



## Guest Commentary from Chris Baker Spokesman for the Climate Change Pan Industry Group

The Climate Change Pan Industry Group represents a wide range of land and urban-based industries, major New Zealand corporations and business organisations including: Business New Zealand, Petroleum Exploration Association of NZ, Forest Industries Council, Wellington Regional Chamber of Commerce, Road Transport Association, Fonterra, Carter Holt Harvey and the Greenhouse Policy Coalition.

We believe Government must avoid doing anything which undermines the competitiveness of New Zealand industry before the Kyoto Protocol becomes a global agreement binding most countries.

The Climate Change Pan Industry Group wants Government to take its international obligations to deal with greenhouse gas emissions seriously. But New Zealand has nothing to lose from deferring the ratification decision until we know exactly what it means for employment and the economy. We have until at least 2006 to ratify Kyoto.

In the meantime we can take positive initiatives to address greenhouse gases. A research programme to reduce methane gases from sheep and cattle is a logical response to the challenge, as would be incentives and advice regarding improving energy efficiency in industry and homes generally.

However, carbon taxes or regulations which effectively penalise energy users will bounce back negatively on everyone. If meat, milk or forest products processing plants have to pay higher energy costs, the result will be lower net returns. If Kyoto Protocol requirements erode wood fibre values in New Zealand and reduce land use options – by requiring forest owners to maintain forest cover in perpetuity or pay a harvest tax – an expanding revenue stream for the rural sector could also be penalised.

Early ratification could result in less processing of land and sea-based products in New Zealand, if it became more economical to have this function performed in countries not committed to reducing greenhouse gases. This would mean the exporting of jobs and opportunities. No one including the Government wants to see that happen but

this is a likely outcome if the Government makes hasty decisions and artificially increases the cost of energy to New Zealand business ahead of our main trading partners.

The Kyoto Protocol is a long-term strategy to combat the human contribution to global warming. To be effective Kyoto must be a global treaty which includes the United States, China and India. However, these countries will probably not commit to emission reductions under the Kyoto Protocol until at least 2012, if at all. Additionally, there is still no certainty about whether developing countries such as Malaysia and Chile will ratify.

New Zealand is unique amongst Annex 1 (developed) countries because 55% of our greenhouse gas emission is methane –

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from cows and sheep mostly. Also, 40% of the remaining emissions (mostly carbon dioxide – CO<sup>2</sup>) are from transport. This is important because achieving emission reductions in both of these areas is difficult and costly. Technology has no simple answer for methane, other than reducing output, or, in other words, stock numbers, wealth and jobs.

Excluding transport, our emissions from energy are very low on a per capita basis. But our options for growth in a carbon-constrained economy are less than

most countries. Without fossil fuels New Zealand has few currently viable energy options as our gas reserves become depleted and we strive to regain our wealth status in the OECD.

New Zealand is more like a developing country than other Annex 1 countries. These issues should be reflected in the Kyoto policies the Government adopts.

If we ratify in 2002 we could be alone in the Southern Hemisphere, leaving our many competitors in Asia, South America and, for a period possibly Australia, free to compete without the costs of Kyoto policies.

If we don't ratify in 2002, we will be able to conduct a careful and thorough assessment of policy options and we will have time to see what our major trading

partners do – Australia in particular. We can adjust our policies so that we move with the Kyoto Protocol, as it becomes a global agreement, along with our trading partners, not before.

We can actively and vigorously take part in international negotiations to ensure New Zealand is well placed for the second commitment period starting in 2012 and to ensure Kyoto evolves to become an effective, global response to a global problem.