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ETS Review Consultation
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SUBMISSION OF THE PACIFIC INSTITUTE OF RESOURCE MANAGEMENT ON DISCUSSION DOCUMENT “UPDATING THE NEW ZEALAND EMISSIONS TRADING SCHEME”

The Pacific Institute of Resource Management (PIRM) is an organisation dedicated to the sustainable use of the earth's resources. It is working toward the establishment of New Zealand as a strong, independent authority promoting a world conservation strategy. We have made previous submissions on Government measures to address climate change including those on Climate Change Policy in 2007 and the Select Committee Enquiry on Emissions Trading in 2009. These submissions are available on the Institute's website at <www.pirm.org.nz>.

Our comments on the present Discussion Document are largely related to the General Question, number 1 in the document. The overall package represents in our opinion a further weakening of an already ineffectual Emissions Trading Scheme (ETS) and for this reason we oppose most of the amendments suggested. We are disturbed by the progressive loss of an expressed intent toward the primary aim of climate change mitigation: to reduce greenhouse gas emissions. This imperative has now been reduced to vague notions of doing our “fair share” and “being part of an international solution”. Economic matters are given increasing weight in the putative “balance” between the environment and the economy, ignoring the fact that the latter is subsidiary to and utterly dependent upon the former and that preservation of the global climate is essential for human survival.

The claims made for the ETS having had “positive impacts on investment decisions” may have some validity but the latest figures in the Greenhouse Gas Inventory 1990-2010 show that emissions have increased since the baseline year by almost 20% and that they continue to rise in most sectors measured. It is disturbing that this situation exists as we near the end of the Kyoto Protocol First Assessment period. No success in addressing climate change can be claimed until our emissions are falling significantly. That the ETS with its potential limited to minor reductions in greenhouse gas emissions in the long term remains this country's primary – indeed almost only tool to reduce emissions is no cause for celebration. PIRM's previous submissions have strongly encouraged the introduction of legislation, regulations and standards together with greater commitment to education and research as more effective means of bringing about the rapid emissions reductions that are required both for planetary survival and for New Zealand's international standing.

Considering the proposed changes individually:

1. **Phase out of “transition measures”:** These transition measures were simply a weakening of the requirements of the ETS and consequently of its effectiveness. Extending the measures with a stepped increase in the surrender obligation is simply extending this weakened operation. It seems ironic to mention the need of business for “certainty” and then propose changing conditions a few months out from the expiry date of the measures.
2. **Fixed price option:** It is noted that this is one of several proposals that are against the recommendations of the expert Panel. Again, it serves to weaken the ETS.
3. **Cap and auction and Restriction on International Units:** In earlier submissions, PIRM has expressed doubts about the ability of the market in emission permits to function effectively, especially in the situation when trading is devolved to individual market participants rather than being conducted by Government. Some of these concerns have been realised and now require intervention in the market. That private trading might burden the Government with an excess of international units was predictable from the decision to devolve trading and not to include a cap in the ETS.
4. **Forestry:** It is lamentable that New Zealand's approach to greenhouse gas emissions reduction is

almost entirely dependent upon offsets from carbon nominally sequestered in standing forests. Previous submissions by PIRM have addressed this matter in some detail with particular criticisms of its uncertain nature quantitatively and temporally and of the fact that it seems to have been used to absolve our country of any duty to reduce absolute emissions. At a meeting held in Christchurch on 8th July 2009 the Minister for the Environment, Dr Nick Smith, refused to publically respond to the call by PIRM to limit offsetting to 20% of total emissions reductions and in private conversation stated that he did not believe that offsetting would account for “anywhere near” 20% of the emissions reductions achieved. The summary of the Greenhouse Gas Inventory 1990 – 2010 shows that forestry offsets account for over 20% of our emissions permitted under the Kyoto Protocol and are, in essence, nearly 100% of our net emissions reductions. The continued special provision that is made for forestry implies that this situation is likely to continue with little emphasis given to actual emissions and most effort concentrated on the financial accounting aspect of the Kyoto Protocol. While the Institute believes that afforestation is important for climate change mitigation and a host of other beneficial effects, we recommend that other sectors receive due attention.

5. **Agriculture:** Again, the proposals are against the recommendations of the Panel, weaken the effectiveness of the ETS and manifest ambivalence toward climate change mitigation that compromises New Zealand’s status in the international setting. The inclusion in this section of the discussion document of a graph showing milk solid production relative to greenhouse gas emissions serves only to illustrate the fraudulent nature of intensity measures of emissions, no mention being made of the fact that dairy and other agricultural emissions are increasing in absolute terms. PIRM has submitted against the use of intensity measures because of their misleading and obfuscatory nature.
6. **Linking with Australia:** It seems sensible to align our measures with those of our closest trading partner if the Australian scheme is not likely to further impair true emissions reduction in this country and/or internationally.
7. **NZU issues:** The proposals may have justification but this is within the context of a deeply flawed system.
8. **Alignment with international GG Accounting standards:** Necessary.
9. **Future considerations:** The Institute looks forward to future amendments if these are likely to be effective in reducing greenhouse gas emissions. It is particularly important that measures aim for **much shorter term effectiveness**. It is already nearly too late for climate change mitigation measures to allow us to avoid climatic disaster.

Thank you for the opportunity to make this submission. In the event of any hearings being held on these issues, the Institute wishes to appear to clarify and expand upon the matters raised.

Yours sincerely,

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