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UNCERTAINTY OVER THE COST AND BENEFITS OF EMISSIONS TRADING

"The present estimate of the financial commitment of New Zealand to meet its Kyoto Protocol obligation over the next five years through the purchase of carbon credits (by Government and/or companies and organisations) ranges widely from about \$600 million (NZ Treasury) to around \$1.7 billion (National Party and the Green Party) to up to \$3.5 billion (Business New Zealand)" said EnergyWatch Editor John Blakeley.

The actual figure will depend very much on the international market price of these credits, which Treasury estimates at \$13 per tonne of carbon dioxide equivalent, National and the Greens at around \$30 per tonne, based on the current price on the European carbon market for the 2008 year, and Business NZ at up to \$60 per tonne or more by the year 2012, when a lot of the credits will actually need to be purchased. "Who will be right is anybody's guess at this stage" said Mr Blakeley.

A serious problem for New Zealand is that purchasing those credits on an international market will serve only to transfer out large sums of money, probably billions of dollars, to other countries while doing little or nothing to reduce world man-made greenhouse gas emissions (New Zealand currently produces only 0.14% of these emissions).

Canada is one country which has recently announced that it will not transfer such money out although it has ratified the Kyoto Protocol. Other countries are likely to follow suit.

Also, the cost of purchasing these credits will be passed on to the New Zealand consumer resulting in a transfer of wealth away from most of society, including those who can least afford it, for no demonstrable benefit to anyone except those directly involved in carbon trading.

Further information on the above is contained in EnergyWatch Issue 45 - August 2007, which can be viewed at www.energywatch.org.nz

The Government is expected to announce next month details of its proposed greenhouse gas emissions trading scheme.

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