PRE-BUDGET SUBMISSION 2026

Friends of the Earth

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Pre-Budget Submission: Budget 2026
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Ireland is facing an ever-narrowing window to meet its 2030 climate targets and avoid significant EU non-compliance penalties - estimated at **up to €26 billion**.[1] Despite a decade of climate commitments, delivery remains too slow and emissions continue to exceed sectoral limits. Recent EPA analysis shows that planned climate policies and measures, if fully implemented, could only deliver up to 23% emissions reduction by 2030, down from the 29 per cent reduction projected last year.[2] Meanwhile, households across Ireland continue to struggle with soaring energy prices, inadequate housing standards, and insufficient support to make the transition to cleaner technologies.

The cost of inaction is clear- we are heading towards devastating climate impacts, lost opportunities, and mounting financial penalties. **Budget 2026 must be the moment we course-correct.** This year's Budget must prioritise protecting households, developing energy infrastructure, and positioning Ireland as a credible leader in Europe's green economy.

Friends of the Earth echoes the Climate Change Advisory Council recommendations for the Government to cease subsidising fossil fuel consumption and target financial support for those least able to move away from fossil fuels and those most at risk from the impacts of climate change. We call on the Government to scale up public delivery on climate action, target those most in need, and realign spending away from fossil fuel dependency.

Prioritise Energy Efficiency Solutions for those Most In-need

Retrofitting homes is the most effective way to simultaneously address emissions reduction targets, reduce energy poverty, and lower household energy bills. Yet despite government commitments, retrofitting policy remains heavily skewed toward higher income homeowners, leaving renters and low-income households behind.

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[1] Fiscal Advisory Council (2025) https://www.fiscalcouncil.ie/a-colossal-missed-opportunity/
[2] EPA (2025) https://www.epa.ie/news-releases/news-releases-2025/epa-projections-show-ireland-off-track-for-2030-climate-targets.php

Private rental properties remain some of the most energy inefficient in the country, and waitlists for fully-funded schemes like Warmer Homes are over 2 years. **Budget 2026 must prioritise equity and scale- ensuring that renters, energy-poor households, and local authorities receive targeted support and that new delivery models are implemented to accelerate progress.** We recommend the below actions in Budget 2026 to remove financial and access barriers, expand retrofit capacity, and ensure that public funds are delivering for those most in need.

Local Authority Retrofit Programme

- The 2024 Climate Change Advisory Council (CCAC) Built Environment Review explicitly recommends funding certainty to prioritise upgrading the poorest-performing social housing stock, with clear budget allocations confirmed in advance to facilitate local authority planning.
- Provide multi-annual, significantly increased funding to rapidly scale up the Local Authority Energy Efficiency Programme.
- Increase local authority direct labour for the delivery of home energy upgrades as well as delivery of zero-carbon public housing and preventative maintenance.
- **Estimated cost: €180 million**

Retrofit Scheme for Rental Sector

- Budget 2026 should direct funding to prepare for the introduction of minimum Building Energy Ratings (BER) for private rented properties from 2025, as committed to in *Housing for All*. This should be accompanied by a compliance and enforcement budget and a support scheme for small-scale/single-property landlords with verifiable financial constraints.
- Pilot a new 100% funded retrofit scheme for low-income tenants, including those in Housing Assistance Payment (HAP) accommodation, contingent on a long-term lease (minimum 5 years).

Energy Advice

- Pilot a dedicated Community Energy Advice Service in Budget 2026, with a view to establishing permanent services within each local authority. This service would offer tailored, face-to-face support on energy management and impartial retrofit guidance.
- This initiative aligns with revised EU directives (EED, EPBD) mandating independent One Stop Shops for holistic household support, focusing on those in energy poverty.
- **Pilot Scheme estimated cost: €5 million**

Zero-interest Retrofit Loans.

- Implement a targeted zero-interest loan scheme for low-income households to finance deep energy retrofits, paired with fully subsidised Building Energy Rating (BER) assessments, removing upfront financial barriers.

Sliding Scale of SEAI Grants

- In line with the CCAC's recommendations, pilot a sliding-scale SEAI retrofit grant system based on household income. This would provide targeted financial assistance to households marginally above the energy poverty threshold, supporting more inclusive and equitable access to deep retrofits.

Ramp-up Renewable Heating

Transitioning from fossil fuel-based heating to clean, renewable alternatives is essential to decarbonise Ireland's residential energy use and meet our carbon budgets. Yet the policy and financial landscape still favours fossil heating systems through price signals that disadvantage electrification. Ireland has the lowest share of renewable heat of any EU country, with over 90% of our heat demand still fulfilled by fossil fuels. This makes us an outlier and undermines our national and EU decarbonisation goals. Budget 2026 must correct this imbalance by prioritising support for heat pumps and district heating, particularly for rural households dependent on oil and solid fuels. Strategic investment now can unlock long-term savings, emissions reductions, and improved comfort for households, while building the critical infrastructure needed for a fossil-free future.

Promoting Renewable Heating Technologies

- Establish new financial incentives and policy adjustments (such as rebalancing energy taxation/levies from electricity to gas, similar to Denmark) to encourage widespread adoption of heat pumps and district heating systems, as recommended by the Climate Change Advisory Council.[3]

Rural Retrofit Programme

- As committed in the Programme for Government, develop a targeted Rural Retrofit Programme specifically supporting households reliant on oil and solid fuel heating, explicitly excluding funding for false, unsustainable solutions such as Hydrotreated Vegetable Oil (HVO).

District Heating Network Development

- Allocate dedicated public funding from the Climate and Nature Fund to establish district heating networks nationwide.

Keep Data Centres from Hiking Energy Bills

Data centres are contributing to Ireland's extremely high electricity prices, by impacting peak demand and pushing up prices for households and other consumers, with a 412% increase in electricity usage from these developments since 2015[4]. At the same time, households continue to effectively subsidise the data centre sector through the €600m in capacity payments awarded to or applied for by companies supplying or running data centres[5]. In addition, the PSO levy continues to be structured in a manner that results in households contributing a larger share relative to their actual energy use[6] while large energy users like data centres, which have high total consumption but lower

[3] Climate Change Advisory Council (2024) https://www.climatecouncil.ie/councilpublications/annualreviewandreport/AR2024-Built%20Environment.pdf
[4] SEAI (2024) https://www.seai.ie/sites/default/files/publications/energy-in-ireland-2024.pdf
[5] As reported by the Irish Independent (2025) https://www.independent.ie/irish-news/consumers-energy-bills-set-to-rise-further-as-more-data-centres-will-add-to-costs/a633724800.html
[6] ESRI (2014) https://mpra.ub.uni-muenchen.de/53488/1/MPRA_paper_53488.pdf

peak demand, pay comparatively less. **Budget 2026 must ensure that energy infrastructure costs associated with data centres are not passed on to all consumers. Data centres must pay the full costs of their energy hungry business decisions.**

- Prevent further data centre connections (across the entire country not only Dublin) until their outsized impact on bills, the energy system and emissions is removed.
- Reorganise the Public Service Obligation (PSO) levy based on average energy demand, ensuring data centres contribute equitably towards Ireland's renewable energy targets.
- Given their outsized impact on the energy system, impose windfall taxes on current data centres, earmarking revenues specifically for the development of district heating networks.
- Allocate funding to the SEAI for detailed research on the GHG impacts of data centres, including indirect emissions from increased electricity imports and onsite fossil fuel use, to close data gaps in emissions tracking that undermine efforts to fully assess carbon budget impacts.
- Apply a significant per megawatt-hour surcharge on data centre electricity usage, and ringfence this for climate action measures.

Reduce High Household Energy Costs

Households across Ireland continue to face among the highest electricity prices in the EU,[7] with electricity and gas bills remaining well above pre-crisis levels, and 30% above the EU average. Despite government interventions in the form of universal energy credits, over 260,000 electricity customers and 170,000 gas customers were in arrears at the end of 2024, according to the CRU.[8] Since the energy crisis commenced in 2022, it has been clear that the fixed nature of current energy payments are not responsive when prices are volatile in the energy market. Energy poverty remains a persistent and structural issue, especially for low-income households, renters, and single-parent families. Budget 2026 must provide immediate relief while also putting in place lasting protections that guarantee access to affordable, clean energy.

Fuel Allowance Restoration and Increase

- Restore the purchasing power of the Fuel Allowance, increasing payments by €7 weekly to €40, aligning with inflation trends. Include tailored supports for older persons, carers, and those with long-term illnesses whose energy needs are higher due to time spent at home or medical equipment use.
- **Estimated cost:** €64.6 million

Fuel Allowance Extension

- Fulfil Programme for Government commitment to expand Fuel Allowance eligibility to include Working Family Payment recipients, protecting over 100,000 children from energy poverty. Remove the waiting period for Jobseekers recipients to receive the Fuel Allowance.

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[7] Eurostat (2025)
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Electricity_price_statistics#Highlights

[8] CRU (2024)
https://cruie-live-96ca64acab2247eca8a850a7e54b-5b34f62.divio-media.com/documents/CRU2024166_Arrears_and_NPA_disconnection_update_October_2024_413461.PDF

- **Estimated cost:** €41.4 million

Energy Guarantee Scheme

- Develop and implement an Energy Guarantee Scheme, ensuring baseline energy needs are consistently met for all households. This should meet a proportion of minimum energy needs, primarily linked to dwelling energy efficiency and household income, and be adaptable to any price fluctuations in the market, acting as a safety net to low-income households during times of energy price crises. Such an approach would become less costly as the energy efficiency of dwellings are improved in line with the national retrofit strategy.

Addressing Inadequate Income

- Introduce a system of benchmarking and indexing social protection payments to average wages.

Prevent reliance on LNG and phasing out fossil fuel subsidies

Building and operating a state-controlled floating LNG terminal as a temporary emergency gas reserve ignores the steep and long-term costs to consumers. It also risks locking in fossil fuel dependence and creating a new import dependency when alternatives such as battery storage and electricity connection are already available. While the cost of a state-owned terminal was noted as c€300 million with €60 million annual operating expenses our understanding is that analysis by relevant authorities indicates that the true cost is multitudes of this figure (closer to €1billion). Government has failed to specify what the ultimate impact would be on customers bills (also noting the Government decision to not provide further energy credits this year).
We call on the Government to -

- We call for Government to reverse their decision in favour of the termination of the LNG project and a redirection of the savings into an expansion of retrofitting homes for low-income households.
- **In the first instance, before any further steps are taken, clarify the full costs of a polluting LNG terminal and the impact on customers' bills.**
- **Ensure a full up-to-date analysis of sustainable and lower-cost alternative options for energy security, together with a public consultation, led by advisory bodies at his disposal.**

As repeatedly called for by the Climate Change Advisory Council, "Government should cease subsidising fossil fuel consumption". Budget 2026 should expedite the removal of fossil fuel subsidies, particularly in the aviation sector. Friends of the Earth recommends that the Government:

- Conduct a comprehensive review of all fossil fuel subsidies by 2025, committing to a clear roadmap for their complete removal by 2030.
- Redirect revenues saved from subsidy removal (totaling approximately €4.9 billion in 2023) toward renewable energy expansion, targeted energy poverty alleviation, rural green job creation, and ramped up national retrofitting .

Ring-fence and target Carbon Tax for those most in need

Between 2020 and 2023, only 61% of the hypothecated funds from carbon tax revenue (€829.6 million out of €1.36 billion) could be verified as being spent on targeted initiatives. Approximately 19% (€262 million) was unspent and returned to the exchequer.[9] Additionally, despite ESRI research showing that the recycling of carbon tax revenues on social welfare measures has made Irish households on the lowest-incomes better off overall, this obscures the gaps in who receives support. Persistent gaps exist in climate and energy supports for renters, disabled people, and minority groups such as Travellers - groups often excluded from both direct energy support and fully funded retrofit schemes. Friends of the Earth recommends that the Government:

- Legislate for clear and complete ring-fencing of carbon tax revenues, ensuring transparent allocation and accountability.
- Ensure underspent carbon tax funds 'remain targeted climate action and social protection budgets, and where possible roll over into subsequent years climate and social budgets,, rather than returning to general exchequer funds.
- Implement comprehensive data collection and reporting systems for carbon tax revenue utilisation, addressing recent accountability gaps highlighted by the Comptroller and Auditor General. [10] Ensure that all publicly funded climate action programmes collect and report disaggregated equality data (e.g. gender, disability, ethnicity, tenancy status) to assess the impact of carbon tax revenue use on vulnerable groups.

Target Transport Funding at Sustainable Mobility

Reducing transport emissions is challenging in Ireland due to its dispersed settlement patterns, which also complicate the delivery of public services and utilities. Cutting transport emissions requires an urgent combination of a shift towards active travel and public transportation and increased electric vehicle adoption. While electric vehicles play a key role, private car use constitutes a huge added expense and also contributes to problems like traffic congestion and inefficient use of public space. Many people endure long commutes or daily traffic jams, negatively impacting their quality of life. Beyond this, congestion imposes significant economic costs, highlighting the urgent need for sustainable transport solutions.

- Maintain a minimum 5:1 investment ratio favouring public transport over road infrastructure, prioritising BusConnects, Dart+, Metrolink, and rural public transport expansions.
    - Allocate at least 20% of transport capital investment toward active travel, accelerating the delivery of CycleConnects and the National Cycle Network.
- Target EV subsidies to rural drivers who have fewer transport options.
- Revise Vehicle Registration Tax (VRT) to strongly incentivise smaller, greener vehicles, applying higher taxes specifically targeting SUVs, including heavy EV models.

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[9] Comptroller and Auditor General (CAG) 2024
https://www.audit.gov.ie/en/find-report/publications/2024/18-administration-of-carbon-tax-receipts.pdf
[10] Report on the Accounts of the Public Services 2023
https://www.audit.gov.ie/en/find-report/publications/2024/18-administration-of-carbon-tax-receipts.pdf

- Introduce congestion and parking charges starting in Dublin by 2027, coupled with workplace parking levies.
    - Congestion charging in Dublin city to be accompanied by actions to increase road space for public transport and active travel modes only and decrease road space for private cars and car parking
- Implement financial penalties for local authorities failing to deliver adequate active travel infrastructure.
- Decouple the Bike to Work Scheme from PAYE tax to broaden accessibility, as the current scheme rewards wealthier households.

Ensure Stable Funding for Civil Society and Community Climate Action

- Ensure stable, multi-year funding commitments for NGOs engaged in climate advocacy and grassroots community energy projects, acknowledging their essential role in Ireland's just transition.
- Commit at least €30 million in funding for the Community Climate Action Programme for 2026-27, including at least €5 million for another two-year round of Creative Ireland's Creative Climate Action programme, as recommended by the Wheel.

Fund a Just Transition by taxing the worst polluters

There is a need to unlock new sources of funding to ensure that Ireland's transition to a green economy is truly just and leaves no one behind, and there are a range of options available to raise this public finance. We support the below recommendations made in Trócaire's recent "Fuelling Injustice" report, and note that Budget 2026 should raise funding for a just transition through the following measures:

- Impose a Climate Damages Tax on fossil fuel investments by Irish based investment companies.
    - **Estimated Revenue:** €326.3 million in 2026
- Introduce a tax on the profits of companies involved in fossil-fuel production and refining.
    - **Estimated Revenue:** €133.5 million
- Introduce a wealth tax of 1.5% on all net worth above €4.6 million.
    - **Estimated Revenue:** €4.2 billion
- Introduce a carbon levy on shipping.
    - **Estimated Revenue:** €55.2 million
- Impose a tax on private jet flights.
    - **Estimated Revenue:** €2.4 million
- Remove the excise and VAT exemptions on aviation fuel.
    - **Estimated Revenue:** €812 million

Ensure Ireland meets its International Climate Finance commitments

The Programme for Government has a welcome commitment to "Deliver on Ireland's International Climate Finance Roadmap to address climate challenges and prioritise funding for adaptation efforts in countries most vulnerable to climate change."However, Ireland current climate finance commitments still do not meet Ireland's fair share. Furthermore, Ireland's climate finance forms part of existing commitments to Overseas Development Assistance (ODA) and therefore, according to Trócaire, does not meet the requirement for climate finance to be 'new' and 'additional'. We support Trócaire's recommendations that Budget 2026 must:

- Ensure that Ireland meets its fair share of the finance for international climate change mitigation and adaptation efforts, which is €500 million.
- Meet Ireland's fair share contribution to the new Loss and Damage Fund, which Ireland worked so hard to help set up. This contribution should amount to €1.5 billion by 2030.

Invest in Nature

Friends of the Earth endorses the recommendations of the Environmental Pillar **-** In order to meet existing ongoing environmental obligations, Ireland must boost annual investment in key ecosystems—peatlands, freshwater, forests, coasts, and marine areas and farming —by at least €107m per annum. €124 million, according to NPWS Financial Needs Assessments. This **does not include** the additional resources that will be required under the **EU Nature Restoration Law**, which will bring the total spending on nature restoration to **€453.5m-€463.5m.**