion 297
1 Introduction

2. Poverty in Ireland

Table 12.2 Measures of Inequality and Poverty in Ireland, 2005–23

	2005	2010	2015	2020	2023
Income quintile ratio	5.0	4.8	4.7	3.9	3.8
Gini coefficient	32.3	31.4	30.8	27.7	27.5
At Risk of Poverty					
before social transfers %	n/a	n/a	n/a	35.3	34.1
after social transfers %	18.3	14.7	16.3	12.8	10.6
Child Poverty %	22.9	18.4	18.4	16.0	14.3
Pensioner Poverty %	19.4	8.7	10.6	9.1	8.3
Working Poor %	6.9	5.7	5.7	6.3	5.8
Poverty Gap %	20.5	17.7	16.5	14.8	15.7
Deprivation %	14.8	22.6	25.4	14.3	17.3
Consistent Poverty %	7.0	6.3	8.5	4.4	3.6
Low Pay %**	18.1	17.7	17.0	15.4	16.5
Gender Pay Gap %#	17.2	13.9	13.9	9.9	9.3

Source: CSO SILC survey – various years; OECD incidence of low pay indicator; Eurostat indicator sdg_05_20.

2. Poverty in Ireland

Table 12.2 Measures of Inequality and Poverty in Ireland, 2005–23

	2005	2010	2015	2020	2023
Income quintile ratio	5.0	4.8	4.7	3.9	3.8
Gini coefficient	32.3	31.4	30.8	27.7	27.5
At Risk of Poverty					
before social transfers %	n/a	n/a	n/a	35.3	34.1
after social transfers %	18.3	14.7	16.3	12.8	10.6
Child Poverty %	22.9	18.4	18.4	16.0	14.3
Pensioner Poverty %	19.4	8.7	10.6	9.1	8.3
Working Poor %	6.9	5.7	5.7	6.3	5.8
Poverty Gap %	20.5	17.7	16.5	14.8	15.7
Deprivation %	14.8	22.6	25.4	14.3	17.3
Consistent Poverty %	7.0	6.3	8.5	4.4	3.6
Low Pay %**	18.1	17.7	17.0	15.4	16.5
Gender Pay Gap %#	17.2	13.9	13.9	9.9	9.3

Source: CSO SILC survey – various years; OECD incidence of low pay indicator; Eurostat indicator sdg_05_20.

2. Poverty in Ireland

Table 12.2 Measures of Inequality and Poverty in Ireland, 2005–23

	2005	2010	2015	2020	2023
Income quintile ratio	5.0	4.8	4.7	3.9	3.8
Gini coefficient	32.3	31.4	30.8	27.7	27.5
At Risk of Poverty					
before social transfers %	n/a	n/a	n/a	35.3	34.1
after social transfers %	18.3	14.7	16.3	12.8	10.6
Child Poverty %	22.9	18.4	18.4	16.0	14.3
Pensioner Poverty %	19.4	8.7	10.6	9.1	8.3
Working Poor %	6.9	5.7	5.7	6.3	5.8
Poverty Gap %	20.5	17.7	16.5	14.8	15.7
Deprivation %	14.8	22.6	25.4	14.3	17.3
Consistent Poverty %	7.0	6.3	8.5	4.4	3.6
Low Pay %**	18.1	17.7	17.0	15.4	16.5
Gender Pay Gap %#	17.2	13.9	13.9	9.9	9.3

Source: CSO SILC survey – various years; OECD incidence of low pay indicator; Eurostat indicator sdg_05_20.

2. Poverty in Ireland

Table 12.2 Measures of Inequality and Poverty in Ireland, 2005–23

	2005	2010	2015	2020	2023	2023*
Income quintile ratio	5.0	4.8	4.7	3.9	3.8	
Gini coefficient	32.3	31.4	30.8	27.7	27.5	
At Risk of Poverty						
before social transfers %	n/a	n/a	n/a	35.3	34.1	
after social transfers %	18.3	14.7	16.3	12.8	10.6	13.0
Child Poverty %	22.9	18.4	18.4	16.0	14.3	16.0
Pensioner Poverty %	19.4	8.7	10.6	9.1	8.3	16.9
Working Poor %	6.9	5.7	5.7	6.3	5.8	6.3
Poverty Gap %	20.5	17.7	16.5	14.8	15.7	
Deprivation %	14.8	22.6	25.4	14.3	17.3	
Consistent Poverty %	7.0	6.3	8.5	4.4	3.6	4.4
Low Pay %**	18.1	17.7	17.0	15.4	16.5	
Gender Pay Gap %#	17.2	13.9	13.9	9.9	9.3	

Source: CSO SILC survey – various years; OECD incidence of low pay indicator; Eurostat indicator sdg_05_20.

Table 3. The public service cost of poverty in context

	Main estimate	Low estimate	High estimate
Public service cost of poverty	€4,491m	€3,077m	€7,245m
per capita cost	€913	€625	€1,472
per household cost	€2,638	€1,808	€4,256
as % Total gov revenue	5.1%	3.5%	8.2%
as % Total gov expenditure	5.0%	3.4%	8.0%
as % Gross national income	1.6%	1.1%	2.6%

Notes: Calculated using CSO population projections for April 2019, CSO household count from Census 2016, CSO national income measures for 2020 and budget 2020 projections for (pre Covid-19) general government revenue and expenditure (Department of Finance, 2019: 58). GNI is used for national income comparisons as Ireland's GDP is artificially inflated by MNC activity.

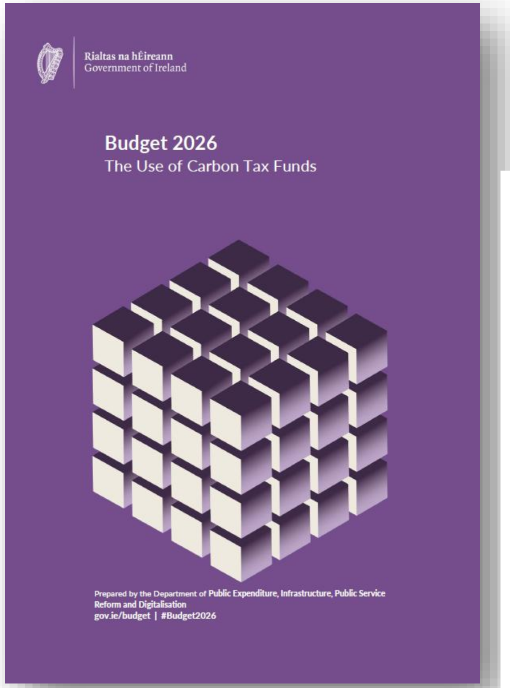

A Hidden Cost: Estimating the Public Service Cost of Poverty in Ireland

3. Ireland's Carbon Tax

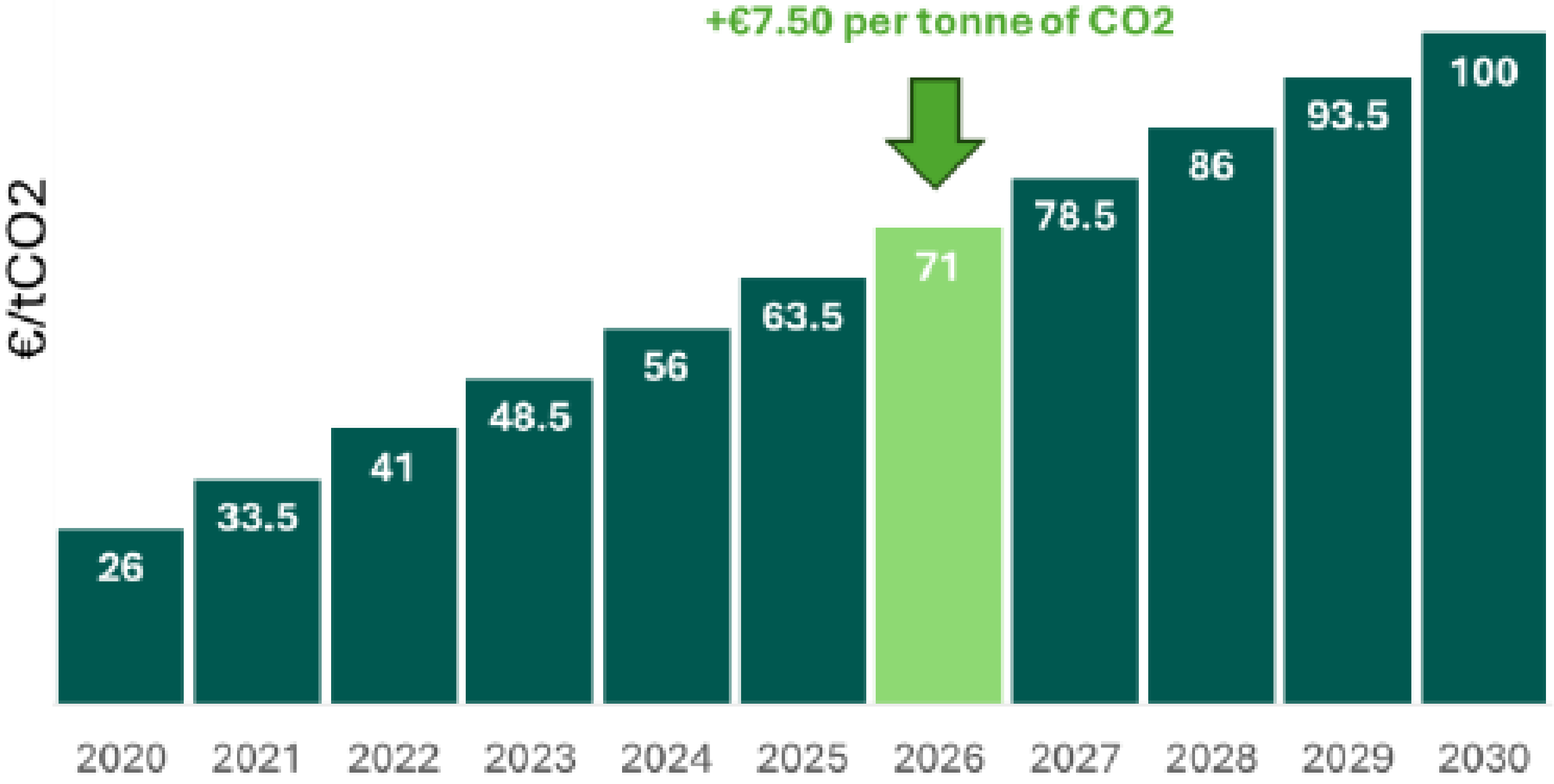
- Designed by the *Commission on Taxation 2009*
- Implemented in Budget 2010 (*December 9th 2009*)
  - Levied on the quantity of CO_2 emissions
  - Slowly expanded across fuel types (petrol/diesel, kerosene, coal, gas)
  - Sits on top of VAT and existing taxes
  - Covers 50% of all CO_2 emissions
  - Initially linked to price of *carbon credits*
    - 2010: €15 per tonne
    - 2012: €20 per tonne
    - 2020: €26 per tonne and trajectory to 2030 agreed (Finance Bill) linked to *mitigation costs* given national climate change policy commitments

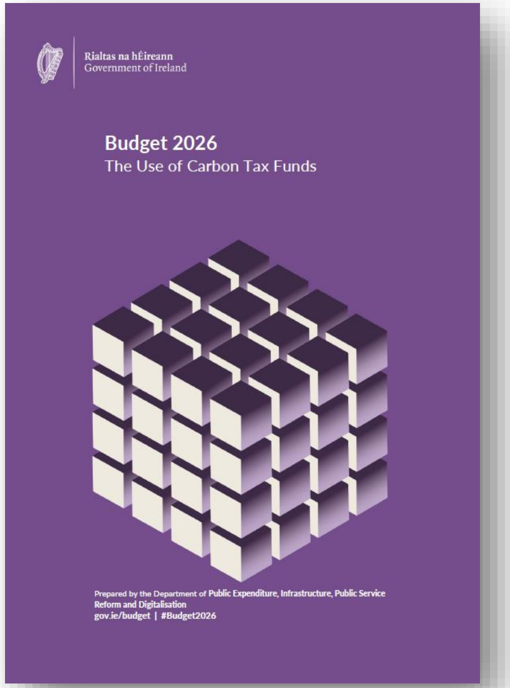

Rialtas na hÉireann
Government of Ireland


Carbon Tax
increase, due on
1 May deferred
until Budget
2026
Fianna Fáil



Carbon Tax trajectory to 2030





Impact of increase on typical fuel bundles in 2026*

Petrol/ Diesel	Gas	Kerosene	Coal
+€1.28/ +€1.48	+€16.98	+€19.41	+€0.90
60L fill	11,000 kWh	900L fill	40Kg bag

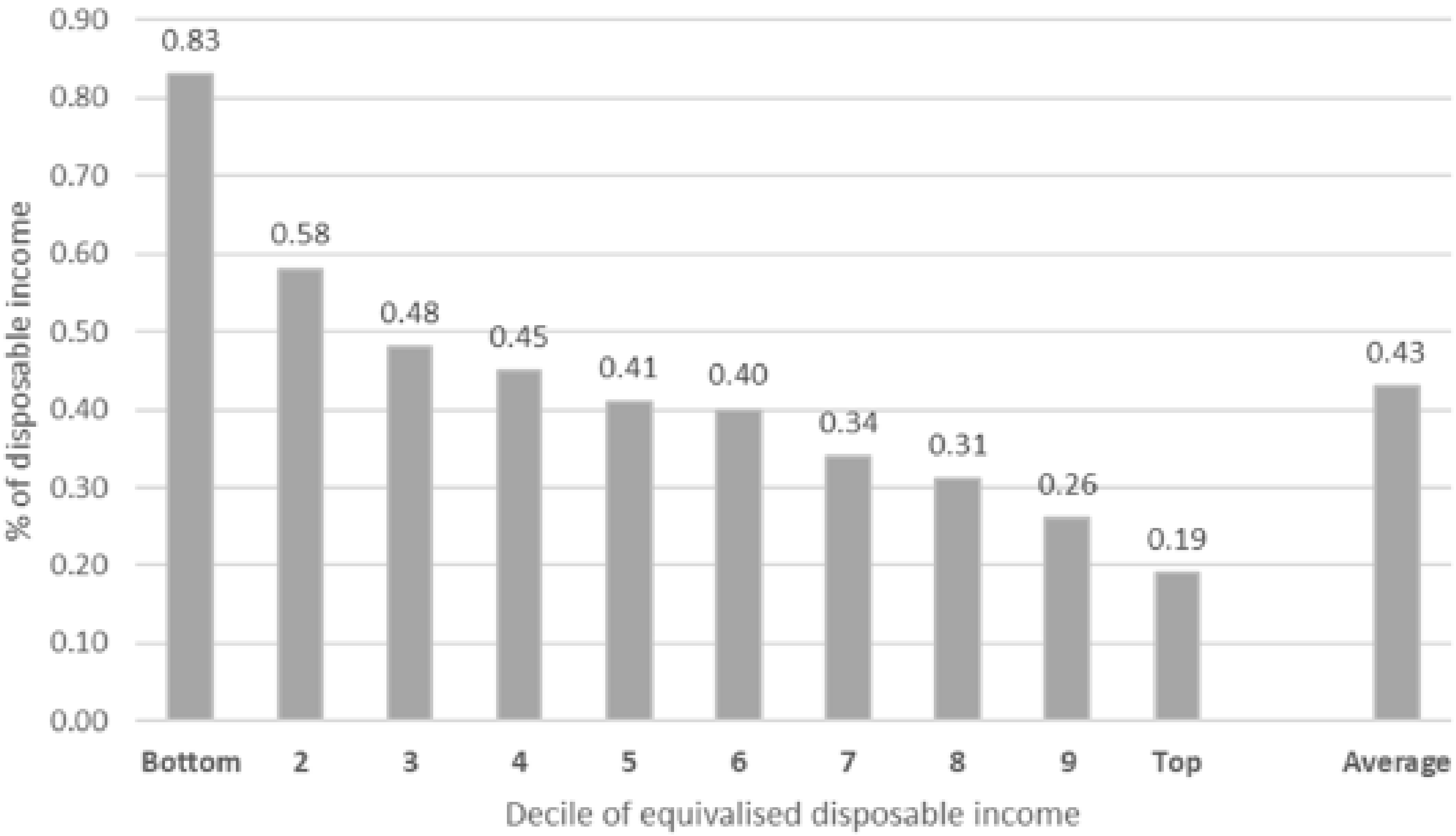
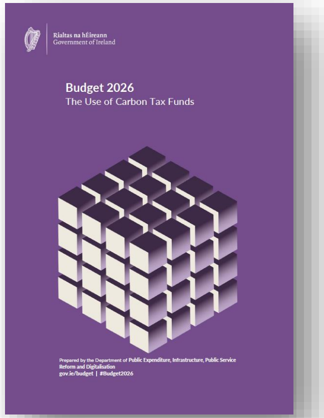
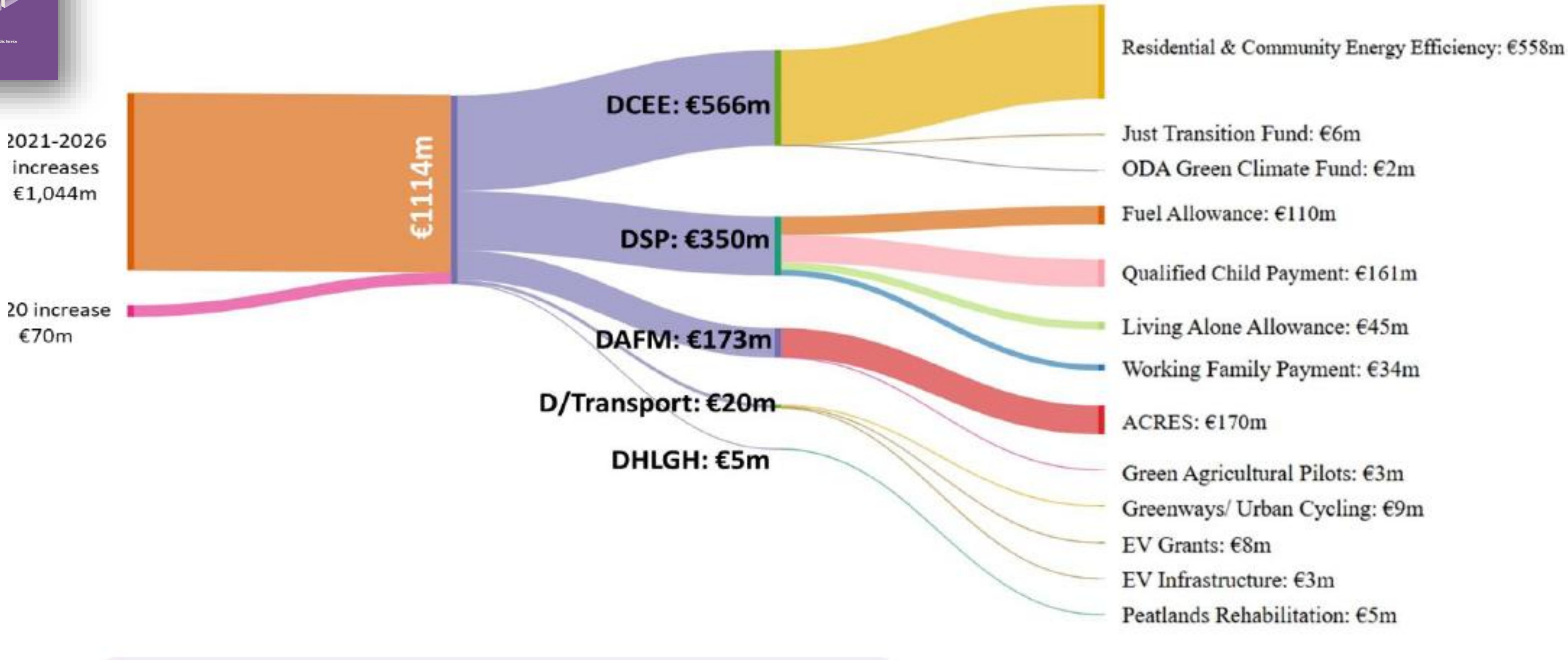


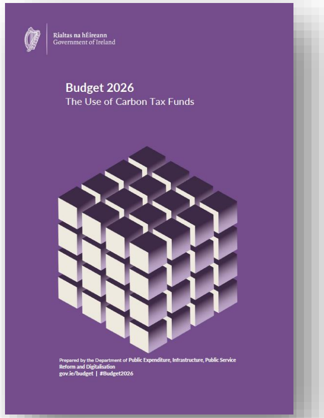
Figure 2. The Distribution of Carbon Tax Liabilities, Ireland 2015/16.
Source: O'Malley et al., 2020: 32

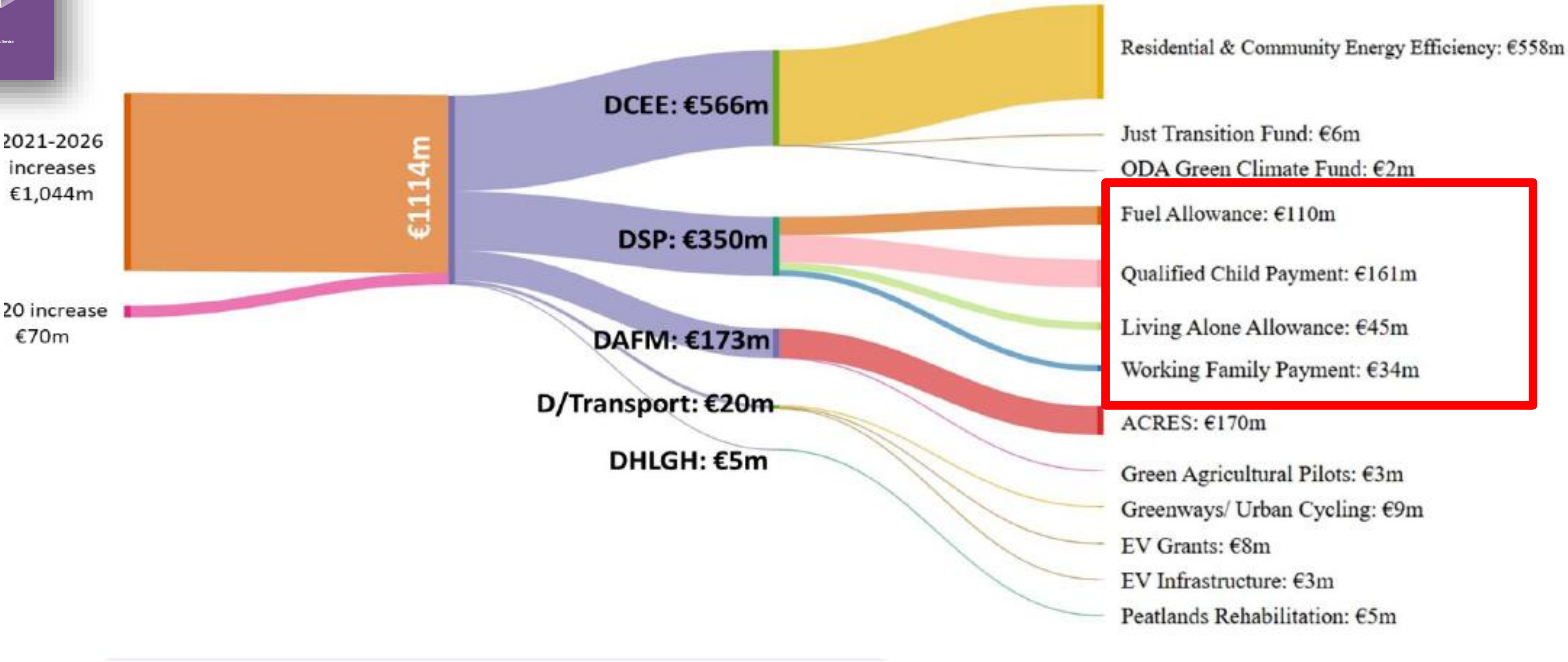
- **Carbon Tax Design**
  - Hypothecated revenue (from 2020)
  - Split between:
    - compensatory social welfare payments
    - ‘socially progressive retrofitting programme’
    - promotion of sustainable agricultural practices
    - green transport initiatives

- **Carbon Tax Design**
  - Hypothecated revenue (from 2020)
  - Split between:
    - compensatory social welfare payments
    - ‘socially progressive retrofitting programme’
    - promotion of sustainable agricultural practices
    - green transport initiatives


Rialtas na hÉireann
Government of Ireland
Budget 2026
The Use of Carbon Tax Funds


2021-2026
increases
€1,044m
20 increase
€70m
€1114m
DCEE: €566m
DSP: €350m
DAFM: €173m
D/Transport: €20m
DHLGH: €5m
Residential & Community Energy Efficiency: €558m
Just Transition Fund: €6m
ODA Green Climate Fund: €2m
Fuel Allowance: €110m
Qualified Child Payment: €161m
Living Alone Allowance: €45m
Working Family Payment: €34m
ACRES: €170m
Green Agricultural Pilots: €3m
Greenways/ Urban Cycling: €9m
EV Grants: €8m
EV Infrastructure: €3m
Peatlands Rehabilitation: €5m


Rialtas na hÉireann
Government of Ireland
Budget 2026
The Use of Carbon Tax Funds


2021-2026
increases
€1,044m
20 increase
€70m
€1114m
DCEE: €566m
DSP: €350m
DAFM: €173m
D/Transport: €20m
DHLGH: €5m
Residential & Community Energy Efficiency: €558m
Just Transition Fund: €6m
ODA Green Climate Fund: €2m
Fuel Allowance: €110m
Qualified Child Payment: €161m
Living Alone Allowance: €45m
Working Family Payment: €34m
ACRES: €170m
Green Agricultural Pilots: €3m
Greenways/ Urban Cycling: €9m
EV Grants: €8m
EV Infrastructure: €3m
Peatlands Rehabilitation: €5m

4. Hidden Recycling

- Important measures targeted at the bottom two deciles (poor)
  - evidence suggests they sufficiently compensate these households
- But, not visible to either policymakers or recipients
- For example:
  - additional carbon tax revenue in 2026 = €163m
  - €44m of this (27%) to targeted social protection interventions
  - Budget 2026 increases to these measures = €355m
  - 12% coming from carbon tax & 78% from exchequer

	Weekly Increase	Compensation CT	Living standards increase
Fuel allowance	**€5.00**	€0.62	€4.38
Child Support Payment – under 12	**€8.00**	€0.99	€7.01

"…the delineation between compensation to maintain current living standards and resources to enhance current living standards is not made clear to either policymakers or recipients"

(Bridgen and Collins, 2025: 312)

gov.ie News Departments Services

Press release

Budget 2026: Minister Calleary secures Social Protection package of over €1.15 billion for new measures

From: Department of Social Protection
Published on: 7 October 2025
Last updated on: 14 October 2025

- overall €28.9 billion to be spent on Social Protection in 2026

Announcing the Social Protection Budget, Minister Calleary said:

"In my first Budget as Minister for Social Protection, I am delighted to have secured a package of over €1.15 billion.

https://www.gov.ie/en/department-of-social-protection/press-releases/budget-2026-minister-calleary-secures-social-protection-package-of-over-115-billion-for-new-measures/


gov.ie
News Departments Services

Press release

Budget 2026: Minister Calleary secures Social Protection package of over €1.15 billion for new measures

From: Department of Social Protection
Published on: 7 October 2025
Last updated on: 14 October 2025

- overall €28.9 billion to be spent on Social Protection in 2026

Announcing the Social Protection Budget, Minister Calleary said:

"In my first Budget as Minister for Social Protection, I am delighted to have secured a package of over €1.1 billion.

https://www.gov.ie/en/department-of-social-protection/press-releases/budget-2026-minister-calleary-secures-social-protection-package-of-over-115-billion-for-new-measures/

gov.ie | News | Departments | Services

Press release

Budget 2026: Minister Calleary secures Social Protection package of over €1.15 billion for new measures

From: Department of Social Protection
Published on: 7 October 2025
Last updated on: 14 October 2025

- overall €28.9 billion to be spent on Social Protection in 2026

No mention of carbon in Department Press Release or documentation

Announcing the Social Protection Budget, Minister Calleary said:

“In my first Budget as Minister for Social Protection, I am delighted to have secured a package of over €1.1 billion.

https://www.gov.ie/en/department-of-social-protection/press-releases/budget-2026-minister-calleary-secures-social-protection-package-of-over-115-billion-for-new-measures/

5. Some Lessons

- From a ***tax design*** perspective
  - Ireland's carbon tax has a lot of worthwhile features
  - structured to balance fairness with behavioural change
  - hypothecation is important
  - but, limited consideration of financing/reversing compensation post any behavioural change (if needed)

- From a ***distribution*** perspective
  - social protection system has been unwilling to demonstrate the compensation being provided
  - important for poor households
  - *hidden recycling* of funds = unfortunate

Sources cited

Bridgen, P. and Collins, M.L. (2025) 'Taxation, Environmental Sustainability, and Distributive Outcomes: Balancing Behavioural Change and Fairness', Social Policy and Society, 24(2), pp. 299–318. doi:10.1017/S1474746425000120

Collins, M.L. (2025) 'Inequality', in O'Hagan, J., F. O'Toole and C. Whelan (eds.) (2025) *The Economy of Ireland*, 15th edition, London: Bloomsbury Academic. See Chapter 12, p274-298.

Collins, M.L. (2025) 'A Hidden Cost: Estimating the Public Service Cost of Poverty in Ireland', *Social Policy and Society*, 24(3), pp. 415–430. doi:10.1017/S147474642300043X

CSO (annual) *Survey on Income and Living Conditions (SILC)* https://www.cso.ie/en/statistics/socialconditions/surveyonincomeandlivingconditionssilc/

Department of Finance (2025) *Budget 2026 – the use of carbon tax funds*. Dublin, Government Publications.

14th NERI Labour Market Conference
SETU Waterford

May 26th 2026

Ireland's Carbon Tax & Poverty:

hidden recycling

NEVIN ECONOMIC RESEARCH INSTITUTE

Dr Micheál Collins

School of Social Policy, Social Work & Social Justice
Geary Institute for Public Policy
University College Dublin
ml.collins@ucd.ie

UCD School of Social Policy, Social Work and Social Justice
Scoil an Pholasaí Shóisialta, na hOibre Sóisialta agus na Córa Sóisialta UCD

UCD DUBLIN

UCD Geary Institute for Public Policy
RESEARCH | ANALYSIS | EVIDENCE