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Reality Bites on Climate Change

In the past week there have been signs that governments are becoming more sober and realistic on climate change issues.

This can only be good news for the prospects of more balanced long-term policies to safeguard both the economy and the environment.

The intergovernmental meeting at Poznan in Poland saw a much more cautious approach by participants towards policies after 2012 when the first Kyoto commitment period ends.

World leaders are preoccupied with the savage international recession which, ironically, will do more to curb emissions growth in the short term than specific climate change policies.

Russia, the world's largest emitter after the United States and China, has announced it may not join a post-2012 agreement.

The European Union has been backpedalling on its plans and an Obama administration seems unlikely to take major steps unless China and India are part of an agreement.

Earlier this week the Australian government White Paper set out a target of reducing Australia's emissions from 2000 levels by 5% by 2020 on a unilateral basis or 15% if other countries take concerted action.

Only this year our Labour-led government was fantasising about 'carbon neutrality' and cutting New Zealand emissions by 25-40% below 1990 levels by 2020.

At the Poznan meeting, New Zealand's associate minister for climate change issues Tim Groser stated that the government was reviewing our suite of climate change policies.

“The objective here is not to step back from Kyoto”, he said. Rather, “this review is a means to find a more politically durable way of moving forward by building a wider policy consensus.”

This makes sense. Ultimately the issue is political. Elitists criticise governments for a “lack of political leadership”. But in a democracy governments will simply be voted out of office if they try to impose unacceptable costs on voters.

To date the evidence is that the hearts and minds of the general public have not been won over. A recent poll of 12,000 citizens in 11 countries indicated that fewer than half were prepared to make personal lifestyle changes to reduce carbon emissions.

Similarly in New Zealand poll evidence suggests that households are not persuaded of the case to bear high costs.

Policies that cost households just \$10 a week through higher electricity and fuel prices – around \$750 million in total on an annual basis – would be significant for many families.

Peter Dunne, the chairman of the select committee which is to review New Zealand’s approach, has got off to a bad start by saying he was not interested in hearing evidence on climate change science, which is where the debate must start.

If climate change is likely to be insignificant or moderate – and therefore beneficial for New Zealanders for many years – our interests will be different from those in a scenario in which it would be very costly.

Ordinary people are not fools. They know that the strident assertions of previous ministers such as Pete Hodgson and David Parker that “the science is settled” are nonsense.

There may be sufficient scientific evidence to warrant action, but legislators should hear different opinions, as they have in other parliaments.

Also the committee must start, as its terms of reference require, with a “high-quality, quantified, regulatory impact analysis ... to identify the net

benefits or costs to New Zealand of any policy action, including international relations and commercial benefits and costs.”

Protecting New Zealand’s international relations and commercial interests is the main justification for New Zealand action, given that nothing we do can affect global temperatures.

A rigorous analysis has never been done by officials, and in its absence the public is unlikely to be persuaded of the case for action.

The committee is also required to examine the relative merits of an emissions trading scheme and a carbon tax (coupled with a subsidy for forestry sinks and equivalent tax reductions) as a policy response.

An overwhelming majority of eminent economists favour a tax, and even ardent promoters of action on climate change such as Al Gore, Ralph Nader and Jeanette Fitzsimons are on record as favouring a tax over an ETS.

One advantage of a tax, at least for an interim period, is political: households and firms would know the costs they face and the risks of rent-seeking and favouritism in its administration are lower.

The select committee also has to consider the timing of New Zealand action. It makes no sense to take final decisions until after next December’s Copenhagen meeting and after the final decisions of Australia (which are left open until then) and the position of the United States are known.

The select committee process represents the best chance to date of framing a durable public and political consensus on rational climate change policies for New Zealand. We must not blow it.

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