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*Delivered by hand*

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Submission on: **CLIMATE CHANGE (EMISSIONS TRADING AND  
RENEWABLE PREFERENCE) BILL**

**GREENPEACE WISHES TO BE HEARD IN SUPPORT OF THIS  
SUBMISSION**

## **INTRODUCTION**

### **Greenpeace and Climate Change**

Climate change is Greenpeace New Zealand's main campaign at present, reflecting the priority Greenpeace is giving to climate change internationally. This in turn reflects the seriousness of climate change and the short period of time that the world has to respond effectively.

### **National and global targets**

What needs to happen (at the most basic level) is a global reduction of greenhouse gas emissions of 50% by 2050. Depending on their historical responsibility for emissions and their ability to decarbonise their economies, different countries have a responsibility to contribute to these reductions in different ways. However there's no doubt that developed countries such as New Zealand should be taking the lead.

The Intergovernmental Panel on Climate Change has identified a range of 25-40% reductions by 2020 for developed countries as necessary in order to put the world on track to avoid climate catastrophe. Greenpeace is calling for the New Zealand Government to set an emissions reduction target of 30 per cent by 2020.

## **Importance of a price on greenhouse gas emissions**

A price on greenhouse gas emissions is one of a suite of tactics needed to tackle climate change. It creates an incentive for people to act in ways that minimise their greenhouse gas emissions and to make climate-friendly investments.

## **Overall support for the Bill**

Greenpeace supports the general intention of the Climate Change (Emissions Trading and Renewable Preference) Bill. We have been critical of the many years of hesitation and delay on climate change policy, which has preceded the introduction of this Bill. We congratulate the Government on its introduction, while recognising that this legislation forms only one part of a suite of measures required to address climate change.

We do have concerns with aspects of the emissions trading scheme and with sections of this Bill. This should be seen for what it is: to take the good intent behind the Bill and make it more meaningful, rather than an attack on the Bill as a whole.

## **Support for the consultation process**

Greenpeace appreciates the opportunity provided by the Government to engage with officials at various stages of the consultation process that led to the drafting of this Bill.

Especially for an issue such as climate change, which affects all sectors of the community and to which all sectors of the community need to respond, a wide-ranging engagement process has been essential. The public engagement meetings, facilitated sessions between NGO representatives and officials, and participation of climate NGO representatives in the Climate Change Leadership Forum have all played a part in ensuring that a wide range of views has been heard in the development of this legislation.

## **Greenpeace welcomes emissions trading scheme**

Although we would have preferred a carbon tax, Greenpeace welcomes the Government's development of an emission trading scheme as it will place a price on greenhouse gas emissions and should help to reduce emissions over the long term.

## **Greenpeace's involvement with the design of the emissions trading scheme**

Greenpeace has taken a close interest in the development of the emissions trading scheme. Prior to the preparation of this submission Greenpeace has:

- Attended a series of consultation meetings with officials in relation to design issues with the scheme
- Played an active role on the Ministerial Climate Change Leadership Forum
- Worked with other NGOs to analyse the scheme
- Attended a workshop on the environmental impact assessment of the emissions trading scheme

## **Equitable sustainability**

Greenpeace considers that measures to achieve sustainability should be fair and socially equitable. This was reflected in our support for a carbon tax which had fewer opportunities for special interests to obtain tax breaks or subsidies in the form of 'free credits' and created a flow of money to government that could be used to correct any regressive aspects of the carbon tax – for example through investment in energy efficiency and conservation, public and active transport, and income support.

Greenpeace is concerned at aspects of the scheme that seek to protect the owners of polluting industries (whether large industrials or agriculture) at the expense of everyone else.

It is essential that in considering the present design of the scheme, and any changes that you may wish to recommend, that you remain cognisant of the large wealth transfers involved. Who benefits and who loses out under the present design of the scheme are legitimate and important questions to consider.

Decisions that will improve the social equity of scheme include:

- Bringing in all sectors earlier, especially the agricultural sector, which is heavily subsidised under the present scheme. Dairy is a key part of the agriculture sector that has substantially increased its emissions since 1990. It can afford to take responsibility for its emissions
- Faster reductions in the level of subsidy to the owners of large industrial polluters (by a faster phase-out of free allocations)
- Expanding government sustainability policies that benefit the less well-off such as measures to reduce household energy demand (insulation, solar water heating and so on), increase energy efficiency, and to improve access and mobility through affordable public and active transport
- Where assistance is provided to industry, it should be primarily aimed at facilitating changes in industry behaviour towards low emission economic activity, rather than subsidising large-scale pollution

Decision makers should question why the dairy sector deserves to be so heavily subsidised until 2013 – more than any other sector. It can afford to take immediate financial responsibility for its emissions, can take action now to reduce nitrous oxide emissions, will likely have options to reduce methane in the near future, and can actually increase profitability through emission reductions (through greater efficiency and by defending its brand).

The roll out of the scheme should allow financial rewards for New Zealand farmers who are already implementing best practice farming to mitigate, reduce and sequester greenhouse gas emissions.

## **WHAT HAPPENED TO CAP AND TRADE?**

What is currently proposed is a 'cap and trade' emissions trading scheme with no cap. There is no limit to the number of emission units that be purchased offshore and thus no guarantee of emission reductions within New Zealand.

This would appear to conflict with the 2007 Cabinet Policy Committee Paper POL (07) 302) whereby Cabinet agreed to develop a trading scheme that included a cap.

## **A DOMESTIC TARGET**

### **30% by 2020**

The Bill should amend the purpose of the Climate Change Response Act to insert a target of 30% emission reductions by 2020. This is within the scope of the Bill as it is an omnibus Bill that amends three pieces of primary legislation in order to strengthen New Zealand's response to climate change.

The next Kyoto commitment period is likely to require developed countries to commit to 25-40% emission reductions by 2020. A 30% target represents a minimum credible contribution for New Zealand to make over the period.

If decision makers are not willing to commit to this target, then they are not committed to making a credible contribution to tackling climate change.

## **ENTRY DATES FOR SECTORS**

### **Bring agriculture and waste in earlier**

Cabinet should have the ability to bring the two sectors that are significantly delayed (waste and agriculture) into the scheme earlier. This can be achieved by requiring the date of entry for these sectors to be set by an Order in Council with the legislated requirement that the date of entry be "no later than" 1 January 2013.

We consider that a range of factors (including a market advantage for earlier entry and public discomfort over the scale of agricultural subsidy) will encourage the agriculture sector to enter the scheme earlier than 2013. Provision to allow this should be made in the legislation so that further amendment to the legislation is not required.

Should the agriculture sector be concerned about where this leaves the MOU, they should note that an Order in Council will still require Cabinet approval. It should also be noted that the agriculture sector could be reducing emissions right now and that the dairy sector is probably better placed than many others within New Zealand to take financial responsibility for their emissions now.

The MOU has not delivered any emissions reductions. Instead agricultural emissions have risen by 15 percent. In comparison, Ireland intends to reduce emissions from agriculture by 2.41 M tonnes per annum by 2010 including a 10% reduction in nitrous oxide emissions. The MOU does not justify the exclusion of the agriculture sector from the ETS until 2013. It is not functioning as it was intended and should be revised.

### **Industrial processes should come into the scheme a year earlier**

The date of entry for industrial processes should be brought forward a year, to 2009. This should be technically feasible as there are not a great number of processors. This would ensure equity of treatment between sectors, minimise economic distortions and encourage emission reductions earlier. All sectors should be brought into the scheme as early as is technically feasible.

### **Fugitive emissions should not be exempt**

Fugitive emissions from coal mining are presently exempt from the emissions trading scheme. This represents an unjustifiable subsidy to the coal industry. Fugitive emissions from coal mining should be included in the emissions trading scheme. This is feasible – in Australia, underground coal mining companies measure their methane emissions by collecting data from continuous monitoring of the volume flow rate of mine ventilation and the methane concentration in ventilation exhaust. It is likely, based on Australian experience, that if New Zealand underground coal mine operators were obliged to pay a permit price for emissions they would find it cost effective to install methane oxidation equipment to reduce their emissions.

## **APPROPRIATE UNITS OF TRADE**

### **AAUs or Russian/Ukrainian “hot air” not acceptable**

The Bill should explicitly rule out Russian and Ukrainian AAUs or similar ‘emissions reduction’ units. These are credits gained from historic emission reductions (in the case of the Russian and Ukrainian credits, as a result of economic collapse during a period of economic reforms). Allowing polluters to offset present and future emissions against historic emission reductions does nothing to combat climate change as it does not result in real emission reductions.

If the Government wishes to purchase Russian or Ukrainian units for diplomatic reasons, on account of Russia and Ukrainian ratification of the Kyoto Protocol, then these purchases should be done directly by the Government so that the Government wears direct political responsibility, rather than devolving responsibility for using inappropriate credits to the private sector. However, Greenpeace considers that the purchase of ‘hot air’ credits and other credits of low environmental integrity by the government would be unnecessary and unwise.

Greenpeace welcomes the Government’s intent to exclude nuclear credits.

### **Environmentally damaging credits not acceptable**

New Zealand credits for removals could have adverse unintended environmental consequences. For example, granting credits for removals achieved through exotic forestry creates an incentive to plant introduced conifers into native tussock grassland and native shrublands – both of which harbour important biodiversity values. The scheme is likely to result in the expansion of forestry in to areas such as North Island

hill country and South Island high country where significant biodiversity values often coexist uneasily with economic production.

The Bill should prevent the granting of NZ units for environmentally damaging activities such as inappropriately located forestry. Language from the Forest Accord signed by a number of NGOs and the forestry sector may provide a useful starting point for language around appropriate forestry.

### **Alternative options to minimise the impact of perverse incentives are unsuitable**

In meetings to outline the emissions trading scheme, government officials have suggested that local government decision making under the Resource Management Act is adequate to address concerns over such activities as the inappropriate location of forestry plantations. In practice this is not the case and shows a lack of understanding of the reality of resource management practice on the ground. In particular:

- It is unfortunate that Government agencies have proposed relying on the Resource Management Act to protect biodiversity from inappropriate activities, when those same Government agencies have failed to produce a National Policy Statement to assist local government to protect biodiversity under the Resource Management Act
- Places where significant forestry is proposed (such as the South Island high country) tend to have inadequate District Plan rules that do not give sufficient regard for biodiversity
- In meetings on the emissions trading scheme, officials have suggested that farmers could make use of the incentive provided by the ETS to clear native shrublands
- The approach of relying on the Resource Management Act will place an unnecessary burden on local authorities given the absence of a National Policy Statement on Biodiversity

## **RENEWABLE PREFERENCE**

### **National Policy Statement on Renewable Energy needed**

The Bill should also establish a timeframe for completing a National Policy Statement on renewable energy under the Resource Management Act and require that such a National Policy Statement both promote renewable energy and address the environmental impacts of renewable energy.

### **Ban on thermal electricity generation supported**

Greenpeace supports a ban on new fossil fuelled thermal electricity generation. Our Energy Revolution Report shows that such a ban is achievable. The emissions trading scheme by itself does not fully internalise the environmental cost of fossil fuelled

electricity generation and it is essential that New Zealand sends a clear signal that renewable energy is favoured.

### **A ban on thermal electricity generation preferable to alternatives**

A ban on thermal generation is preferable to weakening public participation processes in the Resource Management Act in order to promote renewables. The Resource Management Act relies on robust processes to deliver sound environmental decisions. Changes to the decision making processes to make renewable energy easier to consent will almost certainly result in inappropriate use of renewable energy (such as the development of hydroelectric schemes in environmentally sensitive locations).

While Greenpeace is a strong promoter of renewable energy, we recognise that some renewable energy projects are inappropriate on environmental grounds and should not proceed. Greenpeace strongly favours distributed generation and is concerned by the present “Think Big” approach to renewable energy.

### **Ten-year limitation must go**

The ten-year limit to the ban on fossil fuelled thermal generation should be deleted. It serves no useful purpose. In the very unlikely event that in ten years time, the Government decides that circumstances have changed to make increased use of fossil fuel generation both cost effective and environmentally appropriate, then it can amend the law at that time. The ten-year limitation sends the wrong signal to electricity generators. It encourages continued investment in fossil fuels at a time when such funds should be diverted into renewable energy.

### **Exemptions must go**

The legislation sets in place a 20% fossil fuel component and 10 MW capacity as the thresholds for plants to be captured by the moratorium. In light of these thresholds, the proposed exemptions to the moratorium make no sense. They have the appearance of a cobbled together shopping list to relieve pressure from the fossil fuel industry, rather than well thought through necessary back-stops. For example:

- It's unclear what would constitute an emergency requiring over 10MW of capacity. No criteria are offered;
- A community requiring over 10MW is unlikely to be small and isolated. 10 MW could supply up to 5000 homes;
- The waste material exemption uses the example of using a “small amount” of fossil fuel to ignite landfill gas. Such a situation appears unlikely to require greater than a 20% fossil fuel component to the overall energy use;
- Co-generation using fossil fuels at greater than a 20% component would undermine the purpose of the moratorium as it could allow very substantial fossil fuel emissions.

These exemptions make no sense given the purpose of the legislation and the threshold levels in the Bill. They should be deleted.

The exemption for replacing inefficient plants with efficient plants does not make sense unless an approach is taken that takes into account the proposed lifetime of the plant. For example, there is no climate change benefit in replacing an old, worn out plant with only a few years life with a new efficient plant with 30-40 years of life. Any emission reductions gained over the short term would be greatly outweighed over the long term. This exemption should be deleted or replaced with one that takes into account the life-time of any replacement fossil fuel plant.

The option of allowing the Minister to over-ride the moratorium because a proposal is 'desirable' allows the Minister so much scope that the moratorium is, in practical terms, emasculated. Where any exemption is retained, the test for approval should be 'necessity' rather than 'desirability.' This would better reflect the Cabinet paper that led to the proposed exemptions.

## **RECOMMENDATIONS**

### **National Emissions Reduction Target**

Greenpeace recommends that the Bill be amended to amend the purpose of the Climate Change Response Act to insert a target of 30% emission reductions by 2020.

### **Emissions Trading Scheme**

Greenpeace recommends that the Bill be amended to:

- Provide waste and agriculture with the opportunity to enter the scheme earlier. This can be achieved by requiring the date of entry for these sectors to be set by an Order in Council with the legislated requirement that the date of entry be "no later than" 1 January 2013
- Bring industrial processes into the scheme a year earlier
- Include fugitive emissions from coal mining in the scheme
- Explicitly rule out Russian and Ukrainian AAUs or similar 'emissions reduction' units lacking in environmental integrity
- Prevent the granting of NZ units for environmentally damaging activities such as inappropriately located forestry

### **Renewables Preference**

Greenpeace recommends that the Bill be amended to:

- Delete the ten-year limit
- Delete the exemptions
- Where the select committee considers an exemption is justified, delete the reference to "desirable" and make "necessary" the appropriate threshold

APPENDIX

New Zealand Energy Revolution Report (1 copy for each committee member)