

C/o 205 Wakari Rd.,
Helensburgh,
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March 31, 2017.

Matthew Cowie,
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Dear Matthew,

Emissions Trading Scheme Review: Dunedin Meeting

Wise Response Inc was represented at the morning session of the Dunedin consultation meeting on Friday 3 March 2017. Prior the meeting we asked for comment on the ETS from our Wise Response discussion group. During the meeting we conveyed some of the key points that arose from that discussion. We wish to confirm those with you now.

While some of our members consider that the ETS should be scrapped altogether, a more general view appears to be that it is one option that could assist the distribution of emissions allocation once a sufficiently tight carbon budget has been set.

Key concerns with the ETS

The following are key issues and flaws with the ETS as proposed

1. The targets the ETS is set to meet (NZ's Intended Nationally Determined Contributions) are too weak and insufficient to play NZ's fair part in reinstalling the climate below 2 degrees average.
2. Exemptions for agriculture and trade-exposed industries further compromise the ETS - all emissions must be included to allow the market to adjust to the new imperative
3. Relying on overseas unit off-sets and local forestry (especially if it will become a net emitter) is shonky and of little value unless they are accompanied by serious reductions in the economy as a whole.
4. Assuming an inelastic demand (or close to) for the reduction is illogical if we are relying on a market to change behaviour
5. Failure to see the potential to offset domestically where we could pay a premium to those who foster native biodiversity, as well and have these as premium emissions credits in any international markets.

Needed in the ETS

1. We need a process which first sets just and conservative targets based on a public conversation about common deeply-held values, goals and responsibilities

2. Fiscally neutral carbon cap and dividend imposed at points of import and emission. Jim Hansen explains mechanics at this site.¹
3. Sinking lid on permissible emissions
4. Annual reporting on CO2 reductions in relation to milestones and the agreed budget
5. Revenues from the ETS are directed to renewable energy and low emissions landuse
6. Need to capture not just industry but all citizens and promote behaviour change practical action

Context for Wise Response concerns

According to Lord Nicholas Stern (London School of Economics), human-induced climate disruption is the greatest market failure in history. It is now widely accepted as an existential threat to future human civilisation. The seriousness of the situation we face has been summed up by Dr Bob Lloyd in Evidence for Wise Response to the Fonterra Studholme Resource Consent application, March 2016.

13 After exceeding two degrees, feedback effects are highly likely to make the situation irretrievable. That is the temperature will just keep on going up irrespective of what action is taken. Clearly such a situation would eventually threaten practically all other inputs on which a stable economy depends.

14. The allowable CO2 emissions before this scenario takes over is 900 GT from the end of 2010 onwards (IPCC AR5 2014 Mitigation report) . This is equivalent to 250 billion tonnes of carbon.

15. How much carbon have we got in existing reserves? This is around 750 billion tonnes C (British Petroleum Stats, 2014) so that means we can only burn around 1/3 of known reserves and have a 66% change of staying below 2 degrees. IPCC 2014 says only 1/5 can be burnt. We thus have enough fossil fuels to make the planet uninhabitable to most forms of life for a long time if were all to be burned.

16. If allocated equally between a global population of 7.4 billion, the 900 GT "safe" remaining allocation is equivalent to around 120 tonnes CO2 per person. The world is emitting a little over 5 tonnes per capita per annum (i.e. together 37 billion tonnes) which gives us 24 years at present rates of emission (NZ 8, China 7, US 19, Kuwait 30, India 1.5, Nepal 0.1).

17. Historical increases will put us over the line by 2031 with the IPCC range being between years 2024 and 2036. British Petroleum's estimate of future fossil fuel use extends the crossover by one year to 2032. If we managed to keep emissions from all fuels at 2014 levels the crossover extends by 3 years to 2034 (i.e. we get 3 more years grace).

¹ <https://www.youtube.com/watch?v=85AzuOLuC9Q&feature=youtu.be>

18. To keep below 2 degrees C above preindustrial averages we would need to reduce all emissions from the end of this year by 5% pa. If we wait until 2020 the reduction will need to be 7% pa. Fatih Birol, Chief Economist for the International Energy Agency, considers it needs to be 8% pa.

19. With these scenarios, the total world emissions in 2050 would need to be only 5GT per annum from the current net 37GT i.e. the total reduction from 2014 would need to be 87%, close to what some environmental groups in Germany are proposing. (See attached evidence)

Conclusions

1. From this brief extract alone it is clear that the task we face is enormous and possibly already beyond retrieval. The nature of the threat already means we are at extreme risk. Accordingly there is no longer the luxury for wealthy countries like NZ to freeload or game the system in any way. We are already well behind.
2. The MfE presentation outlined the many uncertainties in developing an effective domestic and international emissions market. Given the above concerns and that we get one chance to avoid planetary over-heat, Wise Response consider a more directive outcome-focused process is required so failure is not an option.
3. That is to define a morally defensible carbon emissions budget (i.e. volumetric limit) for NZ and then to structure an allocation regime that gives compliance certainty.
4. Once the budget is set, market mechanisms may be used to allocate between emitters, but will not get an optimum outcome without accompanying interventions, careful structuring between essential activities and complementary methods, like carbon efficiency regulations.
5. We appreciate that your brief may exclude consideration of some of the above issues. However, an extraordinary situation requires an extraordinary response.
6. We thus urge you to recommend whatever steps you consider necessary to facilitate a stable climate. Key amongst these must be a process that gives all NZ'ers the opportunity to determine what level and rate of reduction they consider to be just and equitable.
7. This will only work if MfE, being the government department charged with advising both the Government and public on a responsible position in dealing with this most serious environmental issue of our time, and probably of all time, that it greatly increases its publicity on this issue. For example, we were greatly disappointed with the extremely low attendance at the Dunedin workshop, which we ascribe to the lack of public notification.

We look forward to your reply.

Yours sincerely

Sir Alan Mark,
Chairperson