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Wise Response Society Inc.
c/o Sir Alan F. Mark FRSNZ, KNZM,
[redacted],
[redacted]
29 April, 2016.

SUBMISSION ON THE NEW ZEALAND EMISSIONS TRADING SCHEME REVIEW 2015/2016

BACKGROUND.

1. The Wise Response Society was formed in 2012 and formally constituted in 2014. It grew out of concerns amongst ordinary informed individuals in Otago that our resource management decisions were not taking into account important global risks germane to sustainable management practice in New Zealand. It was decided this could be traced back to a preoccupation with economic development and GDP at the expense of other environmental and social needs.

   It was considered that a thorough **Risk Assessment** was required at a national level in five key risk areas – financial stability, energy and climatic security, business continuity, environmental/ecological security and social well-being. This exercise would help align public thinking around genuine sustainability and perhaps provide the political will for more robust resource management.

   The Society has no formal membership beyond its committee of 15 persons but received over 5,000 signatures in its petition to Parliament in April 2015, requesting they undertake a non-partisan, National Risk Assessment of the five issues of concern. This was referred to the Finance and Expenditure Select Committee, and a deputation presented to this committee on, July 1, 2015, requesting Parliament to undertake a New Zealand-wide Risk Assessment in the five key subject areas. Regrettably the committee divided along party lines and the majority decision declined to recommend it to The House. Three minor parties supported our case in their separate reports.

   The Society is resolved to promote the same sort of risk-based assessments, as considered appropriate, in the development and implementation of public policy. We consider that the Emissions Trading Scheme is such an issue since it has a direct bearing on how New Zealand addresses the global warming/climate change issue, generally considered as the major issue of our time, probably of all time.

2. Our members attended some of the meetings conducted by the MfE and other officials around the country and, as Chair, I attended the Dunedin meeting which was attended by eight officials and only 14 of the general public, mostly with forestry interests. The poor attendance was probably a reflection on the initial oversight and very limited publicity given the meeting.
3. We have read the MfE document: New Zealand Emissions Trading Scheme Review 2015/16 and several other relevant reports.

SUBMISSION.

4. New Zealand must show, nationally and internationally, that it is serious in acknowledging the urgency and importance of taking direct action to play its role in reducing greenhouse gas emissions, consistent with the Paris agreement of limiting global warming to no more than 1.5 deg. C. above pre-industrial levels. The first three months of 2016 were the warmest such period on record across the world's land and ocean surfaces, at 1.15°C above the 20th century average of 12.3°C and 2016 is predicted to be the warmest year on record. Ambient CO_2 now exceeds 400 ppm, and mountain glaciers, such as those in our Southern Alps, keep shrinking. The latter are now only about one fifth of their 1890s volume.
5. Note; we are aware from a recent (April 22) media statement by climatologist Prof. James Renwick of Victoria University, that warming has now reached slightly above 1 deg. C, and will inevitably rise further despite any corrective action, emphasising the urgency for action to avoid the catastrophic consequences predicted for a rise above 2 deg. C. There must be a comprehensive and rational plan established in the near future aimed at achieving net zero emissions of greenhouse gases by 2050. To achieve this would require the implementation of all feasible means of avoiding or substituting those activities, products, services and land uses that involve the burning of fossil fuels which inevitably increase the major greenhouse gas, CO_2.

6. The government’s past reliance on any overseas carbon credits, as a substitute for direct action to urgently develop policy to initiate a transition to a low-carbon emissions economy, with appropriate actions across agencies and businesses, as well as by local authorities, communities and individuals, has clearly failed. To quote from the ‘extended summary (p. 21) of the April, 2016 Royal Society NZ report: **Transition to a low-carbon economy for New Zealand**: "*Many mitigation options are already well-understood and achievable. New Zealand’s current target is to reduce emissions to 30% below 2005 levels by 2030. If we want to achieve this target through increased contributions from domestic actions rather than relying on reductions off-shore and purchasing the related carbon credits, this will require immediate attention. Achieving a low-carbon economy for New Zealand involves taking low-risk climate mitigation actions now and planning for more ambitious GHG emission reductions in the future. This can be done as we gain greater scientific understanding of the potential actions, costs and trade-offs of the many additional mitigation options available.*"
7. We are deeply concerned with disclosures in the Morgan Foundation’s report of April, 2016, which revealed the government had invested some $200 million in mostly fraudulent carbon credits from the Ukraine and Russia, which are apparently sufficient to cover our formal commitments to beyond 2020, while also substantially depressing the value of the New Zealand carbon credits (to as low as 15c/tonne C) and thus also the forestry sector. Furthermore, dealing in fraudulent carbon credits would likely put at considerable risk, the “clean-green, 100% New Zealand” branding that undoubtedly benefits the country’s principal agricultural exports and tourism sectors.
8. We note the media report of Climate Issues Minister Hon. Paula Bennett on 22 April that the fraudulent carbon credits will likely be replaced by authentic Emission Reduction Unit (ERU) tradeable carbon credits as part of the current review. We believe, however, that trading in carbon will always encourage arbitrage and speculation, as it has to date, and that reliance on this method of addressing global warming should be greatly reduced in future.
9. Notwithstanding these recent events, and Minister Bennett’s recent (26-7 April) statements on possible cancellation of the 122.2 million tonnes of

‘dodgy’ carbon credits, some of these credits could be very useful in dealing with those wilding conifer forests on properties such as Pukaki Downs and Mt Cook stations in the Mackenzie basin and other high country properties that entered the ETS before amendments were made to exclude claiming these units for wilding conifers. The generally agreed need to urgently clear such forests could be discouraged by the current value of units at >$13/unit, which would be over and above the high costs of control work. NOTE, removal of these wilding seed sources would also benefit the carbon footprint by reducing fuel needed for wilding control on neighbouring properties.

10. We strongly recommend that government establishes a limitation on the proportion of emissions reductions New Zealand will claim at this stage from both international authentic trading credits and also from our exotic forests. We believe that reliance on exotic forests is a potentially risky carbon storage medium given their proneness to both wind-throw and fire. We suggest a ratio of about 60% of reductions in greenhouse gas emissions should come from gross emissions reductions and no more than 20% from each of domestic afforestation and global credit trading (once a credible framework for the latter has been agreed). Such a limit on both forestry and offshore mitigations is desirable so as to put a strong focus and incentive on reduction of domestic emissions.
11. We strongly recommend the urgent introduction of a carbon charge (a more accurate term than a tax), which would address the emissions issue directly and across the board. This is likely to be much more effective than trading credits, which inevitably have an uncertain future while also failing to directly address the emissions issue. Carbon credits should be set at an appropriate level of at least $25 and probably in the range of $90-$178 per tonne of carbon (as indicated in the MfE’s ETS Review Discussion Paper), so that they can be relied on to achieve the purpose for which they were designed. However, they should be phased out as soon as possible and replaced with a carbon charge, which is likely to be more effective in addressing the purpose of strongly encouraging the reduction of greenhouse gas emissions.

    We also recommend that all of the current 2 : 1 subsidies for certain large carbon emitters, that requires them to buy only one tonne of carbon for every two tonnes emitted, also be phased out in the near future.

12. Funds raised form this source should be deposited in a Common Asset Trust or Ecosystem Service Fund and returned to citizens as a dividend. This revenue-neutral “fee-and-dividend” model has been successfully used in British Columbia, increasing jobs while decreasing emissions. In New Zealand this model would offset costs to consumers while providing benefits including more jobs, better health and a cleaner environment. An alternative, less preferred option, would be for government to retain the revenues for its general purposes.
13. As has been stated by many reputable citizens of this country, New Zealand is capable of taking several lines of action to reduce greenhouse gas emissions: increasing the efficiency of transport using more rail and shipping; increasing the level of renewable electricity generation to achieve near 100%; promotion of biogas and/or liquid fuel production from organic wastes; more active promotion of public transport, including all-electric light rail for mass transit in the larger cities, and electric vehicles; replacing diesel buses with electric buses; increasing the efficiency of lighting systems; reducing the intensity of agriculture, particularly dairying; encouraging farm forestry as an adjunct of agriculture; in addition to the introduction of a carbon charge.
14. We strongly recommend the establishment of an adequately representative and independent Climate Commission in the near future to research and advise government, central and local, on issues relevant to a transition to a low-carbon emissions economy in the near future, and aimed at achieving a net zero emissions by 2050. Such a Commission would review the carbon budget as required and also investigate and promote incentives for a culture change in both businesses and households to reduce their emissions in a series of managed steps (based on a carbon budgeting framework governed by a legally binding, gross emissions caps for particular time periods), aided by appropriate technical and economic methods. Also, the Commission would determine a cap on the proportion of national emissions that could be offset each year by tree planting so as to retain an annual consistency (the UK Climate Change Act, 2008, provides an excellent model for such a procedure).

15. Government-funded research into reducing the greenhouse gas emissions associated with agriculture should be given a much higher priority in the national science budget.
16. The Wise Response Society Inc. wishes to be heard in support of this submission.