

Consultation on setting New Zealand's post-2020 climate change target



Copy of your submission

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Objectives for the contribution

Do you agree with these objectives for our contribution? Yes

1b. What is most important to you?

The long term target emissions burden. This should be a global average per capita emissions burden quota based on consumption (not production), using an internationally agreed schedule of emissions per unit of consumption. All commodities would have an agreed emission burden based on volume or mass. For electricity, the burden would be based on the type of generation, its emissions characteristics and its efficiency. As producers of commodities improved their performance in terms of their energy and other inputs, they would be rewarded by reduced input costs.

What would be a fair contribution for New Zealand?

2. What do you think the nature of New Zealand's emissions and economy means for the level of target that we set?

In the long term the only defensible target is a global average per capita emission quota, based on consumption, not production. For example, if we export aluminium, its emissions burden should be charged to the (foreign) purchaser. Accounting similar to that associated with value added taxes could be used to track burdens to the final consumption stage. Credits could be applied to recycling. We should support international agreements that incorporate this principle.

Clearly transitional "fixes" will be required until the global economy incorporates emissions costs into commodity prices.

How will our contribution affect New Zealanders?

3. What level of cost is appropriate for New Zealand to reduce its greenhouse gas emissions? For example, what would be a reasonable reduction in annual household consumption?

The net cost to New Zealand of a well structured emissions pricing scheme should be modest. For example, an emissions tax should be revenue neutral, with offsetting reductions in other taxes (income and consumption taxes) so that to a first approximation, most consumers would not incur an increase in net taxes. There should be tax credits and payments for verified sequestration schemes (such as carbon farming) and to offset any exports incorporating emission burdens. For example, if a kilogram of butter is exported, the value of the emissions burden of the butter should be credited to the exporter.

We should never engage in a scheme such as the current emissions trading scheme in which New Zealanders are paying Poles or Russians for excessively issued carbon credits. Such payments are a net loss to New Zealand with no redeeming value elsewhere and there are significant trading costs, together with the creation of vested interests

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which ultimately pervert the whole process. An emissions tax would allow the costs to be recycled. The only net increase in costs would be the cost of technical fixes and, as your analysis states, some of these may even be negative in the long run.

4. Of the opportunities for New Zealand to reduce its emissions (as outlined on page 15 of the discussion document), which do you think are the most likely to occur, or be most important for New Zealand? The opportunity for New Zealand is to lead in selected areas, such as developing technologies to reduce livestock emissions and for carbon farming. We should avoid subsidies (such as cheap power for Comalco) and mandates (such as forcing purchasers to buy a certain quota of "renewable" energy).

Summary

5. How should New Zealand take into account the future uncertainties of technologies and costs when setting its target?

The optimal approach is not for the government to pick the winners but to create meaningful incentives for each of our 4.5 million people to use their initiative to reduce their costs of producing and living. A well structured carbon tax provides the basis for this. At first, it should be set at a reasonable level (say \$50/ton of avoided carbon emissions or equivalent) and then subsequently adjusted periodically to home in on the target emissions level. British Columbia has had a modestly successful experience with a carbon tax at Cdn\$30/tonne of carbon. We cannot eliminate uncertainty and each economy will have different a different path to follow. However, there appears to be a widespread consensus that about US\$50-60/t C is a realistic level to start with.

Other comments

6. Is there any further information you wish the Government to consider? Please explain. The gutting of the current New Zealand emissions trading scheme by allowing excessive credits should be carefully examined. Its only putative advantage over a tax is that in theory it allows the market to set a price on emissions, but it has failed miserably wherever it has been tried. The volatility of carbon prices has been a disincentive to investment in long term solutions such as carbon farming, renewables and nuclear energy.