

Finance and Expenditure Select Committee
CLIMATE CHANGE (EMISSIONS TRADING AND RENEWABLE PREFERENCE) BILL

Supplementary Submission from the
CLIMATE DEFENCE NETWORK

The Climate Defence Network (CDN) strongly supports the general aims of the Climate Change (Emissions Trading and Renewable Preference) Bill.

We have been critical of the many years of hesitation and delay on climate change policy that have preceded the introduction of this Bill. As greenhouse gas emissions continue to rise and the scientific evidence grows that the effects of human-induced climate change are occurring more quickly and becoming more severe than earlier IPCC projections indicated, so the efforts of the world community and New Zealand to stabilise climate become all the more pressing. We therefore warmly welcome this Bill as an important first step in dealing with the challenge of climate change. But we also believe that it does not go far enough, and urge very strongly that it must not be further weakened or its implementation delayed.

The work of the Bill's opponents to defeat, delay or weaken this and related measures is increasingly indefensible. The pursuit of private or corporate objectives at the expense of a sustainable or even a liveable environment is not only short-sighted but will ultimately prove self-defeating. CDN urges the members of the Select Committee and of Parliament not to concede to this short-sighted policy advice. We believe that critics of the Bill undervalue the benefits to New Zealand business of developing and bringing to market innovative technologies to reduce greenhouse gas emissions and provide non-polluting alternatives. They also ignore the substantial risks to New Zealand's market access, particularly for agriculture, if we are seen to be amongst those countries denying the reality of climate change and dragging our feet on taking meaningful action.

We therefore deplore the recent proposals a) to delay the entry of liquid fossil fuels until 2011 and b) to defer the phase out of free allocations from 2013-2025 to 2018-2030.

a) is a short-sighted and ineffective response to a long term problem and will seriously impede the immediate impact of the scheme both in curbing emissions and in meeting our Kyoto obligations. The Emissions Trading Scheme will have only a marginal effect on fuel prices which will continue to rise, more rapidly, as we approach and pass 'peak oil'. This two-year delay cannot affect the current price, and if price increases are to become a reason for delaying their entry into the scheme, transport fuels will never get included. The problem of increased costs for low-income households needs to be met through a different mechanism. See below.

b) is inadequately justified and appears to be a knee-jerk reaction to pressure from interest groups rather than carefully considered policy. The Climate Change Bill is a key part of the architecture of New Zealand's response to climate change. It should not be arbitrarily amended for political convenience.

Our leading criticisms of the Bill are set out below. They should not be seen in any way as reasons for delaying or weakening the Bill's provisions. To the contrary: we urge that the Bill is strengthened and takes effect more rapidly.

- If New Zealand is serious about combating climate change, reducing its greenhouse gas emissions, and achieving the stated goal of carbon-neutrality, individual pieces of legislation, such as the Emissions Trading Scheme and the Renewable Preference, need to be set within a framework of national goals and targets, so the public can assess their effectiveness and the further steps that may be needed. We regard the Bill's failure to put in place a long-term goal for absolute reductions in New Zealand's greenhouse gas emissions, together with interim milestones to lead us towards that goal, as a significant defect and a major omission that weakens our overall strategy as a nation for dealing with climate change.

CDN believes that New Zealand should commit to an overall goal of securing an 80-90% reduction in greenhouse gas emissions (against 1990 levels) by 2050. We also note that in the Bali discussions, all industrialised countries, including New Zealand, agreed to discuss reductions in a range of 25-40% by 2030, and we hope that parliament would want us to be in the lead on that target. We would therefore urge interim targets (milestones) in the following ranges:

	30-40% by 2020
	50-60% by 2030
	65-75% by 2040
leading to	80-90% by 2050

This would require that all sectors play their part as soon as possible, and that none is given a free ride in the meantime. Moreover, these targets cannot be achieved through an Emissions Trading Scheme alone, especially as currently designed. The Emissions Trading Scheme needs to include some form of domestic cap, and to be to be supported by a package of other measures aimed at reducing New Zealand's greenhouse gas emissions, such as the Renewable Preference (see below).

- The proposed Emissions Trading Scheme is designed to meet New Zealand's Kyoto obligations at least cost (as is obviously desirable), not to reduce our own greenhouse gas emissions. Indeed it is fully compatible with internal emissions continuing to rise, while we pay others to reduce their emissions instead. If instead we want New Zealand to provide an example, showing what a small country can do, preserve our environmental reputation, and work towards the goal of carbon-neutrality, the Emissions Trading Scheme needs to set a cap on internal emissions, while still allowing a proportion of credits to be purchased offshore. At present, the Emissions Trading Scheme is based on a global Kyoto cap which is itself too high and will only expand further as yet more dubious credits become available (the so-called 'Kyoto cap' is actually more like a colander).
- The Bill is also flawed as a device for meeting our Kyoto obligations. The key question is: who should bear this cost? At the moment it is the taxpayer, not those actually producing the emissions; under this Bill, emitters will pay roughly half, but taxpayers will still pay the other half. We regard this as unacceptable. Insofar as emitters are not meeting the full cost to New Zealand of their activities - insofar as those costs are being met by the taxpayer - this amounts to a massive tax-funded subsidy. This subsidy arises in three ways, through:
 - the timing of entry of different sectors
 - the allocation of free units
 - the phasing out of these free allocations

- These elements in the Bill also dilute the Emissions Trading Scheme's economic efficiency by reducing the incentive to cut emissions. For maximum effectiveness, all sectors should be introduced into the scheme with minimum delay, free allocations should be limited to the minimum necessary to ensure competitiveness in global markets, and those free allocations be phased out as rapidly as possible, so as to expose all sectors to the global price of carbon.

- There is also the issue of social equity. Insofar as the costs of the Emissions Trading Scheme will be passed on to consumers in higher prices, it will disproportionately affect low income earners and function as a regressive tax. The Bill ought to include measures to alleviate this, while still providing incentives for energy efficiency and conservation. Revenue recycling is an obvious way to do it but, initially, the Bill provides no revenue to recycle. This would be avoided if New Zealand Units were auctioned, as they should be, rather than freely allocated.

Finally, as noted above, a price on emissions is only a necessary, not a sufficient element in combating climate change. The Emissions Trading Scheme proposed by this Bill will have only a very minimal effect on New Zealand's emissions. We therefore warmly welcome Part 2 of the Bill (the Renewable Preference) which in our view is what gives the Bill its teeth.

We would however prefer the moratorium on fossil-fuel electricity generation to be made permanent and strongly urge that this element in the Bill is not weakened in any way. We regard it as absolutely crucial that NZ takes positive steps, as soon as possible, to reduce its levels of greenhouse gas emissions. If we are serious about that then this is a good place to start.

on behalf of the
Climate Defence Network
8/5/08