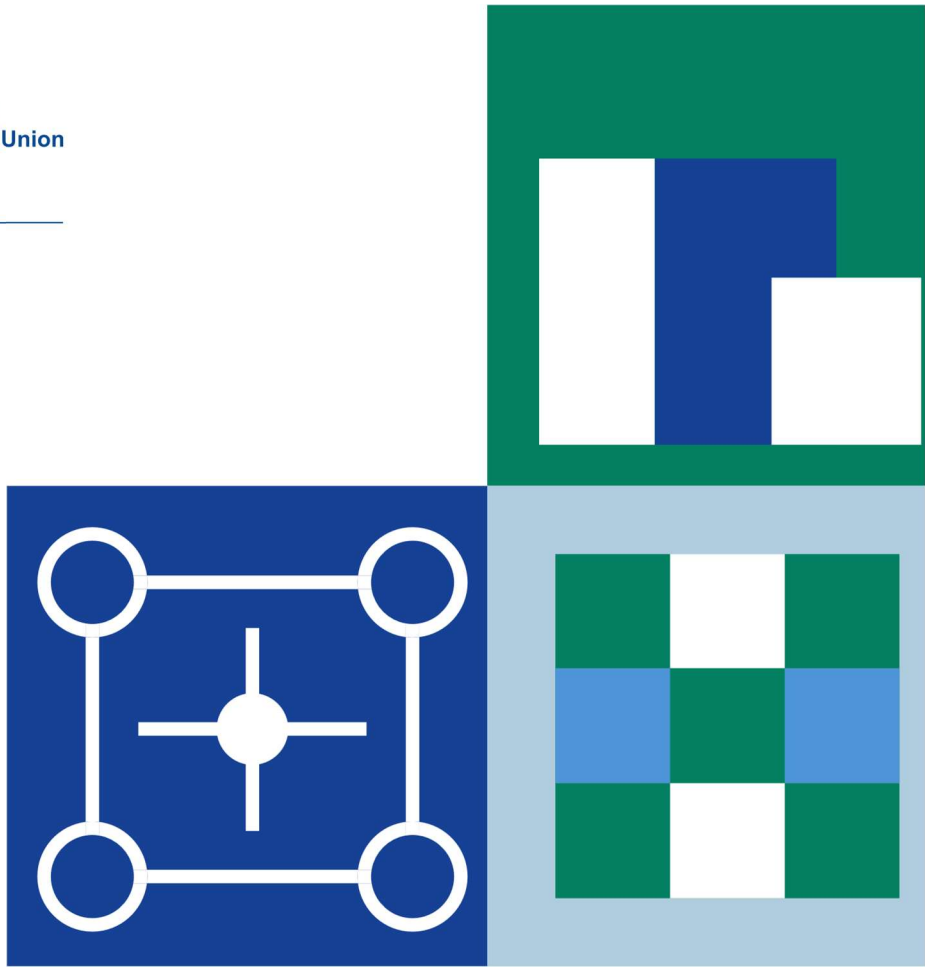
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GETTING STARTED WITH CO_2 PRICING

A practical guide for local county councils in Ireland

Action Plan for Irish local county councils

July 2026

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Introduction

Getting started with carbon pricing

Addressing climate change calls for decisions that deliver benefits not just today, but over the long term. Carbon pricing can help public authorities factor the wider societal costs of emissions into policies, projects and public procurement, making sustainable options easier to identify and choose.

This document is designed to help Irish local authorities take their first steps towards introducing carbon pricing. Developed as part of the European Interreg DeCarb-Pro DeCarb-Pro[1]. It provides practical guidance for public authorities considering how carbon pricing could be put into practice.

We guide you through the main considerations for implementing carbon pricing successfully, providing a clear roadmap for organisations at the start of their journey. The document provides a foundation for introducing carbon pricing within your organisation, while recognising that the approach you take will depend on your ambitions, organisational structure and local context.

If you would like to learn more about how carbon pricing can be applied in practice, or discuss what it could mean for your organisation, please contact the DeCarb-Pro project team at South East Energy Agency: contact@southeastenergy.ie.

[1] More information on the project can be found here: DeCarb-Pro

Steps to start with CO2 pricing

1. Getting started: understanding carbon pricing in procurement

At its core, carbon pricing is a simple concept: it puts a financial value on greenhouse gas emissions. The principle is that emissions are not cost-free: they contribute to climate change and create costs for society. By putting a price on those emissions, these wider costs become visible and can be considered alongside direct financial costs. This creates an incentive to reduce emissions and can make lower-carbon options more attractive.

Applying this principle in procurement does not necessarily require complex calculations or new datasets. Much of the information needed for a basic assessment is already available, allowing procurement teams to start with relatively simple examples and build their experience from there. The schoolyard example below shows how even a straightforward calculation can change the comparison between two otherwise similarly priced options.

Example: workshop on new or reused paving

During a DeCarb-Pro workshop, participants explored a real-life procurement choice: repaving an existing schoolyard. The direct cost of reusing the existing paving was approximately the same as buying new paving. Looking only at the purchase price, the choice seemed obvious: “If new costs the same as reused, of course we’ll go for new paving stones. Who wouldn’t?”

The picture changed when the climate impact was given a financial value. Using available existing data and a simple calculation, participants found that the climate costs of new paving were around €30,000 higher than those of reusing the existing materials.

The exercise demonstrates the practical value of carbon pricing: it makes costs that would otherwise remain invisible part of the decision, providing a more complete basis for comparing procurement options.

2. Laying the groundwork: policies on carbon pricing

Before introducing carbon pricing into procurement, it is important to understand what is already in place. This chapter looks at the existing policies and legislation that provide the framework for carbon pricing and greener public procurement in Ireland. Starting here ensures you build on existing requirements and initiatives, rather than developing an approach from scratch.

Irish Local Authorities already operate within a policy environment that supports stronger climate-related decision-making in procurement. The policies below can be used as a practical basis for introducing CO_2 pricing, carbon evaluation, or low-carbon award criteria into procurement processes.

a. EU Emissions Trading System

i. The EU ETS 'cap and trade' principle covers about 26% of total emissions in Ireland.
ii. ETS II: Irelands Government negotiated an exemption until 2030 for the ETS2 because it has a national Carbon Pricing system established with higher rates than those anticipated by the EU.
iii. The EU Emissions Trading System provides an important carbon pricing reference point across Europe. While many Local Authority procurement activities will not be directly covered by the ETS, it helps establish the wider policy direction towards pricing carbon emissions and reducing lifecycle emissions.
iv. For Local Authorities, the ETS can be used as background justification when seeking to introduce emissions-related criteria into procurement, particularly for energy-intensive goods, works or services.

b. Irish Carbon Tax introduced in 2010:

i. The tax is based on the amount of carbon dioxide that the fuel emits when it is used; For fuels that are not covered by the EU ETS

ii. Carbon Tax on petrol and diesel is €71 per tonne of carbon dioxide emitted, since 8 October 2025. On other fuels (e.g.: solid, natural gas) €63.50 per tonne.
iii. For Local Authorities, this is useful because it demonstrates that carbon already has a recognised monetary value in Irish policy. Procurement, climate action and finance teams can use this as part of the rationale for considering operational emissions, fuel use and long-term lifecycle costs when evaluating tenders.

c. Public Service Obligation (PSO) levy:

i. The PSO (Public Service Obligation) levy is mandated by the Irish Government and approved by the European Commission. It is charged to all electricity customers in Ireland and supports the generation of electricity from sustainable, renewable and indigenous sources. The new PSO levy for 1st December 2025 to 30th of September 2026 is an annual charge of €19.10.
ii. The PSO levy supports electricity generation from sustainable, renewable and indigenous sources.
iii. While the PSO levy is not a procurement tool in itself, it is relevant because it reflects Ireland's wider policy commitment to supporting renewable energy. Local Authorities can reference this context when considering low-carbon energy supply, renewable electricity, or climate-related requirements in contracts.

d. Implementation of mandatory Green Public Procurement in Ireland

i. From January 2025, public tenders for goods and services over €50,000, and works contracts over €200,000, must include sustainable and environmental technical specifications, selection criteria and/or award criteria.

ii. This is particularly important for Local Authorities. It provides a direct policy mandate to integrate environmental considerations into procurement. In practice, this means procurement teams can include CO_2-related criteria where relevant, such as embodied carbon, operational emissions, carbon reduction plans, lifecycle impacts, or supplier environmental performance.
iii. This policy should be used by procurement officers, climate action teams, engineers, capital project teams and senior management as a basis for embedding carbon considerations into tender design.

e. Project exceeding €20m: Shadow Price of Carbon (Gov.ie Department for Public Expenditure, Infrastructure, Public Service Reform and Digitalisation) DPER

i. The Shadow Price of Carbon is used to put a monetary value on the impact of a change in carbon emissions when carrying out economic analysis and have been updated in 2024: substantial higher rates, no distinction between ETS and non-ETS => projects which reduce carbon emissions or other equivalent greenhouse gas emissions will be viewed more favourably in the public sector decision-making process.
ii. The Shadow price of carbon is set under: "Infrastructure Guidelines 2"-Central Technical References and Economic Appraisal Parameters3
iii. For major public investment projects, the Shadow Price of Carbon provides a monetary value for carbon emissions within economic appraisal.
iv. For Local Authorities, this is especially relevant for large infrastructure or capital projects. It can help compare options not only on financial cost, but also on carbon impact. Projects that reduce emissions may be viewed more favourably in public sector decision-making when the Shadow Price of Carbon is applied.
v. Local Authorities should consider how this approach can inform business cases, project appraisal, capital planning and procurement decisions, particularly where projects involve buildings, transport infrastructure, energy systems or public works.

3. Exploring the options: tools and methods for carbon pricing

Before applying carbon pricing in procurement, it is useful to understand the tools and methods already available and how they can support different types of decisions. Examples from across North-West Europe have been compiled in the CO_2 Pricing Inventory[4], providing an overview of existing approaches and practical applications. This chapter builds on that overview by taking a closer look at tools and methods that are particularly relevant in the Irish context, helping organisations identify approaches that could work in practice.

a. CO2 Performance Ladder

The CO_2 Performance Ladder[5] is particularly relevant where a Local Authority wants to include supplier carbon management, certification or continuous improvement within procurement. It can support tenders where contractors are expected to measure, reduce and report their emissions over time.

This performance-based, externally verified and continuous improvement approach may be useful for infrastructure, construction, maintenance, transport-related contracts, or other high-impact procurement categories. Ireland's two-year pilot Implementation of the CO_2 Performance Ladder in Ireland (2023–2025), led by the Irish Green Building Council (IGBC) in partnership with SKAO, has

[2] https://www.gov.ie/en/department-of-public-expenditure-infrastructure-public-service-reform-and-digitalisation/collections/infrastructure-guidelines/
[3] infrastructure-guidelines-central-technical-references-and-economic-appraisal-paramete.pdf
[4] DeCarbPro-Experiences-and-opportunities-of-CO2-pricing-in-local-procurement.pdf
[5] Implementation of the CO_2 Performance Ladder in Ireland

been successfully completed. The pilot demonstrated that the Ladder is both feasible and effective within the Irish context – and that it drives meaningful carbon reduction across the built environment.

b. CoM, emission tool

The Covenant of Mayors emissions tool can support Local Authorities in understanding their wider organisational or territorial emissions baseline.

This tool may be useful where the Local Authority wants to connect procurement-related carbon pricing with broader climate action planning, emissions inventories or climate reporting.

c. LCA, oneclickLCA, https://lca-software.org/

Life Cycle Assessment tools are relevant where embodied carbon or lifecycle emissions need to be assessed. These tools can be particularly useful for buildings, construction materials, infrastructure and public works.

A Local Authority could use LCA tools to compare design options, understand material impacts, or include embodied carbon considerations within tender requirements.

d. EPA.ie Guidance on GPP

EPA Green Public Procurement guidance should be used as a practical starting point for incorporating environmental requirements into public tenders.

This is particularly useful for procurement officers who need examples of environmental criteria, specifications and award approaches that can be adapted for Local Authority procurement.

How to select the appropriate tool?

- If the Local Authority wants to assess organisational or area-based emissions, it should consider emissions inventory tools such as the Covenant of Mayors tool.
- If the Local Authority wants to include supplier carbon management in tenders, the CO_2 Performance Ladder may be relevant.
- If the Local Authority wants to assess embodied carbon in buildings or infrastructure, LCA tools such as One Click LCA may be appropriate.
- If the Local Authority needs practical procurement criteria, EPA GPP guidance should be used as a starting point.

4. Building on existing networks: finding opportunities for cooperation

Introducing CO_2 pricing is easier and more effective when Local Authorities can build on the knowledge and experience of others. Cooperation with national networks, public bodies and sector organisations provides access to expertise and existing approaches, reduces duplication, and creates opportunities to test and develop CO_2 pricing collaboratively while supporting more consistent implementation.

Relevant networks and organisations include:

- Irish Green Building Council - https://www.igbc.ie/
- Transport Infrastructure Ireland - https://www.tii.ie/
- Office of Government Procurement - https://www.gov.ie/en/office-of-government-procurement/
- Environmental Protection Agency - https://www.epa.ie/

- Climate Action Regional Offices - https://www.caro.ie
- Local Government Management Agency - https://lgma.ie/en/
- Department of Environment, Climate and Communications - https://www.gov.ie/en/department-of-climate-energy-and-the-environment/
- Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation - https://www.gov.ie/en/department-of-public-expenditure-infrastructure-public-service-reform-and-digitalisation/
- SEAI - https://www.seai.ie/?gad_campaignid=9583667699&gad_source=1&gbraid=0AAAACeKKRQZVsxjTSoltiIo5VUVQ8iUZ
- South East Energy Agency - https://southeastenergy.ie/
- Construct Innovate - https://constructinnovate.ie/
- Sectoral organisations and suppliers involved in construction, infrastructure, transport and energy

Collaboration in practice

An example of this type of collaboration is already underway in Ireland. IGBC, Colas JV, Roadstone, Irish Rail, TII, SKAO and the South East Energy Agency (SEEA) have joined forces through the Construct Innovate Collaborator funding scheme to scale up the use of the CO_2 Performance Ladder as a Green Public Procurement (GPP) and carbon reduction tool in Ireland. The implementation of the CO_2 Performance Ladder in Local Authority procurement is part of this wider initiative.

This collaboration demonstrates how national networks can help share expertise, build on existing guidance and accelerate the adoption of new approaches. Local Authorities can use networks such as these to connect with experienced practitioners and explore opportunities for joint pilots, knowledge exchange and communities of practice.

5. Learning from frontrunners: finding partners

Local Authorities should identify organisations that have already tested or implemented carbon pricing, carbon assessment or low-carbon procurement approaches.

A list of frontrunners in Ireland:

a. Irish Green Building Council and Transport Infrastructure Ireland

IGBC and TII have cooperated with SKAO to pilot the CO_2 Performance Ladder in Ireland. This provides a practical example of how certification and supplier carbon management can be introduced into procurement.

Local Authorities can learn from this experience when considering how to include carbon reduction requirements in public works, infrastructure or construction-related tenders.

b. Transport Infrastructure Ireland

TII's decision to move towards broader implementation of the CO_2 Performance Ladder within procurement provides an important Irish public sector example. Local Authorities could review this approach when considering whether similar requirements could be adapted for local infrastructure projects.

c. Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation

The Department's use of the Shadow Price of Carbon within the Infrastructure Guidelines provides an important policy reference point for major public investment projects.

Local Authorities should consider how this approach may apply to large-scale capital projects or economic appraisal processes.

d. SEEA and DeCarb-Pro Partners

DeCarb-Pro is an EU Interreg project aimed at reducing carbon emissions associated with public procurement by local authorities across North-West Europe. The project brings together frontrunners from across the region to develop, test and share expertise through pilot projects and training, focusing on the integration of CO_2 pricing and sustainable procurement throughout all stages of project development and procurement.

In Ireland, the South East Energy Agency (SEEA) leads efforts to introduce and test CO_2 pricing approaches. SEEA's work within DeCarb-Pro provides valuable practical insights into stakeholder engagement, pilot development, and the opportunities and challenges involved in embedding CO_2 pricing in Irish local authority procurement.

6. Mapping the landscape: identifying key stakeholders

Before introducing CO_2 pricing, a Local Authority should map the internal and external stakeholders who need to be involved. This helps clarify who can influence the process, who will be affected, and who needs to support implementation.

A local authority should consider whether the following stakeholders should be involved, and in which part of the introduction process of CO_2 pricing.

- Procurement teams
- Climate action teams
- Finance teams
- Senior management
- Elected members, where relevant
- Roads and transport departments
- Housing departments
- Environment departments
- Capital projects teams
- Facilities and energy managers
- Legal or governance staff
-

These stakeholders are important because CO_2 pricing affects procurement design, project appraisal, budgets, reporting, governance and operational delivery.

Practical Tips

Local Authorities should assess each stakeholder's:

- Awareness of CO_2 pricing
- Willingness to engage
- Technical knowledge
- Readiness to implement changes
- Influence over procurement or project decisions

This can help identify where additional engagement, training or senior-level support is needed. Want to learn more about engaging with stakeholders through assessing their awareness, willingness, knowledge and readiness? Get in touch with the DeCarb-Pro team via decarb-pro@klimaatverbond.nl and check out our reports on: DeCarb-Pro.

7. Set the ambition: formal decision making

After stakeholder engagement, the Local Authority should make a formal decision on its ambition level for CO_2 pricing.

This decision should be documented clearly and approved through the appropriate governance structure. Depending on the Local Authority, this may involve senior management, procurement governance structures, climate action governance groups, capital project boards or elected members.

The decision should clarify:

- The overall ambition level.
- Whether the approach will begin as a pilot or as a wider policy.
- Which procurement categories will be prioritised.
- Which tools or methods will be used.
- Who will be responsible for implementation.
- What training or external support is required.
- How progress will be monitored.

Formal approval is important because CO_2 pricing may affect procurement procedures, evaluation criteria, supplier engagement, project costs and reporting requirements. A clear decision also helps staff understand their mandate and reduces uncertainty during implementation.

Lessons Learned

Experience from public sector climate initiatives suggests that formal approval alone is often insufficient to drive change. Successful implementation typically requires ongoing engagement between procurement teams, senior management, technical staff and external stakeholders. Organisations that define ownership, allocate resources and establish clear governance arrangements at an early stage are more likely to achieve lasting uptake.

Good Practice Tip

Consider starting with a pilot procurement or project to test the approach, gather lessons learned and build internal confidence before scaling implementation across the organisation. This can help demonstrate benefits, identify practical challenges and strengthen stakeholder buy-in for wider adoption.