

Climate Change Response (Moderated Emissions Trading) Amendment Bill — First Reading -
24 September 2009

Hon Sir ROGER DOUGLAS (ACT): Normally, our leader, Rodney Hide, would take a call on this subject, but I will make one or two points. My first point is that ACT will not be voting for the Climate Change Response (Moderated Emissions Trading) Amendment Bill. It is fair to say that one or two of the ideas that were put before the Minister for Climate Change Issues and were, I think, rejected by him would have been reasonably attractive to us, and we could have supported them. I think it is well known that we would support a low carbon tax, because it is possible with a carbon tax to get the economic incentives right in a way that is not possible under the bill. But it also seems to me that this particular bill, and the deal-making that went on around it, is of the worst kind.

It seems to me that politicians around the world have been attracted to the emissions trading scheme because it does not look or sound like a tax. Moreover, politicians can hand out the credits in a politically advantageous way, and I suggest that that is what is likely to happen under the legislation.

Already we hear that the emissions trading scheme legislation will include a Treaty of Waitangi clause, which means that Treaty settlements will be looked at afresh, that iwi fishing interests will be allocated carbon credits, and that there is pressure to increase some welfare benefits. As it turns out, National has the support of the Māori Party only for the bill to be referred to the select committee. It is obvious who has the leverage here.

The Government is congratulating itself on the delayed entry and gradual transition that is envisaged for different sectors. But the direction of policy is a crucial signal to investors. That is the important factor, not the precise date. A gradual transition does not help much as far as jobs and investment are concerned. The destination is the problem, and the signal to businesses is loud and clear: they should invest elsewhere.

The business sector and investors know very well that the Government is putting in place a mechanism that a future Labour-Green Government could use to massively penalise various energy-intensive industries. For farmers the future costs are not far off, and the inevitable consequence is that those costs will be capitalised into farm prices. That will mean lower farm prices than would otherwise be the case. For existing farmers the emissions trading scheme means a wealth loss and reduced future income, together with massive uncertainty. For marginal businesses that will not face the emissions trading scheme costs in other countries, the signal is very clearly to redirect investment to those other countries.

It seems to me, too, that the problem with this process is that it has not been particularly transparent. Some of the advice in relation to the emissions reduction targets—particularly from Treasury—has not, I believe, been effectively answered by the Government. Treasury is saying that the Minister's proposals assume a best-case scenario and do not adequately recognise a number of the associated risks.

Specific concerns are that the Minister is setting a target that, in Treasury's words, imposes higher costs on New Zealand compared with our trading partners, does not have an

unconditional target as a possible fall-back position, includes forest credits that are uncertain and have a future liability, puts too much emphasis on the current Kyoto Protocol targets, and does not adequately consider international financing commitments.

The Minister may well know more than Treasury does—I accept that that might be the case—but the point I want to make is that if we are going to have a process like this, then it should be transparent. Surely, the people of this country are entitled to know why the Minister rejected Treasury's advice. Does the Minister not agree that his proposal will cost another \$12 billion to \$16 billion over a 9-year period? Is Treasury wrong, or is the Minister saying that Treasury is right but that we should bear that cost? Is it true that, as Treasury is saying, we are imposing a higher cost on New Zealand companies than on our trading partners? If that is the case, it should be made public.

If the Minister wants public acceptance of the scheme, he would be wise to go through the sort of process that the Labour Government of the 1980s did with GST. We put out a white paper, and submissions were invited from the public. We had a committee, which was headed by a National Party candidate from 1984 in order to give it transparency, and we took recommendations and gave a response. The problem I have with the Minister is that I think he is going through a process where there is not an awful lot of transparency or accountability. I wonder how many of National's Cabinet and caucus actually understand precisely what the Minister is doing.