

13 October 2009

SUBMISSION on The Climate Change Response (Moderated Emissions Trading) Amendment Bill

To the Finance and Expenditure Committee

INTRODUCTION

This is a personal submission by **Barry E Brill**. My contact details and relevant CV aspects appear in the appendix.

I do not seek to appear before the Committee.

SUMMARY:

I submit that the Committee should:

Report back to the House an amendment bill which has the effect of deferring the commencement date of the Climate Change Response Act until 1 October 2010, whilst retaining the present amendment bill for recess study.

Request the Minister to commission and publish a quantified independent cost-benefit study (which meets the Treasury criticisms of the Bill's Regulatory Impact Statement)

Request the Minister to table a formal paper describing the outcomes of the Copenhagen conference (when these are known) and discussing the implications for New Zealand's foreign relations and trade.

Commission a legal analysis of the material differences between the Australian CPRS Act (as finally enacted) and New Zealand's CCR Act, as amended by this Bill.

Commission an independent international consultancy to report to the Committee on advances in climate science understanding and data since the 2006 cut-off date for the Fourth Assessment Report of the IPCC.

And allow the public a further opportunity to offer submissions on the Bill in light of these 3 documents.

URGENCY & TIMING

The Minister, Hon Nick Smith, has frequently mentioned his preference for having the amendment bill passed prior to the Copenhagen conference, but he has never spelled out

his reasons. It is not immediately obvious that any specific advantage will accrue to New Zealand by the final passage of a bill which dilutes the severity of New Zealand's existing legislation.

The international environment is now very different from that which obtained when the Government announced its 2020 emissions targets and foreshadowed this bill a few weeks ago. It was then believed that Copenhagen was likely to result in a Kyoto-type treaty which would be policed and enforced by the United Nations. That option has now been taken off the table by President Obama, who has made it clear that the USA will resist anything that smacks of "Global Government" (which has been its consistent stance since the Senate declined to ratify the Treaty of Versailles in 1920).

Developed countries are now focussing on a different model where individual countries adopt targets and policies suited to their individual economic environmental and political circumstances. It is envisaged that these commitments will then be enacted into domestic law and be enforceable through the domestic courts.

Such a system could enable New Zealand to develop its vision of being a centre of excellence in climate-related agricultural science. We might then undertake to invest thousands of dollars per farm in this endeavour, rather than in buying offshore carbon credits. Obviously, this bill would negate any such policy - unless it is repealed before it comes into effect.

This amending bill, and its principal Act, are designed to provide the Government with additional billions of dollars in revenue through various channels. The justification, at least in part, is to finance Government purchases of international carbon credits to meet post-2012 treaty liabilities. But there is now no reason to believe that any such liabilities will arise, except on a voluntary basis.

Another justification for Government enrichment is the expectation that rich countries will provide financial aid to developing countries tied to emissions-reduction projects. If such a commitment comes out of Copenhagen, it is probably inevitable that New Zealand will be up for a share based on its relative wealth.

However, many developing countries are now seeking undertakings that they will be paid untied "compensation" for the environmental damage wreaked by rich countries over the past couple of centuries. It is inconceivable that New Zealand would see itself paying any such "guilt money".

All these uncertainties, as well as a plenty of "unknown unknowns", make the eve of Copenhagen the least propitious time imaginable for passing long-term climate legislation.

We must always keep in mind that the only purpose of the ETS, considering New Zealand's GHGs are only 0.2% of the total, is to curry favour with other countries.

QUANTIFIED COST-BENEFIT ANALYSIS

The terms of reference for the Select Committee reviewing the ETS contained this unequivocal direction:

"require a high quality, quantified regulatory impact analysis to be produced to identify the net benefits or costs to New Zealand of any policy action, including international relations and commercial benefits and costs"

My submission to the previous committee included the following:

The quantified cost-benefit analysis (QCBA) should be drafted by a competent independent economic consultancy, with the draft made available for peer review and public submissions.

The QCBA must match the net benefit of expected temperature reductions (or avoidance of trade penalties) with the net cost of corresponding causative policy actions, on an NPV basis.

The QCBA should focus particularly on timing and uncertainties, quantifying the net benefit from New Zealand being a "follower" (say, 10% reduction from 2005) rather than a "leader" (10% reduction from 1990).

Having quantified the gross annual cost of energy-price-uplifts, the QCBA should identify that proportion which will be borne by the tradeable goods sector (foreign exchange earners). This "tax on exporters" should be balanced against the estimated cost of trade sanctions.

The QCBA should address and compare the net benefits of schemes which target improved efficiency, energy intensity, sustainability or best practice, versus those aiming at short-term reductions in local emissions or increased carbon sinks.

The QCBA should attempt to quantify the net temperature effects of methane emissions from New Zealand pastoral farming and the justification for treating these differently from the current carbon cycle.

The Committee should lay down clear objectives/priorities for the final Scheme, tied firmly to the QCBA findings.

It is a serious concern that the Regulatory Impact Statement supporting this Bill is regarded as derisory by The Treasury. Everybody knows that the subject of climate change is beset by emotional, even quasi-religious, hyperbole and angst on both sides. This makes it a subject which can and should benefit hugely from a typically objective and dispassionate analyses from Treasury. This has not happened- and one gains the impression that Treasury has metaphorically washed its hands of the whole feverish debate as being too ideological to benefit from rational argument.

New Zealanders deserve better from its parliamentarians – particularly in the select committee work which has long been hailed for its non-partisan independence from executive pressures.

CLIMATE SCIENCE

It is reasonable to claim that there is a scientific consensus regarding the "greenhouse effect" theory. This broadly states that a doubling (to 560ppm) of the pre-industrial atmospheric concentration of CO₂ would tend to increase global average surface temperatures by about 0.6C. (As the effect progresses logarithmically, most of it has already occurred).

This tiny direct effect is barely measurable but, as with any external warming, it slightly increases ocean evaporation, and has consequent effects on aggregate water vapour, clouds, and precipitation. Complex positive and negative temperature feedbacks result, all of which are poorly understood.

At this point, all consensus disappears. Alarmists see compounding warming effects, where sceptics see self-stabilising systems. Neither can yet point to definitive proof, but the arguments are:

Pro

1. Unprecedented warming occurred during the 1980-98 period, as shown in "hockey-stick" graphs.
2. Science has eliminated the natural "usual suspects". Only anthropogenic causes remain.
3. Extremely sophisticated computer models, fed with all available data, can reproduce the recent temperature curve using IPCC scenarios of anthropogenic causes, while holding constant all 'natural' effects.

Con

1. The late 20th century warming does not depart from natural variability, and the hockey-stick graphs have been proven false (and possibly fraudulent).
2. Numerous possible natural causes remain, including virtually all aspects of the hydrology cycle, normal fluctuations, solar activity and solar winds/cosmic rays. Less hubris is required.
3. The outcomes of computer runs are driven by "expert" opinions on multiple key parameters, and add nothing to the argument. But their outputs are flawed:
 - The cooling of the last 11 years is incompatible with model projections.
 - Precipitation during 2002-07 was 6 times greater than forecast.
 - Models are unable to predict key oscillations such as El Nino.
 - The tropospheric hotspot "greenhouse fingerprint" has never been observed empirically.

STATE-OF-THE-ART

The final answers on the existence, extent, cause, consequences and cure of global warming are unlikely to be discovered by this committee. In thousands of journals and websites there are a mass of scientific papers along with interpretations and commentaries, many based on diverse economic, environmental, philosophical, social and political worldviews.

To the chagrin of skeptics, it is understandable that the Committee will resort to the IPCC 2007 Report for guidance on climate science issues. But inputs to that report were closed off in March 2006, and a great deal of key data has been gathered in the past three-and-a-half years.

In particular, the IPCC viewpoint has recently suffered some big hits:

- Hurricanes have decreased, Arctic sea ice has increased, sea levels have fallen, polar bear populations have risen, and ocean alkalinity has increased;
- Last month, a leading IPCC modeller predicted 20 years of cooling;
- Last week, the UNEP (parent body of IPCC) published its "Compendium of New Science 2009" with a new hockey-stick - which turned out to be an anonymous contribution to Wikipedia. And an old hockey-stick graph by IPCC's Briffa was shown to be based on biased data;
- The Australian Scientific Committee on Antarctic Research has reported that global ice build-up has been increasing;
- Lindzen of MIT has identified evidence of self-stabilising temperature systems;
- Svenmark in Denmark has published findings that link temperature to solar activity

The Committee might turn to the Government's adviser, NIWA, for an update of the relevant science. But this agency has consistently taken a very strong position on climate change for many years, and are seen by many as evangelists rather than objective advisers. Turning to the Climate Committee of the Royal Society does not solve this problem, as 6 of the 8 members are NIWA people. The Prime Minister's Science Adviser (Sir Peter Gluckman) takes his climate science advice from NIWA.

Any monopoly of advice is unhealthy and dangerous. If the executive Government accepts it, there is every reason why a parliamentary committee should seek an independent view. This is a key element of the checks and balances built into democratic governance (especially necessary in a unicameral system).

Any competent international consultant (which is not identified with any particular viewpoint) could undertake an independent literature review for the committee in a matter of weeks.

Annexe to Submission

BACKGROUND

Barry Edward BRILL

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Phone : 09 402 8012 (H), 021 073 9854 (M) 09 402 7946 (F)

Education:

Educated at Sacred Heart College Auckland

Auckland University and Victoria University of Wellington

Barrister and Solicitor

Master of Law with Honours (1966)

Master of Commercial Law (2000)

OPM - Harvard Business School (2000)

Employment History:

Principal in Wellington law firms 1964-76.

Member of Parliament for Kapiti 1975-81.

Associate Minister of Energy, Science & Technology, Economic Development, and Regional Development 1978-81.

CEO, Wattie International Ltd 1982-89.

CEO, McAlpine Refrigeration Ltd (1989-98)

CEO, Wall Street Investments Ltd (1997-

Honours:

Order of the British Empire 1997

Justice of the Peace 1983

Queen's Silver Jubilee Medal 1978

Queen's Commemorative Medal 1990

Fellow of the Institute of Directors

Appointments:

1. Government appointments held (current and previous):

Chairman: Parliamentary Committee for Statutes Revision 1978-81

Parliamentary Committee on Misuse of Drugs 1978

New Zealand Gas Council 1979-81

Waitemata Electric Power Board 1990-94

Parliamentary Committee on Human Rights Commission Bill 1977-78

Director: Perocorp Exploration Co of NZ Ltd 1982-86

NZ Broadcasting Corporation 1970-72

Wellington Hospital Board 1974-77

Wellington Savings Bank 1976-81

Open Polytech of New Zealand Inc 1999-03

Manukau Institute of Technology Inc 2003-

2. Private Sector Board appointments held (current and previous):

Chairman/President: Power New Zealand Ltd 1992-97
E Electricity Supply Association of NZ

NZ Manufacturers Federation Inc 1988-91

Buy New Zealand Made Ltd 1989-95

Employers and Manufacturers Association (Northern) 1999-2001

Business New Zealand 2001- 04 (Vice President)

Director: Electricity Market Co Ltd 1994-97

Pacific Energy Ltd 1992-97

Petrocorp Exploration (NZ) Ltd

Waitaki International Ltd 1985-90

Advanced Foods of NZ Ltd 1985-90

Hawkes Bay Farmers Meat Co Ltd 1986-90

Protech Engineering Ltd 1986-90

Supercool Industries Ltd 1986-99

Martha Hill Gold Mine JV 1987-90

Allflex Holdings Ltd 1988-89

Export Institute of NZ Inc 1984-87

Australia-New Zealand Business Council Inc 1984-89

Japan-New Zealand Business Council Inc 1988-92

NZ Employers Federation Inc 1997-2001

NZ Manufacturers Federation Inc 1997-2001

NZ Business and Industry Advisory Council Inc 1997 – 2005

Leader – NZ Gas Mission to UK 1980

- Industry Mission to Pacific 1995