



6 June 2007

Hon David Parker
Minister Responsible for Climate Change Issues & Minister of Energy
Bowen House
C/o Parliament Buildings
Wellington

Dear Minister

**RE CLIMATE CHANGE POLICY DOCUMENTS: EMISSIONS TRADING,
PROCESS AND CONSULTATION**

As you will be aware, key stakeholders in the productive sectors have been working constructively with government for some time now on climate change and energy policy issues. Business New Zealand commissioned the NZIER report on an emissions trading scheme for New Zealand and the Greenhouse Policy Coalition has contributed various reports including one on how to best promote renewable energy.

As key stakeholders most likely to be impacted by proposed climate change policies Greenhouse Policy Coalition wrote to you recently (30 April 2007) requesting continued and adequate consultation in the development of climate change policy, an open and transparent process and robust cost/benefit analyses to support any new policy options.

We had hoped that the need for an adequate consultation process based on proper analysis would be self evident, and that it would underpin the development of durable policies that would allow New Zealand to make its contribution to the global climate change issues.

We now find that officials are working to a timetable (copy attached) for an emissions trading scheme that started prior to the consultation period on the climate change policy documents being concluded.

This timetable shows that the detailed design of an emissions trading scheme is well underway and that it is only intended to engage with affected parties concurrently with the detailed drafting of the legislation for an emissions trading scheme. And this consultation period is for a brief six week period.

This is not consultation in good faith. The time frame for developing, consulting on and implementing a policy of this significance to the New Zealand economy needs due process to be followed. Due process is specified in the Cabinet Manual and includes the requirement for a regulatory impact statement. This process is designed to result in good regulation.

It is our concern that if good regulatory process is not followed the government will fail to get the broad support of stakeholders and that policy made in haste (with little idea of the costs/benefits or unexpected outcomes) will have little durability and fail to deliver the long term policy stability that business needs in order to plan ahead.

If good analysis can demonstrate that emissions trading is the best price based measure to be used in New Zealand, then overseas experience has shown that the issues around the introduction of an emissions trading scheme are complex. From recent public statements it would appear that you are intending to introduce an emissions trading scheme that covers all gases and all sectors of the economy. This is a good deal more ambitious than the European system (which took some six years to bring in) and will add to the complexities of ensuring that a fair and equitable system is developed for New Zealand's particular circumstances.

Our economy is not similar to those of the European countries and it will not be possible to simply pick up an existing trading scheme and expect it to work for New Zealand. (As one example, but there are many others, we are an island nation unable to import our electricity requirements, whereas this is common for many European countries). In addition, the cost impacts of a price on carbon to an electricity generator (that can simply pass the cost on) and a large energy user, who due to international competitiveness can not, are very different.

The haste with which officials are working on an emissions trading scheme leaves us unable to understand the overall picture of the whole of government response to climate change and why one part is being pushed forward outside the context of the rest. For example, what changes will be made to the New Zealand Energy Strategy in light of the detailed submissions made on it relating to issues of energy security and energy affordability? Has the government's view of our electricity profile going forward modified e.g. if Huntly Power Station does not cease burning coal in 2012 what does this do for our emissions profile?

Industry took the consultation documents put out by government very seriously and we have responded with indepth and thoughtful responses. We would like to see measured responses to the very real issues that we raised in our submissions.

In respect of an emissions trading scheme, there are major issues around methods of allocation, the level of the cap, and competitiveness at risk for New Zealand industry which require careful working through before a workable, fair and equitable scheme could be introduced.







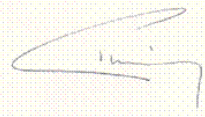

We flag strongly that the current timetable will not allow this to happen and we fear future policy failure instead of policy certainty will be the end result.

We would like to work more closely with the government on this issue as associations that represent stakeholders that are most likely to be impacted by the policy. Our counterpart organisation in Australia, the Australian Industry Greenhouse Network, has a representative on the Federal Government taskforce developing policy on emissions trading, and this is an approach that we commend to you.

In order to get durable climate change policy that achieves the government's goals and maintains a healthy economy for New Zealand we believe it is vital that the policy is developed with all stakeholders and not simply imposed to meet an unrealistic timetable.

We would like to request a meeting to discuss these matters further.

Yours sincerely

Catherine Beard, Executive Director, Greenhouse Policy Coalition. 	Frank Brenmuhl, National Board, Federated Farmers 	Tony Friedlander, Chief Executive Officer, Road Transport Forum Ltd. 	Ralph Matthes, Executive Director, Major Electricity Users Group Ltd. 
Roger Kerr, Executive Director, New Zealand Business Roundtable 	Phil O Reilly, Chief Executive, Business New Zealand 	Charles Finny, Director New Zealand Chambers of Commerce 	Peter Bodeker, Chief Executive, Wood Processors Association of New Zealand 

cc Rt Hon Helen Clark, Prime Minister

cc Hon Trevor Mallard – Minister for Economic Development

cc Hon Jim Anderton – Minister of Agriculture and Forestry

cc Hon Dr Michael Cullen – Minister of Finance

cc Hon Annette King – Minister of Transport

cc Hon Parekura Horomia, Minister of Maori Affairs

cc Hon Peter Dunne, Minister of Revenue
cc Jeanette Fitzsimons, Co-Leader Green Party
cc Rt Hon Winston Peters, New Zealand First