

EMISSIONS TRADING SCHEME AND GLOBAL WARMING

September 2014

In the latest New Zealand inventory of greenhouse gases 2011 NZ's net emissions have increased by 88% since 1990 and gross emissions by 22%. For all the talk about global warming, nothing has been achieved.

ACT's policy on global warming is that it does not believe sufficient empirical evidence exists that the costs of any human induced global warming will be significant enough and certain enough to warrant placing a financial burden on New Zealanders. ACT is not opposed to New Zealand reducing greenhouse gas emissions in a manner that does not add costs to families, business or in any way impact negatively on our economy, but sees little merit in doing so.

ACT is opposed to the ETS for the following reasons

- Insufficient empirical evidence exists that the costs of human induced global warming will be significant enough and certain enough to justify it.
- The Emission Trading Scheme (ETS) has achieved nothing
- The poor bear the brunt of the ETS and ACT believes this cannot be justified in terms of efficacy or need.
- New Zealand is the only country in the world to have an all gases, all sectors emission trading scheme, yet our impact on global emissions is insignificant.
- Nearly half of New Zealand's emissions of carbon are from biological emissions, which are of a cyclical nature and do not alter the

composition of the atmosphere. There is no scientific link between these biological emissions and the atmospheric concentration of any greenhouse gas. The ETS, by including biological emissions, includes emissions for which no scientific evidence exists that they have any impact on the atmospheric concentration of any greenhouse gas.

- The ETS interferes with true market forces set by the value of a product and the cost of producing it, because the value of carbon, which is a cost for some and a benefit for others, is determined by the political landscape at any time. Because of this it can be used to pick winners and subsidise industries that would not be able to exist without it.
- The only solution the ETS encourages for the reduction of greenhouse gas emissions is promoting forestry. Forestry is not a permanent solution and planting trees only store carbon. This is not sustainable because every year an increasing quantity of land has to be taken out of food production and in to forestry. Storing carbon in trees at best does nothing better than hand the problem on to our children.
- The purpose of the ETS was to help New Zealand reduce greenhouse gas emissions to meet our Kyoto Protocol commitments. These no longer exist.

The ETS was introduced to use the market to put a price on carbon, which it was believed would encourage changes in consumer activity and that would then reduce our greenhouse gas emissions. National has amended it with the Climate Change Response (Moderated Emissions Trading) Amendment Bill. In doing so the National Government has been criticised for making the ETS soft, but that is giving them too much credit. Certainly they have reduced the impact of the scheme by reducing the surrender requirements for emitters, but the low price of carbon, caused by a bountiful supply of international units, the Global Financial Crisis (GFC) and ACT's insistence that the international market be available to New Zealand emitters has greatly exaggerated the benefits of National's tinkering.

The ETS, as it is currently working in New Zealand, is primarily designed to allow forestry offsets to reduce our emissions. This is not a genuine solution to global warming because the forestry offsets only exist because forestry offsets in 1990 are taken out of the equation. Forestry is also not a solution because trees do not remove carbon from the atmosphere permanently; they merely store it for future generations to have to deal with.

An ETS can only achieve its goal of reducing greenhouse gas emissions by increasing the cost of emitting a greenhouse gas to the point that people emit less. The burden will fall disproportionately on the poor.

Compensating the poor for the increased costs caused by a price on carbon could happen with a carbon tax because the Government would get the money and could redistribute it. This is something Governments do very well. With an ETS however, the money does not go to the Government so they have nothing to redistribute. Compensating consumers for the costs of the ETS would also nullify any impact the ETS has on emission reductions because it discourages the changes in consumer activity which was the whole point of the scheme.

The other factor overlooked by the designers of the ETS is that market forces don't always work the way you want them to. The designers of the scheme wanted a scheme that would send a market signal to invest in clean energy. With a low carbon price the market signal is to burn fossil fuel.

The Government was under pressure to interfere with the market and drive up the price of carbon by protecting New Zealand sellers of carbon units from international competition. Government intervention in markets is always disastrous. If that was to happen the market would no longer be genuine and it would also be hard to justify when other New Zealand producers are not protected from international competition.

ACT believes:

- Insufficient empirical evidence exists that the costs of human induced global warming will be significant enough and certain enough to justify placing a financial burden on individual families and suppressing economic growth.
- The Government's 90% target for renewable electricity generation is placing a financial burden on New Zealand electricity users.
- The ETS is unable to reduce greenhouse gas emissions without placing an unacceptable financial burden on New Zealanders.

ACT's goals

- For New Zealand to be an efficient user of fossil sourced energy.
- For New Zealand to observe the actions of other countries in reducing greenhouse gas emissions and to adopt measures where empirical evidence supports their efficacy and they can be adopted without impacting on the economic wellbeing of New Zealanders.

ACT will

- Dismantle the ETS
- Not sign any international agreements to reduce greenhouse gas emissions.
- Maintain funding to research initiatives into the reduction and mitigation of fossil sourced greenhouse gas emissions that are competitive with other research in terms of cost to benefit.
- Not introduce a carbon tax.
- Support more efficient use of energy for the real benefits that are associated with that such as reduced imports, less vulnerability to oil price shocks, and empirically evidenced environmental benefits.
- Monitor international reports and at such time as the cost of global warming is certain and significant enough to justify expenditure in mitigation of greenhouse gas emissions, will support international efforts to do so.
- Not contribute financially to developing countries for so called climate debt.
- Remove the Government's stated target of 90% renewable energy.