

Submission to ETS Review, part 1

Jeanette Fitzsimons, 17 February 2016

The ETS should not be amended, but withdrawn entirely and replaced with a simple price on carbon through a carbon charge. The ETS has been not only useless but counter-productive in limiting greenhouse gas emissions. There needs to be a price on carbon, but it would be better to have none, and use other measures, than to continue tinkering with a hopeless ETS.

My reasons for this are:

1. The Government admits that in seven years the ETS has not reduced emissions at all, or influenced investment decisions. This criminal failure has been at considerable public expense, in administering a whole bureaucratic architecture of rules, units, inventory, allocations and the rest, for no purpose other than to make a few speculators rich.
2. Any further public time and expense tweaking a broken system will be sending good money after bad, and use resources that would be better used on measures that will actually reduce emissions.
3. Removing the one-for-two rule will not help enough to bother. The consultation document states that the ETS will be the “main policy tool” to achieve the Government’s target of a 30% reduction in emissions by 2030, yet it also says the effect of removing the one-for-two will be a reduction of only 1.1% by 2030. Where is the other 28.9% to come from? As international rules tighten, we cannot expect other countries to have genuine emissions reduction units to sell. Trading relies on spurious units.
4. The document states that the ETS has not influenced investment decisions. A carbon price needs to influence both day to day management decisions, and longer term investment decisions. The latter is the more important. Many investment decisions taken now will result in building plant that will still be operational in 2050. We need a tool that results in no new long lived plant that burns large amounts of fossil fuels being built, from today on. This requires a price on carbon, but not only a price on carbon.
5. The design of the ETS, with no price floor and no emissions cap, was never intended to incentivise transformation to a low carbon economy. It was intended to provide a trading platform for speculators, and this is what has happened. There are many instances of the largest polluters making considerable money from their pollution via arbitrage. This is a wealth transfer from the public and small energy users to large corporations, many not even owned in NZ.
6. The emphasis on trading has created an even more damaging phenomenon – it has reinforced the view that speculation and trading will help solve climate change. They demonstrably haven’t, and won’t. The promotion of this mindset is perhaps the most damaging thing the ETS has done. We need a scheme where the most profitable way to address

the business risks of a carbon price is to invest in low carbon technology and processes.

7. While all this waste of effort has been going on, the existence of the ETS has been used to justify having no other measure at all to address climate change. While much could be done via product standards, especially for motor vehicles, that are virtually costless, it has not been done because “the ETS is all we need”. At the same time fossil-fuel intensive development has been actively encouraged and subsidised by Government.
8. There are many aspects of a carbon charge that need discussion and that could make it effective and fair. However until there is a will to go down this path there is no point.

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