

NEWS RELEASE

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KYOTO PROTOCOL VERY EXPENSIVE FOR NEW ZEALAND

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A new report by economic consultancy Castalia concludes that it will be impossible to reduce greenhouse gas emissions in New Zealand to meet our Kyoto Protocol targets without causing severe economic hardship to New Zealanders.

The report was prepared by Castalia for the Greenhouse Policy Coalition, an industry association representing energy intensive companies on greenhouse gas and climate change issues.

Author of the report, Alex Sundakov, says until new technologies have been developed to reduce greenhouse gas emissions from fossil fuel use and agriculture, it will be impossible to reduce emissions in New Zealand if we want to continue to grow our economy.

“With nearly half our greenhouse gas emissions coming from agriculture, where there are no easy solutions, it will be very expensive if we have to try to wring the required national emission reductions out of the remaining sectors of the economy”, he said. “In addition, increasing CO2 emissions from transport are closely related to economic growth.”

He says another factor is that industrial process emissions are all associated with sectors that are globally mobile, so companies can move their operations to countries where they would not face carbon taxes and price based measures. The result would be a loss of business for New Zealand - the emissions simply moving to another country.

The Castalia report notes that New Zealand already has a large amount of renewables in our electricity generation system (hydro, wind, geothermal) and looking into the future, we have more thermal than renewable options to meet increasing demand for electricity.

The Castalia report says the economic growth that New Zealand has enjoyed recently has been and will continue to be driven by the industrial processing/commodity exporting sectors and tourism, and while these are energy intensive activities this does not mean we are inefficient in our use of energy.

Catherine Beard, Executive Director of the Greenhouse Policy Coalition says the report is a wake-up call for New Zealand to ensure that realistic goals are set in both the domestic and international climate change policy areas.



“Currently the Government is reviewing climate change policy and we hope that this report can assist by encouraging more realistic goals to be set for climate change policy in New Zealand.”

“We can not let climate change policies put a handbrake on the economy when we produce only 0.2% of global emissions, half of which are from agriculture which is still the backbone of the economy”, she said.

Catherine Beard says it is clear that price based measures like carbon taxes or carbon trading will do nothing in the absence of alternative technologies to reduce emissions, rather they will be a drag on the economy.

“Even Britain’s Tony Blair has recently conceded that technology is the answer to the problem and that no country will willingly sacrifice its economic growth. The Asia Pacific Partnership* represents nearly half the world’s population and 48% of global emissions. They are investing in technology solutions – we need to ask is this a more effective path for New Zealand to take?”

Catherine Beard says the Greenhouse Policy Coalition is hopeful that the Government’s Policy Review will reach a similar conclusion to the Castalia report and promote policies that will be less damaging to the economy. “The Greenhouse Policy Coalition is keen to work with Government to facilitate better co-ordination of R & D into new technology solutions between the public and private sectors, which is where the real solutions to reducing emissions will come from”.

Key Recommendations of the Castalia report include;

Internationally;

- Set realistic emission reduction goals in future over much longer time frames to let technology catch up.
- Focus on new technology development/adoption and adaptation to climate change.

Domestically

- Transport – upgrade New Zealand’s road infrastructure – reduced congestion reduces emissions significantly.
- Encourage the uptake of new technology (hybrid cars), restrictions on imported cars to encourage greater fuel efficiency and introduce biofuels.
- Abandon price based measures like carbon taxes or carbon trading.
- Encourage the uptake of new best practice energy technologies.
- Use incentives rather than sticks until new technologies are commercially available.
- To encourage quicker uptake of new technology allow more rapid depreciation of machinery for tax purposes.



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Full copy of the report is at www.gpcnz.co.nz	

Greenhouse Policy Coalition members;

- Solid Energy New Zealand Ltd
- Carter Holt Harvey
- Norske Skog Tasman
- Winstone Pulp International
- Pan Pacific Forest Products Ltd
- Coal Association of New Zealand
- NGC Ltd
- Business New Zealand
- Comalco Aluminium Ltd
- New Zealand Aluminium Smelters Ltd
- Fletcher Building Ltd
- Fonterra Cooperative Group Ltd
- Holcim (New Zealand) Ltd
- New Zealand Steel Ltd

**The Asia Pacific Partnership on Clean Development and Climate is a partnership between Australia, China, India, Japan, the Republic of Korea, and the United States of America. The focus of the partnership is on investment in technology solutions to reduce greenhouse gas emissions.*

The partnership will collaborate to promote and create an enabling environment for the development, diffusion, deployment and transfer of existing and emerging cost-effective, cleaner technologies and practices, through concrete and substantial cooperation so as to achieve practical results. Areas for collaboration may include, but not be limited to: energy efficiency, clean coal, integrated gasification combined cycle, liquefied natural gas, carbon capture and storage, combined heat and power, methane capture and use, civilian nuclear power, geothermal, rural/village energy systems, advanced transportation, building and home construction and operation, bioenergy, agriculture and forestry, hydropower, wind power, solar power, and other renewables.

