

The Emissions Trading Scheme must be stopped

**from John Boscawen
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On July 1 this year, the Emissions Trading Scheme (ETS) will be extended across most productive sectors of our economy, making them instantly more costly for everyone.

The ETS was created because of the theory that human emissions of carbon dioxide cause “global warming” or, as it’s now called, “climate change”.

The government wants to make energy (electricity and petrol) more expensive, so consumers will use less of it, so less carbon dioxide will be emitted into the atmosphere, so less climate change will occur.

Although the ETS will not influence the climate, it will influence your budget. The Treasury predicts that the immediate financial impact of New Zealand’s ETS will be a 5% increase in the price of electricity and a 4c/litre increase in the price of petrol.

In three years (January, 2013) prices will at least double again, with total increases of 10% for electricity and 8c/litre for petrol, just from the ETS.

The Reserve Bank says prices generally will go up by about 0.4% on July 1, since these price increases will affect everything that we buy. While the government promises to adjust superannuation and benefits if GST increases, they refuse to make the same promise about the ETS.

Because of the way the New Zealand electricity market works, these increases will create massive windfall profits for the electricity generators, paid for by hard-working Kiwi families. Even the government is up for huge windfall tax gains. Together they amount to hundreds of millions of dollars. (read the full details below).

These profits will come from ordinary consumers, farmers and exporters. The impact on our exporters and farmers will be huge, because they cannot just pass these costs on to their foreign customers, as domestic firms can. So Kiwi jobs will be lost and it will take even longer for New Zealand to recover from the recession.

New Zealand is the first country in the world to install an ETS that covers the whole economy – it means everyone will pay. While Europe has an ETS, it is nowhere near as extensive as ours. In particular, the European ETS applies only to major emitters, it covers only about 40% of the country’s emissions and it doesn’t affect the price of electricity to families and households as it will in New Zealand.

Lately, attitudes towards climate change have changed. This is powerfully illustrated in the recently-failed attempt by France to introduce a carbon tax on petrol, as will apply in New Zealand, President Sarkozy abandoned this in March when other countries in Europe refused to match it.

When National amended the ETS last September they modelled it on Australia’s ETS. Everyone fully expected that Australia would also introduce one, as would the US. However, the Rudd government has just shelved its emissions trading scheme for at least three years. It is most unlikely to be re-introduced.

As a consequence, New Zealand has gone from being a “fast follower”, as John Key promised us, to being actually the world leader in ETS taxes.

Since our ETS tax became law, the Copenhagen climate talks have broken down and nowhere around the world is there any expectation that we will see a climate agreement to replace the Kyoto Protocol from 2013. At the same time, “Climategate” and other UN IPCC irregularities have increased public scepticism of the human-induced global warming theory.

The ETS was originally passed by Labour, the Greens and New Zealand First. It was supposed to start on January 1 this year, with a 10% increase in electricity prices and an 8c/litre petrol increase from 2011. Because they introduced the ETS, you won't hear Labour or the Greens speak against it, even though we are the only country to have such comprehensive increases.

National argue that because they halved Labour's tax plans and delayed the scheme, it is not as bad as it might have been. Perhaps we ought to be grateful for this. But the scheme won't have any effect on the climate, none of our trading partners has an ETS and can hardly complain if we don't, so what are we paying for? What are we getting?

ACT, and only ACT, believes that regardless of whether man-made global warming is true, New Zealand is crazy to be proceeding with an ETS tax at any time, but especially during a recession.

ACT believes that the implementation of the ETS should be delayed, at least until our major trading partners, Australia and the US have caught up.

ACT says that, in the absence of concerted action from our major trading partners, there should be NO INCREASE at all.

Windfall Profits from Electricity Generation

Electricity in New Zealand is generated primarily by five major companies – the government-owned Meridian Energy, Mighty River Power and Genesis, and the privately-owned Contact Energy and Trustpower.

Electricity is generated from both renewable sources (hydro, wind and geothermal) and non-renewable sources (gas and coal). Meridian, owner of South Island hydro stations and wind farms, generates 100% renewable power, while Genesis, owners of the coal and gas-fired Huntly power station, generates mostly non-renewable power.

From July 1, generators using coal and gas will have to pay for their carbon emissions. They will recover this cost by increasing the wholesale price at which they sell electricity to the market. However, all the other generators will also get the higher price – whether they pay the tax or not. That's the way our auction system operates. So Meridian (renewable power) will get a higher price and don't need to pay for carbon emissions. So they collect a "carbon tax", and they get to keep it.

This gives the term "windfall profit" an entirely new meaning. Their bitterly unlucky consumers will be forced to pay the carbon tax, even though their power is coming from hydro stations and wind turbines.

The government, as owner of Meridian, will pocket not just the carbon tax, but Meridian's windfall profits. Literally hundreds of millions.