

GREEN PARTY GAINS SET TO RAISE KYOTO STAKES

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The Green Party's position on the introduction of the Kyoto Protocol and a proposed "ecological tax reform" are concerns for the forest industry following the weekend's general election result in New Zealand.

The Green Party is set to take a key role in the New Zealand Government, after the Labour Government was returned and the main Opposition National Party suffered a shattering defeat. In a result remarkably reflecting that of the Australian state of Tasmania a week earlier, Labour won 41% of the vote and National 21%, with the right vote leaking away to several smaller parties.

Labour's previous coalition partner dissolved, leaving it depending on the Greens to form a minority government. Although most of the focus has been on the debate over the introduction to New Zealand of genetically modified crops, the election result almost certainly means the country will now go ahead with plans to introduce Kyoto Protocol principles, with implications for the forest industry development. One good aspect of this is that main competitor, Chile, has voted also to back the Kyoto Protocol (See SOUTHEM Online 43).

Although the New Zealand Forest Industries Council has taken a more conciliatory line towards relationships with the government, promoting a "partnership" concept in its election backgrounder, some elements of the industry have real concerned about Labour's stance on Kyoto. This concern is likely to be heightened further given the increased influence the Greens will have on the government following the vote.

BACKGROUND

The government's Kyoto Protocol stance is outlined at the Ministry of Agriculture and Forestry web site in a backgrounder on sustainable development.

It notes that in 1998 New Zealand signed the Kyoto Protocol to the United Nations Framework Convention on Climate Change indicating an intention to proceed to ratification, subject to satisfactory resolution of the Protocol's outstanding issues. The backgrounder says the Kyoto Protocol is important because for the first time developed countries agreed to legally binding commitments to reduce their greenhouse gas emissions. Under the Protocol, developed countries will reduce their collective emissions of greenhouse gas to at least 5 percent below 1990 levels averaged over the period 2008-2012.

"Individual country target levels were set at different levels within this overall target, recognising countries' differing capacities to reduce emissions. New Zealand's target is 0 percent, that is, to stabilise emissions at 1990 levels on average during the commitment period. Other country targets ranged from an 8 percent decrease for the European Union to a 10 percent increase for Iceland. Australia negotiated a 8 percent increase."

As of March 1999, 84 countries including New Zealand and the United States had signed the Kyoto Protocol. The Protocol will become legally binding when at least 55 countries, representing 55 percent of the developed countries CO₂ emissions, have signed and then ratified the Protocol. Seven countries (all small island or low-lying states) have now ratified the Protocol.

The backgrounder notes that New Zealand's emissions target will become legally binding when New Zealand has ratified the Protocol and it enters into force. While the

New Zealand commitment to return emissions to 1990 levels by 2008-2012 may not seem ambitious at first, carbon dioxide emissions during the period 2008-2012 are projected to be 39 percent above the 1990 levels. This is only partially offset by projected reductions in emissions of non-CO2 gases. Overall New Zealand's emissions of greenhouse gases for this period, when converted to CO2 equivalent figures, are estimated to be some 34 million tonnes above New Zealand's target level. Consultation with industry groups led the Convenor of the Ministerial Group on Climate Change Pete Hodgson to note that the government would be "listening closely to the views of New Zealanders before making a formal decision on ratification next year [September 2002]".

GREEN POLICIES

Green Party co-leader Jeanette Fitzsimons, although welcoming the climate change consultation, said she was hugely disappointed that the Government was reopening the question of whether New Zealand should ratify the Kyoto protocol.

Fitzsimons said the Government was running the risk of turning the public consultation process into a massive lobbying effort by saying that the final decision on ratification had still not been made.

In the lead up to the general election, the Green Party released a proposal for "ecological tax reform". Stating that ecological tax reform is a simple idea, party said the concept would shift taxes off work and enterprise, and onto waste, pollution and scarce resources.

"Those who waste and those who pollute, pay more. Clean business pays less and everyone pays less income tax. It's common sense if we want a sustainable economy, and it's happening now in many European countries," the policy statement said.

The statement did at least acknowledge that ecological tax reform should be a gradual process that needed to be worked through with all concerned.

"That's part of Green thinking too. But we have clear proposals on how to start with a new idea for income tax cuts and proposals for investing more in our nation."

The Greens also wanted to see ending the government's dedicated super fund as part of ecological tax reform.

"Instead of putting NZ\$2 billion a year at the mercy of international stocks and bonds, the Greens want to invest in New Zealand so, among other things, we can pay super out of a stronger economy in the future."

Outlining how the eco-tax could work, the statement said in stage one, the polluter pays, the government could raised about \$300 million a year by making diesel users pay "their fair share".

A further \$300 million a year could be raised through a low-level carbon charge of \$10/tonne of CO2. "Together, these two will pay for the first year of income tax cuts and a bit more besides," the statement said.

In stage two, promoting sustainability, a range of taxes could be introduced, such a landfill taxes, natural resource rentals and a levy on toxic wastes.

In stage three, an ecological tax reform commission could be formed to develop a strategy for further ecological tax reforms. The commission would look at all existing taxes and possible new eco-taxes; for example other forms of pollution or energy.

INDUSTRY STANCE

In the lead up to the general election, the New Zealand forest industry argued the government should take on board industry concerns.

In a background paper, the New Zealand Forest Industry Council, the NZ Forest Owners Association and the Farm Forestry Association said the industry strongly supported a partnership approach with Government, such as that "piloted" by the Wood Processing Strategy, to drive its future growth and recommends the following policies.

However, it noted that impact on the international competitiveness of New Zealand's primary based manufacturing export sectors should be an important consideration for the Government in all international trade and environment negotiations. The involvement of industry experts in developing New Zealand's international trade and environment policy objectives, and on New Zealand Government delegations, should be actively encouraged, the industry groups said.

"Should New Zealand ratify the Kyoto Protocol ahead of major trading partners and competitors, involve New Zealand forest industry experts in negotiations about recognition of fast growing forests in international accounting, reporting and verification methodologies, the treatment of forest and harvested wood products sinks in the Second Commitment Period and the involvement of developing countries in the Protocol."

The backgrounder said formal ratification and implementation of policies should be timed to coincide with major trading partners and the formal adoption of emission reduction targets by developing country competitors.

"The government should recognise that the forest industry is a key part of New Zealand's solution to achieve its greenhouse gas stabilisation targets under the Kyoto Protocol."

A COMPANY VIEWPOINT

One of New Zealand's major forest companies, Carter Holt Harvey, has taken a more direct approach. In a 5 November 2001 statement, the company's chief operation officer Jay Goodenbour said with the world staring down the barrel of a recession the government had to pull back its timetable for ratification of the Kyoto Protocol.

"The Climate Change treaty is one of the most complicated and far reaching treaties ever negotiated. Its economic consequences are highly unpredictable. Most developed economies are already reeling from the effects of September 11 and a slowing US economy.

"Several recent independent assessments indicate that Kyoto will hurt our ability to export, will increase costs and cost jobs. The Government's planners admit they will have to intervene in the market by using subsidies and other protective mechanisms to protect the New Zealand economy from the international inequities caused by those countries not part of the Kyoto Protocol."

It was understandable that industry leaders had united in calling for the government not to ratify ahead of New Zealand's trading partners and the US. The economic costs were too high for what would be tiny environmental gains. New Zealand produced 0.2% of the world's greenhouse gases; the United States produced 35%. Until the US joined Kyoto, the evidence shows that protocol would not measurably impact world climate change. Therefore New Zealand bore all the risk for minimal gain to the environment.

FUTURE IMPACTS

The government has already signalled it is unlikely to have a "formal" coalition with the Green Party. It does have the support of two former Alliance Members of

Parliament, including former leader Jim Anderton. However, it needs the Greens support to gain the necessary majority to gain a four-seat majority in Parliament. It can call on a newly emerged centrist party, United Party, or even the more rightist New Zealand First, but it would rather not at this stage at any rate.

The sticking point is that the Greens have threatened to bring down Labour if a moratorium on the commercial release of GE crops goes ahead as scheduled in October 2003.

Even if Labour and the Greens can't reach an accommodation on this sensitive issue, it is likely there will be some price to pay for on-going Green support for government policies. The last term of the government saw the introduction of policies put forward by the now demolished Alliance Party, including the successful start of a Kiwi Bank to promote lower bank fees for New Zealanders and a stronger thrust for regional development.

Having been burnt with the Alliance, Labour is likely to be unwilling to give too much lee-way to its new partner, the Greens. But it is almost certain something will have to give.

SOURCES

Ministry of Agriculture and Forestry backgrounder, see <http://www.maf.govt.nz/forestry/publications/forestry-sector-issues/fsisustainingtheresource.htm>

Green Party statement on Kyoto Policy
<http://www.greens.org.nz/searchdocs/PR4780.html>

Green Party ecological tax reform proposal
<http://www.greens.co.nz/searchdocs/policy5430.html>

New Zealand forest industry election backgrounder
http://nzfic.nzforestry.co.nz/nzficfoaffabried_jul02.asp

Carter Holt Harvey Ltd position
<http://www.chh.co.nz/>