

### 3. KYOTO PROTOCOL: ENSURING OUR FUTURE

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The purpose of this report is to seek comment on whether the Council should make a submission on the Climate Change Consultation Paper, which relates to the ratification by the New Zealand Government of the Kyoto Protocol by September 2002.

#### INTRODUCTION

The Council at its meeting on 22 March 2001 adopted a submission to the Interim Report of the Local Government Select Committee on an Inquiry into the role of local government in meeting New Zealand's climate change targets. It was pointed out that the Council, in April 1995, had adopted a policy relating to Climate Change<sup>1</sup> and had continued to support commitment to this issue through a number of activities. The Council has also endorsed the EBEX21 programme, which is intended to facilitate the trading of greenhouse gas emissions through the development of native forest in perpetuity.<sup>2</sup>

The key submissions to the Select Committee<sup>3</sup> were summarised as follows.

1. *That Central Government should be taking a lead role in policies, target setting, giving effect to appropriate legislative change, funding and project support. The Council believes that it is imperative to introduce policies now when time is on New Zealand's side and policies can be implemented in a measured manner.*
2. *That central Government should both lead by example and at the same time assist regions to assess their situation and find ways to meet targets in their region.*
3. *The Council endorses the partnership philosophy outlined in the Interim Report, and is willing to play its part in seeking to address the country's commitments in relation to greenhouse gas emissions.*
4. *It wishes to register its interest in continuing to participate in the development of the responses to address the climate change targets associated with greenhouse gas emissions.*
5. *EECA should continue and be recognised as vital by continuing to attract central Government funding, support and encouragement.*
6. *The Minister for Local Government is added to the group of Ministers overseeing climate change policy.*

This current consultation paper deals with, largely, two matters arising from the decision of the Government to ratify the protocol by September 2002. This ratification process requires New Zealand to pass legislation to put in place mechanisms and policies to enable it to meet the Protocol obligations. It is intended to introduce a Climate Protection Bill early next year to Parliament. The Bill will consist of two parts. Part 1 will cover the minimum requirements for ratification, which will include setting up a national system to monitor and report on emissions and an inventory of emission units. It will also enable the Government power to buy emission units on the open market. Part 2 will set out the policies New Zealand intends to use to meet its obligations and this will be introduced after Part 1.

#### BACKGROUND

The Kyoto Protocol, developed in 1997, is an international agreement arising from the United Nations Framework Convention on Climate Change (Rio Earth Summit, 1992). The Protocol aims to stabilise greenhouse gas emissions from industrialised countries to 1990 levels, on average, in the commitment period 2008-2012. Parties to the Protocol are required to enter into legally binding agreements to meet emission targets and are required, by 2005, to show "demonstrable progress" towards achieving their commitments.

In August this year the Hon Peter Hodgson confirmed the New Zealand Government's intention to ratify the Kyoto Protocol in September 2002, in time for the Johannesburg Earth Summit next year. The time frame for achieving ratification by September 2002 is very tight, especially considering that some of the legal details, on how the Protocol is to be applied, have yet to be finalised. It is expected that this will happen in November at the Conference of Parties (COP7) in Marrakech, Morocco.

<sup>1</sup> Climate Change, Christchurch City Policy Register, 26 April 1995

<sup>2</sup> EBEX21 Programme for Reduction in Greenhouse Gas Emissions, Council, September 2001

<sup>3</sup> Christchurch City Council, Submission on Interim Report of the Local Government and Environment Select Committee on Inquiry into the role of local government in meeting New Zealand's climate change targets, March 2001

In addition to directly reducing emissions at source, a variety of mechanisms can be used to meet targets including projects designed to either reduce emissions or to enhance removal of greenhouse gases by carbon sinks such as forests. Although the policy framework and the combination of mechanisms to be used in New Zealand are still to be debated, it is likely that targets for reducing greenhouse gas emissions will have profound implications for every sector of society and for every New Zealander.

Prior to ratification in September next year the Protocol must first be presented to Parliament along with a national interest analysis.<sup>4</sup> The national interest analysis must discuss the reasons for New Zealand becoming a party to the treaty, the advantages and disadvantages to New Zealand, the obligations involved and the economic, social and cultural effects of both entering into and not entering into the treaty. The national interest analysis must also address measures taken which could or should be adopted to implement the treaty and the Government's intentions in relation to such measures, including legislation. A statement outlining consultation, which has been undertaken or is proposed, is also required. In order to meet the proposed timeframe this may need to be done as early as February 2002.

It is now clear that the Government will take a two stage approach to legislation, with stage I being designed to meet the minimum requirements to enable ratification with stage II dealing with details on the mechanisms to be adopted to achieve New Zealand's target. It is possible that legislation to enable Stage II to proceed will not be introduced until after the election in late 2002.

It is important that decisions taken at stage I ensure that:

- early action to "voluntarily" reduce emissions does not result in any disadvantage to those instigating it,
- the burden of achieving emission targets is shared equitably across different sectors of the economy, and
- targets are achieved at least cost to New Zealand's economy.

The Government has expressed a desire to sign up Negotiated Greenhouse Agreements (NGA's) with major industrial emitters prior to Stage II being implemented. However, unless there is sufficient certainty about the alternatives faced by industry then individual NGA's are unlikely to be signed before the elections.

Energy efficiency alone will not be enough to meet New Zealand's Kyoto Protocol target of reducing emissions to 1990 levels. Tougher mechanisms such as a carbon or eco tax and emissions trading are currently being considered, however it is unlikely that a tax will be implemented before the next election. Nevertheless, consultation on such measures will need to be undertaken soon if a reasonable national interest analysis is to be prepared by February 2002. Though it should be noted that the analysis needs only to include "the measures taken which **could or should be adopted** to implement the Treaty, and the intentions of Government in relation to such measures, including legislation"<sup>5</sup> (emphasis added).

Nine Government departments are involved in advising on climate change. The Auditor-General<sup>6</sup> has recommended that information on how New Zealand is meeting its obligations be provided by a single reporting source. A climate change office has also been recommended, this would certainly have merit once implementations of climate change mechanisms starts in 2003.

## THE CONSULTATION PAPER

Part 1 of the proposed Bill will include creating Crown powers to trade on the international market and to issue emission units, including sink credits, into the Crown's account with the national registry. The purpose is for the Crown to be able to buy and sell on the market to ensure New Zealand holds sufficient emission units to cover its emissions for the period 2008 to 2012. It will also set up a National inventory to record and report data on emissions and removals of greenhouse gases.

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<sup>4</sup> Standing Order 385 (1) (g) National Interest Analysis

<sup>5</sup> National Interest Analysis, op cit

<sup>6</sup> The Report of the Controller and Auditor- General, "Meeting International Environmental Obligations", April 2001

Part 11 will look at domestic policy options to reduce greenhouse gas emissions to 1990 levels over the 2008 to 2012 period or take responsibility for any excess emissions by acquiring extra emission units or sink credits. It is currently predicted that emissions will be 14-20% above 1990 levels during the 2008 to 2012 period. Although New Zealand has a number of sinks the Government intends that most of the forest credits will be tradeable on the international market, although it is likely New Zealand will need to purchase emission units internationally if there are no technological breakthroughs. This is because most New Zealand emissions tend to be from agriculture and transport where reductions of emissions are not easily obtained.

The request for submissions to be received by the 15 December 2001 has meant that substantive draft submissions could not be prepared. However a brief draft of responses to the questions asked in the consultation paper is attached.

## **CONCLUSIONS**

The Government has determined that it will ratify the Kyoto Protocol by September 2002 and therefore must undertake the creation of legislation to support this. The introduction of Part 1 will relate largely to national matters.

The decision to ratify or not will be considered in mid February or March 2002 and it is proposed the Climate Protection Bill (Part 1) will be introduced by mid May 2002. The consultation process on the preferred policy package (Part II) will occur in mid March.

Although the City Council is not a major industrial emitter of greenhouse gases, indications are that proposed measures to reduce emissions will have wide-ranging implications. The short timeframe available for consultation, especially in the initial stages, means that there may be little forewarning of the specific measures proposed to reduce emissions.

- Recommendation:**
1. That the Council support the principles behind the Kyoto Protocol but express its strong concern about the potential for damage to the economy if New Zealand moves to sign the Protocol in the absence of a commitment by our trading partners and competitors.
  2. That a submission be made on the current consultation document, based on the attached draft.
  3. That Local Government New Zealand be asked to consider preparing a sector wide submission on the policy options to be developed in Part II.