

4 September 2012

To the Finance and Expenditure Committee
c/o Parliament Buildings
Wellington

Submission on the Climate Change Response (Emissions Trading and Other Matters) Amendment Bill (the Bill).

ExportNZ is pleased to have the opportunity to provide a submission to the Finance and Expenditure Committee on the Bill.

1. ExportNZ is concerned about maintaining the international competitiveness of our exporters and is opposed to any strengthening of the NZ Emissions Trading Scheme at this time given none of our international competitors have joined the EU and New Zealand in introducing an emissions trading scheme. Australia has just introduced a carbon tax, but it is unclear how long that will be in place.
2. Any increased stringency in the scheme would increase costs and undermine our international competitiveness at a time when exporters are struggling with a high and volatile dollar and a sluggish global economy, for doubtful environmental benefits (few low cost abatement options left domestically). While much global political rhetoric continues about the need to price carbon, action around the world remains slow and uncertain. This is reflected in the excess supply of international units and a correspondingly low carbon price. For these reasons we support the Bill's maintenance of the moderating features until such time as the rest of the world's major emitters move to price carbon in a comparable way.
3. We have no objection to New Zealand doing its fair share in tackling the global emission reduction challenge, but we are concerned that NZ does not move ahead of other countries in stringency and cost which will merely put our otherwise internationally competitive exporters at a disadvantage.
4. We are pleased that the NZ scheme is not based on or linked to the Australian scheme for the sake of it without thinking through the issues carefully. Australia is a much more energy intensive economy than

New Zealand and the political support for pricing carbon in Australia remains uncertain. New Zealand firms need some policy certainty as to the operation of the Emissions Trading Scheme. Predictability helps with planning and investment and jumping on what-ever is proposed by Australia (from political cycle to political cycle) is not necessarily in the best interests of the New Zealand economy.

5. ExportNZ is pleased that the NZ scheme will continue to operate without limiting the ability of firms to buy the 'least cost' emission reduction units internationally. This was one of the supposed benefits of an emissions trading scheme over a tax and a fundamental feature of the Labour led Government's 2008 scheme design. Limiting access to international carbon markets was not recommended by the 2011 ETS Review Panel and trading for "least cost" emission reductions should be able to be utilised as was intended by the UNFCCC when they set up the rules for the CDM.

ExportNZ requests the opportunity to present our key points to the Finance and Expenditure Committee on this Bill.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C. Beard', with a long horizontal flourish extending to the right.

Catherine Beard
Executive Director