

# Submission on the Emission Trading Scheme Consultation, Part 1

## Climate Justice Taranaki Inc.

Climate Justice Taranaki Inc. (CJT) submits that the Emission Trading Scheme (ETS) be repealed, and a carbon tax or fee be considered, based on the following reasons:

### 1. The ETS has not reduced greenhouse gas emissions

The ETS has been set up for over seven years in New Zealand and over a decade among the EU, yet there is no evidence that it has brought about reductions in greenhouse gas (GHG) emissions. In NZ, rather than a reduction, we have seen an increase of 42 per cent in our net GHG emissions between 1990 and 2013<sup>1</sup>. In the EU, emissions have dropped, not necessarily due to the ETS, but a combination of other policies and economic drivers<sup>2</sup>.

### 2. The ETS should not be *“the main policy tool for reducing emissions”*

The ETS or any other market based mechanisms should not and cannot be *“the main policy tool for reducing emissions”*. As the discussion document pointed out, it has been ineffective in influencing investment decisions due to the low carbon price and transitional measures, particularly in non-forestry sectors. Critically, it has been used as an excuse to take away the ability of other key legislation that could (before amendment) reduce GHG emissions.

The Resource Management (Energy and Climate Change) Amendment Act 2004<sup>3</sup> removed local authorities' ability to consider the effects of GHG discharge on climate change when making a rule to control such discharges (RMA Section 70A). Under the EEZ and Continental Shelf Act 2012<sup>4</sup>, the Environmental Protection Authority (EPA) must take into account *“the economic benefits to New Zealand of allowing the application”* but must **not** have regard to *“the effects on climate change of discharging greenhouse gases into the air”* (EEZ CS Act Section 59). The Resource Legislation Amendment Bill<sup>5</sup> is set to further weaken the RMA, EEZ CS Act and other legislation with changes *“that would constitute major threats to the environment and to local democracy... moves to favour economic development over other interests.”*<sup>6</sup>

As a result of these exclusions, new fossil fuel extraction (both on and offshore) and other GHG intensive activities have been allowed to proceed, locking in decades long investments that are detrimental to the life-supporting climate and humanity's survival. A case in point is the recent marine consent granted for Shell Todd Oil Services to drill new wells and continue gas extraction from the aging Maui gas field for another 35 years<sup>7</sup>, despite serious concerns raised by the community including CJT<sup>8</sup>. OMV was also recently granted a marine consent to further its drilling programme in the Maari oil field off the Taranaki coast<sup>9</sup>.

Surely, if the government is serious about reducing GHG emissions, it would strengthen all legislation to stop new climate damaging activities, especially long-term investments, and control the existing activities, rather than erode legislation to foster the proliferation of emission intensive activities.

### 3. The ETS offers perverse subsidies to polluters

The New Zealand and EU governments offer an array of giveaways, exemptions and rule tweaks to major polluters, distorting the market. In NZ, these have driven the carbon price down from the already low peak of \$20 a tonne in 2010/11 to a mere 14 cents<sup>10</sup> and now about \$10 a tonne.

If the ETS is not repealed, CJT support an immediate removal of the one-for-two surrender obligations for fossil fuel, industrial processes, stationary energy and waste sector, and setting the fixed surrender price of \$25 per tonne as the 'floor' rather than 'cap'.

In the EU, power and oil companies as well as heavy industries have gained billions of euros of unearned profits through pricing tricks and surplus of emission allowances. *"The EU ETS now finds itself cancelling out nearly 700 million tonnes of abatement from other European policies by storing this as banked carbon allowances. It also finds itself the global dumping ground for the most dubious offsets projects under the Kyoto protocol"* (Sandbag, 2013)<sup>11</sup>.

Such unlevelled playing fields favour big polluters and speculators at the expense of the public, small businesses and low-carbon initiatives. Without a stable and gradually rising carbon price, there is no incentive for low carbon investment, notably forestry or renewable energy development and other innovations. There is little hope of delivering NZ's commitment at COP 21 or a just transition to a sustainable, low carbon society.

#### **4. Carbon credits are permits to pollute and the ETS is little more than a scam**

Unlike a carbon tax or fee which penalizes polluters, carbon credits are permits to pollute, now and into the future.

The ETS lacks transparency and is prone to fraud, trickery and unscrupulous speculations. In the EU, there had been a €5 billion VAT fraud, and other scandals involving stolen and re-used allowances<sup>12</sup>. The EU Court of Auditors pointed out some serious issues that affect the integrity of the EU ETS, including the need to provide better regulation and supervision in order to leverage it as a tool of environmental policy<sup>13</sup>. In a World Bank review on carbon markets, the NZ ETS ranked last among 26 other schemes<sup>14</sup>.

A carbon tax or fee system would be simpler and more transparent as polluters pay a decent price for their emissions to the government to support sustainable, low carbon initiatives. Another way forward is "carbon tax with 100% dividend", proposed by Prof. James Hansen, former NASA scientist. In this case, 100% of the tax is returned to the public, which with a regulated, rising carbon price, would reduce fossil fuel demands and spur low carbon innovations over time<sup>15</sup>.

#### **5. We can't solve problems by using the same kind of thinking we used when we created them**

Albert Einstein's quote<sup>16</sup> concludes our submission. Climate change and its catastrophic consequences are the result of neoliberal capitalism which champions infinite growth. We cannot rely on the market system to solve the climate problem and all the social injustice associated with it.

If the government is serious about climate change and reducing GHG emissions, it would have set much more ambitious reduction targets and do its fair share<sup>17</sup>. It would stop all new fossil fuel prospecting, exploration and production and phase out all existing permits. It would put in place serious regulatory mechanisms and financial incentives to foster sustainable agriculture that does not rely on urea (derived from gas) or imported palm kernel, but nurture soil biota, agro-forestry and native forestry that sequester carbon. It would invest in efficient public transport and electric vehicles driven by renewable energy.

Four of the nine planetary boundaries have already been crossed as a result of human activity; notably climate change, loss of biosphere integrity, land-system change (e.g. deforestation), and altered biogeochemical cycles (phosphorus and nitrogen)<sup>18</sup>. *“Transgressing a boundary increases the risk that human activities could inadvertently drive the Earth System into a much less hospitable state, damaging efforts to reduce poverty and leading to a deterioration of human wellbeing in many parts of the world, including wealthy countries,”* Prof. Will Steffen.

To safeguard humanity from total collapse, we need a real paradigm shift with *“unprecedented scale, speed and complexity of change,”* Rod Oram at VUW Climate Conference, 17 Feb 2016.

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<sup>1</sup> Statistics New Zealand, accessed 19 Feb 2016. Greenhouse gas emissions.

[http://www.stats.govt.nz/browse\\_for\\_stats/snapshots-of-nz/nz-progress-indicators/home/environmental/greenhouse-gas-emissions.aspx](http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/nz-progress-indicators/home/environmental/greenhouse-gas-emissions.aspx)

<sup>2</sup> Nicolas, Berghmans, Cheze Benoit, Alberola Emilie and Chevallier Julien, 2014. The CO<sub>2</sub> emissions of the European power sector: economic drivers and the climate=energy policies' contribution. CDC Climate Research Working Paper No 2014-17. [http://www.cdclimat.com/IMG/pdf/14-10\\_cdc\\_climat\\_r\\_wp\\_14-17\\_power\\_sector\\_in\\_the\\_eu\\_ets-2.pdf](http://www.cdclimat.com/IMG/pdf/14-10_cdc_climat_r_wp_14-17_power_sector_in_the_eu_ets-2.pdf)

<sup>3</sup> Resource Management (Energy and Climate Change) Amendment Act 2004.

<http://www.legislation.co.nz/act/public/2004/0002/latest/DLM237584.html>

<sup>4</sup> Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012.

<http://legislation.govt.nz/act/public/2012/0072/latest/DLM3955428.html?src=qs>

<sup>5</sup> Resource Legislation Amendment Bill.

<http://legislation.govt.nz/bill/government/2015/0101/latest/DLM6669131.html?src=qs>

<sup>6</sup> ECO, 2015. Resource Legislation Amendment Bill: Multiple important law changes. In ECOLink, Nov-Dec 2015.

<http://www.eco.org.nz/uploads/ECOLink/ECOLink%20Nov-Dec%202015%20finale1.pdf>

<sup>7</sup> Marine Consent EEZ000010, 4 June 2015.

[http://www.epa.govt.nz/EEZ/EEZ000010/EEZ000010\\_MOF0144\\_STOS\\_Maui\\_Decision\\_4\\_June\\_2015.pdf](http://www.epa.govt.nz/EEZ/EEZ000010/EEZ000010_MOF0144_STOS_Maui_Decision_4_June_2015.pdf)

<sup>8</sup> Climate Justice Taranaki Inc. 7 May 2015. Closing Submission in the matter the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 and An application by Shell Todd Oil Services Limited for a marine consent for existing and planned future activities relating to the extraction, production and transport of natural gas and condensate at Maui Platform A and B, natural gas field. <https://climatejusticetaranaki.files.wordpress.com/2013/03/cjt-closing-representation-7may2015-amended1.pdf>

<sup>9</sup> Environmental Protection Authority, 18 Dec 2014. EPA grants marine consent to OMV NZ Ltd.

<http://www.epa.govt.nz/news/epa-media-releases/Pages/marine-consent-OMV.aspx>

<sup>10</sup> Rob Stock, 3 Feb 2013. Carbon credit price meltdown. Stuff Business.

<http://www.stuff.co.nz/business/8252659/Carbon-credit-price-meltdown>

<sup>11</sup> Sandbag, 2013. Drifting toward disaster? The ETS adrift in Europe's climate efforts. The 2013 Environmental Outlook for the EU ETS. [https://sandbag.org.uk/site\\_media/pdfs/reports/Drifting\\_Towards\\_Disaster\\_25.6.2013\\_Final\\_1.pdf](https://sandbag.org.uk/site_media/pdfs/reports/Drifting_Towards_Disaster_25.6.2013_Final_1.pdf)

<sup>12</sup> Corporate Europe Observatory, 26 Oct 2015. EU emissions trading: 5 reasons to scrap the ETS.

<http://corporateeurope.org/environment/2015/10/eu-emissions-trading-5-reasons-scrap-ets>

<sup>13</sup> EU Court of Auditors, 2015. Special Report: The integrity and implementation of the EU ETS.

[http://www.eca.europa.eu/Lists/ECADocuments/SR15\\_06/SR15\\_06\\_EN.pdf](http://www.eca.europa.eu/Lists/ECADocuments/SR15_06/SR15_06_EN.pdf)

<sup>14</sup> Rod Oram, 8 June 2014. Perpetuating the ETS scam. <http://www.stuff.co.nz/business/opinion-analysis/10127199/Perpetuating-the-ETS-scam>

<sup>15</sup> James Hansen, 25 Feb 2009. Carbon Tax & 100% Dividend vs Tax & Trade. Testimony to Committee on Ways and Means United States House of Representatives. [http://www.columbia.edu/~jeh1/2009/WaysAndMeans\\_20090225.pdf](http://www.columbia.edu/~jeh1/2009/WaysAndMeans_20090225.pdf)

<sup>16</sup> Brainy Quote. Albert Einstein Quotes. Accessed 19 Feb 2016.

<http://www.brainyquote.com/quotes/quotes/a/alberteins121993.html>

<sup>17</sup> Climate Action Tracker, 12 July 2015. New Zealand deploys creative accounting to allow emissions to rise.

[http://climateactiontracker.org/assets/publications/briefing\\_papers/NZ\\_INDC\\_Assessment\\_July\\_2015.pdf](http://climateactiontracker.org/assets/publications/briefing_papers/NZ_INDC_Assessment_July_2015.pdf)

<sup>18</sup> Stockholm Resilience Centre, accessed 19 Feb 2016. Planetary Boundaries 2.0 – new and improved.

<http://www.stockholmresilience.org/21/research/research-news/1-15-2015-planetary-boundaries-2.0---new-and-improved.html>