

Press Release - Under embargo until Wednesday 1st July 2026

Delaying climate action leaves Ireland's economy and public finances exposed

The Irish Fiscal Advisory Council warns that stalling on climate targets poses a major risk to the public finances. Rather than waiting for global climate action, the State must invest domestically to help lower living costs, avoid fiscal costs, and protect the economy.

The Council's latest research paper, *The hidden costs of inaction*, looks at the long-term impact of climate policy. It finds that taking domestic action now on climate would act as a vital insurance policy, even if the rest of the world fails to act.

Investing in home retrofits, public transport, renewable energy and the electricity grid can guarantee tangible local benefits. It would mean cleaner air, lower healthcare costs, lower running costs for homes and vehicles, and greater energy security.

Fossil fuel taxes will fall anyway

The shift away from fossil fuels is already underway, but not as fast as it needs to be. As more people switch to electric vehicles, the taxes collected from fossil fuels will drop.

The Government must devise a strategy to replace this lost revenue, potentially through measures like congestion charges and distance-based road charges. Replacing these taxes does not mean increasing the overall tax burden on average taxpayers. It means changing the way taxes are levied on travel.

A credible plan could reduce the overall cost of climate change for Ireland's budget balance to just 1% of GNI* (less than €4 billion in today's money). By contrast, doing nothing could result in an annual hit to the public finances as much as two to four times larger by 2050.

The risks of doing nothing

Doing nothing is a high-risk strategy. It risks leaving Ireland exposed to open-ended costs of missing EU commitments, volatile fossil fuel prices, and the severe economic damages of more extreme weather.

The Council's analysis highlights four key takeaways for policymakers:

- **Secure local benefits:** Domestic supports for the transition would lower household energy and vehicle bills and cut pollution-related healthcare costs.
- **Treat action as an insurance policy:** Taking action would shield the State from energy price shocks in future and risks of penalties, even if global efforts falter.
- **Plan for lost taxes:** The State must find new ways to replace falling fossil fuel revenues to protect the budget. It must do so in a gradual way, making sure not to derail the transition.
- **Action now is fiscally prudent:** Coordinated global action is the best outcome. But even if Ireland acts alone, the financial costs are similar to doing nothing — yet inaction means the tangible benefits of the transition go unrealised.

Commenting on the report, the Council's Chairperson, Seamus Coffey, noted: "We can wait for global action and leave our economy exposed to big budget risks and volatile energy prices. Or we can take control by investing in our own homes, transport, and energy networks. Spending the money here in Ireland would help ensure lower living costs and better health outcomes for citizens, making it the sensible approach."

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