

Climate Defence Network (New Zealand)

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30 March 2007

Submission on the NZ Government's document: "Measures to Reduce Greenhouse Gas Emissions in New Zealand Post-2012"

_CDN is a network of organisations and individuals concerned about the need to prevent destabilising climate change. It includes: Environment and Conservation Organisations ECO, the Environmental Defence Society, Cycling Advocates' Network, Forest and Bird Protection Society, Federated Mountain Clubs, Friends of the Earth NZ, Greenpeace NZ, Gecko, Pacific Institute of Resource Management, Public Health Association, Ecoaction, Alternative Technology and Lifestyle Association, Nelson Environment Centre, Engineers for Social Responsibility, the Sustainable Energy Forum and WWF.

CDN welcomes the opportunity to make this submission.

Ongoing Consultation

While 30 March is the end of the submission period, it is essential that it not be the end of the process of consultation and engagement. To be effective, these strategies must be revisited, revised and updated frequently. CDN is keen to work with the Government and with officials, as our resources permit, to ensure that this is the case.

ISSUES

"New Zealand's climate strategy needs to incorporate long term targets if it is to be ethical and consistent with the Prime Minister's "aim to be the first nation to be truly sustainable - across the four pillars of the economy, society, the environment, and nationhood [and] to be carbon neutral in our economy and way of life."¹

The *Post 2012* document needs to provide bold, achievable and measurable targets, and timetables. A mix of measures will create the best outcomes (see comments on transitional measures). In the medium term a cap and trade system is desirable if correctly designed. In the shorter term New Zealand needs to decrease emissions to the lowest levels possible below 1990 levels, and in the long term we should be looking to a 100% carbon free economy.

The proposals fail to address NZ's Kyoto compliance and financial liability in a comprehensive manner.

But to address the first question asked by the Government in this document:

¹ Ralph Chapman, Victoria University, in a paper presented to NGO's, 9 March 2007

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“Do you expect international efforts to reduce greenhouse gas emissions to continue? If so, in what form?”

CDN's answer to this is a clear “yes”. In the face of this year's IPCC reports and the UK Stern Review, CDN considers that international climate change policy development will continue and will likely be in the form of strengthening the Kyoto Protocol.

There is ample evidence of international emissions reduction efforts. The European Union has recently adopted a 20% reduction, with Renewable Energy targets. The UK climate change bill proposes a 60% reduction by 2050. Ireland and Scotland have emissions reductions and renewable targets.

All these are examples of what international emissions reductions will look like. Whether Kyoto II or any other form, emissions must be reduced.

While countries like the US may never be able to join Kyoto phase I, we expect that the State-side efforts across the US are likely to be adopted, at some time, by a Federal Government, post 2008.

We expect that the Kyoto Protocol will continue to be the international instrument through which global greenhouse gas reductions will take place. Scientists tell us we have only ten years to act. Given this, CDN believes there is simply no time to negotiate a separate agreement. The Government needs to recognize the Precautionary Principle.

It is crucial that New Zealand lives up to its obligations under Kyoto and the Framework Convention on Climate Change. We rely on the rest of the world as an export market for our goods and our failure to meet our obligations – and strengthen them – are likely to have a negative impact on NZ exports, whatever the energy it takes to produce and transport them.

CDN considers that if the Government must meet its existing commitments – and strengthen them.

We are deeply concerned at the proposed strategy's lack of any clear explanation about how NZ is going to meet our existing commitments.

At the end of the day, if we don't put a price on carbon, then we are likely to be penalized for it.

Moreover, New Zealand agreed back in 1992, with the signing of the UN Framework Convention on Climate Change, that it is up to the developed world to set the example and to take steps to cut emissions before developing countries (as per Article

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3, clauses 1 & 2 of the UNFCCC). This is still the case – New Zealand can – and must – be an international leader in this area.

And we can only lead by example.

3. TARGETS AND TIMETABLES NEED TO BE SET – NOW

As it has been since the beginning of negotiations on the Kyoto Protocol, the internationally accepted way of reducing greenhouse gas emissions is to set long, medium and short term targets, and a timetable of measures in order to transition to meet those targets.

New Zealand already has an international commitment under the Kyoto Protocol, with an emissions reduction target of returning our emissions to 1990 levels by 2012. This target, weak as it is, needs to be both extended into the long term, and recognized and addressed with clear, measurable and bold policies. The proposals fail to address NZ's Kyoto compliance and financial liability in a comprehensive manner.

Not only that, but they fail to recognize that the current Kyoto target is too weak, especially given that emissions have escalated since 1997 when the Kyoto target was set. The world needs to stabilize emissions at a CO₂ concentration to avoid anything more than a two degree warming in global temperature. This precautionary approach should be at the centre of the Government's strategy.

These targets should be the cornerstone of the Government's energy and climate change policies. Within those targets, progress and sectoral goals of various types need to be set.

The Government must make strong commitments, with clear targets and staged milestones. Globally, greenhouse gas concentrations must not go over 450ppm CO₂ equivalent (designed to avoid a warming in the atmosphere of no more than 2degC above pre-industrial levels) and must reduce below this figure. This means a stricter emissions reduction target than our current Kyoto commitment.

CDN recommends that the long-term economy-wide emissions reduction target should be an 80-90% reduction in New Zealand's greenhouse gas emissions, compared to 1990 levels, by 2050. This target should be subject to both revision and an increase in precision as understanding of the risks of both abrupt and gradual climate change increases.

This will require reductions in greenhouse gas emissions of at least 80 percent by 2050 and at least 20 percent reduction by 2020 over 1990 levels.

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Targets must cover all sectors of the economy and must include addressing our current Kyoto commitments. They should relate to greenhouse gas emissions reduction, energy efficiency, transport mode shifting, and switching from coal and other non-renewables to renewables.

They should be legally binding and demonstrate the Government's willingness to take action on climate change. We risk our international reputation and competitiveness in a world where not taking action on climate change will increasingly have political and economic repercussions. Not only that, but we also need to take into account our moral obligation to future generations.

CDN recommends the following subsidiary targets,

- **A 20% reduction in New Zealand's greenhouse gas emissions, compared to 1990 levels, by 2020.**
- **A target of moving to a 100% renewable stationary energy system by 2025.**

4. EMISSIONS PRICING: REDUCE NOW; TRADE LATER

4.1 carbon charge

Not only has the Government not set targets, but it has also shied away from imposing any sort of price on carbon except for the stationary energy sector, until 2012.

In order to reach any sort of target, action is required across the board – and it needs to begin now.

This should be in the form of emissions pricing - across all sectors. It is something which Governments have committed to in New Zealand since 1994, but still hasn't come to fruition. An immediate carbon charge could be implemented now, whilst a longer-term regime such as cap and trade is worked through.

As the Government states itself of the proposed carbon charge:

“Nonetheless, many technical matters had been resolved and could be applied in a new greenhouse gas charge regime. These include issues such as emission factors (particularly for coal types, natural gas streams and geothermal energy), definition of points of obligation, treatment of fugitive emissions and administrative issues.”²

² Discussion paper on Measures to Reduce Greenhouse Gas Emissions in New Zealand post 2012, page 44.

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All the major technical issues have been resolved on a carbon charge while there is much to do to establish any cap and trade system.

CDN recommends that a carbon charge be put in place as soon as 2008. This must apply to both producers and users of carbon – a strict application of the Polluter and User pays principle.

4.2 Emissions trading options

Mechanisms for permit distribution are key considerations in developing an equitable system:

1. Allocation of greenhouse gas emission permits should not be 'grandparented' to industry, giving them windfall gains and providing a disincentive to reduce emissions. In the European Union grandfathering has provided some heavy polluters with windfall profits (this also occurred with fisheries quota allocation). Grand parenting typically places an unfair burden on individual consumers.
2. Permit auctioning gives the revenue to government, this can then be smartly recycled.
3. Individual allocation to citizens gives distributed gains (partly eroded by transactions costs).
4. Citizens Entitlements Permits are a potential option for developing an equitable national cap and trade system, and is one which CDN strongly recommends.
5. Permits should not be issued in perpetuity, and must be reviewed regularly.
6. The cap set under the emissions trading scheme must be set at a reducing level over time to meet clear long term targets consistent with the national greenhouse gas emissions targets.
7. Treaty of Waitangi issues associated with the creation of a new property right (emissions permits) must be satisfactorily negotiated.

4.3 Citizen allocation

CDN Recommends: Give Greenhouse Gas Emission Permits to Citizens, Not Emitters

An equitable and effective approach to addressing climate change can be set through giving each citizen an equal number of emission permits. To summarise:

- Every person gets an entitlement, an equal share of NZ's allotment of a global commons;
- Entitlements are fully tradeable;
- Emitters purchase entitlements from citizens;
- Provides a mechanism for pricing carbon the public is likely to trust and so helps build mandate necessary for meaningful action.

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Addressing climate change requires a price to be put on greenhouse gas emissions. The major political parties are signalling they wish to do this through issuing permits that cap the total volume of emissions and can be individually traded.

CND proposes that instead of giving these permits to emitters, they be given to New Zealand citizens. Everyone then gets a cheque when they sell their permits to agents who buy for the upstream suppliers, such as fossil fuel importers. The costs of trading the permits are kept low through use of these agents.

This provides a mechanism for pricing carbon that the public is likely to trust and so helps build mandate necessary for meaningful action. It also serves the purpose of engaging every New Zealander in the climate change debate.

The public engagement mechanism in such a system cannot be underestimated. It would popularize a decarbonisation system that the entire country would have to buy into.

If emitters have to pay for permits, they remain incentivised to consider how the same goods and services can be provided while generating fewer emissions. Alternatives will be given closer scrutiny.

If all sectors must purchase permits, this removes the need to negotiate industry allocations of free permits and the real action then becomes the quantity of permits to be issued year by year.

Giving away permits to citizens provides full flexibility to modify the annual quantity of permits in response to continually improving understanding of the risks and the unfolding pattern of commitments made by other nations.

Also proposed is a charge on entitlement sales (holds back a percentage to sell) to feed a fund that:

- Invests in public projects that mitigate emissions; and
- Can provide transitional compensation to large footloose firms where this is considered desirable.

This “popular decarbonisation” approach provides an equitable framework that can be simply communicated, and focuses discussion on how fast total emissions should fall. It needs to be evaluated as an allocation mechanism and a tool to help break the problem.

4.4 Implementation

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Entitlements should be tradeable on an international market (eg EU ETS) – which sets their price. They are issued at regular intervals and at least first sale of each required to be through a dedicated entity to protect citizens. In addition:

- This helps offset higher prices faced by consumers.
- Age limit for entitlement should be kept low
- Limit on volume of entitlements issued is set annually by Government and reduces progressively to meet the 2020 and 2050 targets.

4.5 Personal Carbon Credits?

A variation is to take a small set of goods, such as automotive fuel and electricity, and make these subject to personal carbon budgets. Entitlements for these goods would be given to citizens in the form of carbon credits – with the majority issued as entitlements for sale to Emitters

Consumers would then use a combination of cash and carbon credits to purchase such items. Whether this would be worth the additional transaction costs would depend on factors such as the extent of extra emission savings expected Investment & Compensation Fund

Long term, all emitters must meet cost of permits. Short term, lack of a global carbon market may mean distorted prices and unnecessary relocations

TRANSPORT

Again, in this area, **CDN recommends** that specific transport emission reduction goals be set.

5.1 Land Transport

A resilient, low-carbon transport system would be a huge improvement. The problem is that neither resilience nor low-carbon are defined, and the scale of the responses proposed in the NZES and NZEECS is insufficient to achieve either. Of the two components of this goal, resilience is harder to define.

To be meaningful, the transport emissions goal has to specify what reduction in transport carbon emissions (compared with 1990 levels) is to be achieved and by when.

We also acknowledge that rapid progress will be easier in the stationary energy sector than in the transport sector.

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However, given the alarming 62% rise in transport CO₂ emissions since 1990, we believe that action needs to start in 2007 – not wait until 2012 – to reverse this rise and bring transport emissions rapidly below 1990 levels.

The transport measures proposed in the draft NZES and NZEECS go nowhere near achieving this. Figure 4.1, p. 21 in the draft NZES shows that transport emissions have risen from 10 to over 15 million tonnes CO₂-e from 1990 to 2005, and projects that, if all “emissions reductions opportunities in transport energy” are taken, emissions will still be well above 1990 levels in 2030.

Officials have explained that this graph is “indicative only”, but that merely illustrates the problem: where are the measurable targets?

As discussed in the Targets section, while the overarching emissions reduction goal should be set, and subsequently modified if necessary, in the light of a prudent response to the risks of both “consensus-level” and dangerous climate change, detailed emissions reduction targets need to be subject to modelling, measurement, and modification. Subject to this analysis:

CND recommends that the following land transport emissions reductions goals be set:
A 15% reduction in net transport carbon emissions on 1990 levels by 2025
A 50% reduction in net transport carbon emissions on 1990 levels by 2040
A 90% reduction in net transport carbon emissions on 1990 levels by 2050

CDN recommends that five principles be used to guide the transition to a resilient, low-carbon transport system:

- Reduce the demand for motorised transport
- Where motorised transport is needed, encourage alternatives to private road transport
- Provide transport energy in ways which have a low net emissions profile and use the minimum possible quantity of fossil fuels
- Where fossil fuels are being used for transport, use them as efficiently as possible, and with a low net emissions profile
- Ensure that fossil fuel prices do not fall below a level which encourages the transition to lower-emissions alternatives.

5.2 Air and Sea Transport

CDN recommends that the Government’s climate change documents be amended to give substantially more coverage to air transport (and also sea transport), and that the following steps be taken:

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- Ensure that the necessary data collection facilities are in place to be able to do full lifecycle emissions accounting for air and sea transport to, from, and around New Zealand.
- Play a positive part in international negotiations to ensure that emissions from international travel are included in international accounting for GHG emissions, and that the factors which exacerbate aviation's climate effects (such as the formation of contrails, and the height at which emissions are released) are taken into account.
- In parallel with greater support for teleworking and telecommuting within New Zealand, provide support and incentives for international business travel to be replaced by teleconferencing and internet-based communications wherever possible. At the same time, measures should be put in place to offset all emissions where the proposed emissions reductions measures have not achieved 100% efficiency.
- Work towards establishing a greenhouse gas emissions cap for international transport to and from New Zealand, this cap to reduce over time.
- Prepare the tourism industry for a future in which fewer tourists visit New Zealand, and those that do stay, stay for longer.
- Bring the fishing industry and Ministry of Fisheries into the consultation process to deal with the increasing emissions from fishing vessels.

6. THE RESOURCE MANAGEMENT ACT

Climate change is a complex issue, requiring action at all levels - individual, local, regional, corporate, national and international. The Resource Management Act (RMA) was amended in 2004 to remove regional councils' ability to directly manage and regulate greenhouse emissions.

Greenpeace has successfully argued in the High Court that the benefits of renewable energy development in reducing climate change can be considered under section 104E of the RMA (The proceedings were part of Greenpeace's challenge to plans by Mighty River Power to build the Marsden B coal-fired power station.). What remains, though, is a gaping hole in New Zealand's regulation of greenhouse pollution.

a) the Resource Management Act does not allow regional councils to generally consider climate change, or to directly regulate greenhouse pollution, outside the constraints of section 104E; and

b) there is no national regulation of greenhouse pollution.

The Climate Protection Bill (Resource Management (Climate Protection) Amendment Bill 2006), would re-instate the ability of local and regional authorities to directly regulate greenhouse pollution, and is therefore the best available means of addressing the problem in a timely manner. This could be reassessed once a price on greenhouse pollution is implemented.

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CDN recommends that Parliament enacts the Climate Protection Bill.

A National Policy Statement on Climate Change

Government must ensure that the RMA comprehensively addresses climate change. A national policy statement under the Resource Management Act has obvious synergies with any economic instrument. An NPS is totally compatible with economic instruments and could have several advantages, particularly with the need to protect sinks and carbon stores.

The Government should take note of the commentary on national policy statements in the Board of Inquiry report on the Stratford combined cycle power station (chapter 11). CDN agrees with the statements made:

“The Board believes that a national policy statement should cover but not be restricted to the following matters:

1. Policies governing discharges of CO₂ from all anthropogenic sources in New Zealand designed to implement New Zealand's international obligations to the global environment;
2. Mechanisms for distributing and internalising the environmental costs of CO₂ discharges, or capacity to discharge;
3. Mechanisms for establishing and maintaining carbon sinks, and their relationship to environmental costs by such means as carbon credits;
4. The various means of control of CO₂ discharges at national, regional and district levels;
5. The provisions which should be included in policy statements, plans, rules, or regulations.
6. The procedures and methods to be used to review the policies and to monitor their effectiveness.”

The board noted that it would be difficult to achieve national consistency on greenhouse gas emission regulations without such a National Policy Statement.

“Without such a statement consent authorities receiving individual greenhouse gas emissions consent applications on a case by case basis must, of necessity, proceed in an ad hoc and isolated manner. There will inevitably be differences in assessment between different consent authorities and between consent applications.”

CDN agrees with the Board of Inquiry's points, and **recommends** including the following clauses:

- General principles for including climate change issues in policies, plans and resource consents;

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- Implementation of New Zealand's international obligations under the Framework Convention on Climate Change and Kyoto Protocol;
- Measures to enhance or maintain sinks - this could include principles for the maintenance of indigenous forests and other vegetation types and greenhouse friendly subdivisions;
- Measures for subdivision design which are sustainable and reduces greenhouse gas emissions;
- Measures to be taken to plan for sea level rise and increased storm events;
- Matters to be included in air emission plans - this could include criteria for rules and resource consents;
- Matters of special significance to tangata whenua;
- Relationship to any economic instruments.