

## The Zero Carbon Bill

There are many good reasons why the Climate Change Response (Zero Carbon) Amendment Bill 2019 ought to have been denied a first reading.

- It carefully disguises the fact that eliminating all of New Zealand's trivial emissions will make no detectable difference to future world temperatures – reducing the global total by our current 0.1% can never be any more than a symbolic gesture.
- Its three declared “**over-arching purposes**” (the “guiding principles agreed by the cabinet”) have nothing to do with influencing future global average temperatures. They are:
  - a) “Leadership at home and abroad.”
  - b) “A just and inclusive society.”
  - c) “A productive and climate-resilient economy.”
- It is all pain, and no gain<sup>1</sup>. Its [Regulatory Impact Statement](#) (RIS) (which is rife with risk and guesswork) is unable to identify **any** quantifiable benefits<sup>2</sup> at all, while finding that the costs will be horrendous - i.e., the Bill will cause “*the economy to grow at a slower rate than expected by \$5-12 billion a year over 2020-2050.*”<sup>3</sup>
- It ensures increases in **child poverty**<sup>4</sup> and general **energy poverty** by mandating unlimited increases in the prices of electricity, petrol, diesel, and gas. The RIS expects “*uneven distributional impacts on lower-income households and regions/communities*” with the estimated weekly average cost<sup>5</sup> being up to three times higher for the poorest 20% than for the wealthiest quintile.
- Its huge **risks** strain credulity. The RIS acknowledges these cannot even be assessed at this time, but will include “undue economic burdens” if either (a) the rest of the world fails to follow New Zealand's lead<sup>6</sup> or (b) the Bill fails to stimulate large assumed (but imaginary) productivity gains, innovations, and technological developments.

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<sup>1</sup> Economy-wide emissions are modelled at \$75–\$885 per tonne of carbon dioxide equivalent (/tCO<sub>2</sub>-e) by 2050. Only \$100-\$250/tCO<sub>2</sub>-e by 2050 would be required to deliver the Paris Agreement targets.

<sup>2</sup> “*The benefits of stronger climate change action ... were not able to be included in the economic modelling. However, the Ministry ... suggests the benefits of the proposal may be significant and contribute to the New Zealand Government's wider economic, social and environmental policy objectives.*”

<sup>3</sup> Highly sensitive to assumptions that transformational innovation, technological developments and productivity gains will result from the Bill; and that forestry sequestration will always average 19-23 Mt per year.

<sup>4</sup> The antithesis of the Labour Party's (limited) mandate.

<sup>5</sup> The projected cost of \$12 billion per annum equals **\$8,000 per average New Zealand household every year**, or an average of \$160 per week per household for the next 30 years.

<sup>6</sup> An outcome the Treasury considers unlikely: “*Little evidence or argument is available to support that assumption... This creates significant uncertainty as to the benefits of the proposed action.*”

- It is fundamentally **anti-democratic** in seeking to bind future Parliaments and governments by a heavily entrenched 30-year target and 15-year budgets and plans.
- It is **unconstitutional** in delegating to the Minister for Climate Change the power to impose the largest tax increases in history. Prior to the next election<sup>7</sup> the Minister is to unilaterally declare legally-binding emission caps (that translate into ETS taxes) for the following **15 years**.
- It arms Minister Shaw with unfettered statutory **authority** to decide what climate-related risks might arise in any part of the country and what should be done about any of them. His 2020 plan can render homes uninsurable, devastate property values and hike rating burdens — without limitation — and will override all the existing protections in the RMA and elsewhere.
- It envisages government intervention and regulation in every aspect of daily life, so as to facilitate a centrally-planned ‘**transformation**’ of New Zealand’s economy, society and environment.<sup>8</sup>
- It divides town and country, imposing blatantly discriminatory and unattainable planetary *cooling*<sup>9</sup> obligations on New Zealand’s livestock farming sector – contrary to recent science and to expert advice.

In short, this Bill is not only the most expensive (by orders of magnitude) but might also be the most dangerous piece of government legislation **ever** placed before New Zealand’s House of Representatives.

### **The Capping Mechanism**

Before the next election, Minister Shaw will announce the maximum volume of each greenhouse gas that can be lawfully emitted in each year during 2020-2036, along with the government’s plans for enforcing these caps. A new Climate Commission, appointed by the Minister, will identify the **level of energy taxes** (or livestock tax) required in each year to prevent those caps being exceeded, and will then implement those levels by changing ETS settings.

Once the Minister’s caps are declared, the **delivery process** is on automatic pilot. Energy prices will simply rise to whatever level it takes to become unaffordable for enough people. Petrol will go up by previously unimagined leaps and bounds until a great many New Zealanders can no longer

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<sup>7</sup> The RIS (p. 4) discloses that - “*Transitional provisions will apply to the setting of the first three emissions budgets to ensure these are in place by no later than 31 December 2020*”, and this could not conceivably be undertaken by a newly elected Minister. Amendments by the incoming Minister are prohibited (except in very limited circumstances).

<sup>8</sup> All Ministers are empowered to give “Guidance” to their departments. The Commission is to have expertise in “the ecological, social, economic and distributional effects of policy interventions” – as well as Maori traditional knowledge, language, custom, protocol, etc.

<sup>9</sup> Other sectors are merely required to gradually reduce *warming* activities – and have the benefit of government-funded forestry offsets.

drive their cars. Low-income and fixed-income drivers will obviously be the first to drop out, and then it will be the turn of average wage-earners<sup>10</sup>. Rural dwellers will be the hardest hit.

Nobody knows how high the per-litre price might need to go – it is all a leap in the dark. Personal or family hardship is **not** a relevant factor and nor is economic damage. But there is no turning back, because the declared caps are legally binding and so entrenched that neither James Shaw nor his successors can change them (except in very narrow circumstances).

Ambitious caps will cause havoc. High diesel prices have been rightly called “a tax on everything” that will make the cost-of-living rocket. Petrol prices will stop people from working. Many more households, including those with small children, will have their power cut off – and the winter death toll will inevitably rise. Gas-reliant industries will become uneconomic.

But the Minister must also “*recognise and mitigate the impacts on iwi and Māori of reducing emissions.*” This seems to create a legally-binding obligation to ensure that Maori can continue to meet their energy needs, whatever happens to prices. Will this be done by exemptions or wealth transfers? Will the mitigation of impacts be voluntarily extended to Pacifica? To the poor? No doubt, this is where the murky “economic transformation” will enter the picture.

### **The “Over-arching Purposes”**

Although the explanatory notes for the Bill contain much rhetoric about controlling future climate, this is unachievable as New Zealand’s efforts are merely *symbolic*. Ergo, this cannot be a stated purpose of the Bill.

Commentators have long speculated that the UN’s climate mission may be primarily motivated by neo-Marxist ideology and wealth distribution, rather than by genuine concerns about possible future weather. This radical Bill tends to confirm that speculation.

#### **1. Leadership at home and abroad**

If enacted, the Bill will certainly crown Ms Ardern and Mr Shaw as the undisputed **world leaders** of the long-sought climate revolution. They will be feted and applauded at UN-sponsored conferences in every corner of the globe.

The UN director-general has already praised this country’s “extraordinary leadership”, noting that New Zealand will be “in the front lines”, at a time when the rest of the world is “not on track to achieve the objectives defined in the Paris Agreement, and political will seems to be fading.”<sup>11</sup>

New Zealand will be so far in front as to be the world’s **only** country to –

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<sup>10</sup> Although the wealthy won’t like the pricing, they won’t ever be forced off the road. Nor will MPs.

<sup>11</sup> This refers to the EU’s recent *refusal* to accept a “Zero by 2050” target, the USA pull-out from the Paris Agreement, and recent increases in coal-powered generation in China and India.

- (i) Become legally bound to the UN aspiration<sup>12</sup> to limit post-1850 global warming to 1.5°C (i.e., about half-a-degree<sup>13</sup> over the next few hundred years).
- (ii) Volunteer massive poverty-inducing economic sacrifice for at least two generations.
- (iii) Impose uncapped and automated energy taxes that are essentially non-repealable<sup>14</sup>, initially from 2020 to 2036.
- (iv) Drive down production capacity and export earnings in our most important industries.

For the past 20 years, all Governments have agreed that NZ ought to do its **fair share**<sup>15</sup> in reducing global emissions – for reputational reasons and to demonstrate that we are good global citizens. This Bill rejects that longstanding bi-partisan policy and substitutes the ambition of **world leadership**.

There are two dictionary meanings of *lead*: (a) a successful example that others will follow; and (b) be in first place in a contest. This Bill only achieves the latter meaning: it has a self-centred, pious, brassy tone which will **not** endear New Zealand to other governments – despite the mandatory admiration they might well utter in public.

The major emitters (China, USA, India, EU, Russia) are, understandably, interested in the most cost-effective and least-masochistic policies for reducing global emissions. But the Bill takes the opposite tack – disallowing high-return CO<sub>2</sub>-reduction investments within poorer countries and encouraging both carbon leakage and “emissions outsourcing” that improve New Zealand’s figures at the expense of **damaging** the global effort.<sup>16</sup> It seems to be all about New Zealand winning that gold medal.

## **2. A Just and Inclusive Society**

Many will be surprised to learn that the Bill’s core purposes include social justice, racial fairness, gender equality, etc. In the Green Party lexicon, these social engineering ambitions are the real drivers of the world’s giant climate-justified experiment to replace a ‘failed capitalist system’.

Because all climate policy has negative prosperity effects, and is highly regressive, the extreme requirements of this Bill will greatly magnify both absolute poverty levels and wealth inequality. These first-round impacts will obviously be unacceptable to politicians of all stripes, and will

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<sup>12</sup> As opposed to the formal Paris Agreement target of 2.0°C since 1850.

<sup>13</sup> Only half of the warming of the last 100 years – the most productive century in history.

<sup>14</sup> A ratchet enables them to be increased if global temperatures rise faster than expected, but they cannot be decreased if temperatures plateau or fall.

<sup>15</sup> Our “fair share” is measured by reference to the average of our trading partners, or other OECD members.

<sup>16</sup> As has already been quantified with the Oil and Gas exploration ban. The Caygill Report (2011) clearly identified that NZ dairy production has lower emissions per kg than milk from any other country.

provide justification for endless re-distribution interventions.<sup>17</sup> They also provide cover for other steps to overcome the perceived unfairness of our present free market system.

### **3. A climate-resilient economy**

This purpose presumably reflects Part 1C of the Bill which requires the Minister to prepare a 2020 national risk-assessment report and a national adaptation plan. The Plan will set out a timetable for the government's proposals for adapting to all the anticipated risks of forecast climate changes, along with "any other matter that the Minister considers relevant" and "will need to **go beyond** what can be covered under the RMA."

There are no requirements for Parliamentary approval or for the same rights of appeal as lie against Regional or District plans approved under the RMA. Draconian provisions are also included for obtaining confidential information from private organisations.

This over-arching purpose empowers the intended 'transformation' to *a productive, sustainable, and climate-resilient economy* that is mentioned in so many of Minister Shaw's speeches. The Minister imagines his central planning will bring about "future innovations, technological developments and productivity gains."

### **Politics of the Bill**

Any Act of Parliament which aspires to bind ten successive Parliaments needs to be moderate and centrist and have something close to unanimous support. This Bill has none of those characteristics, and the Government did not even **try** to secure support from the country's largest political party. After preliminaries, the Minister broke off all communication with the National Party throughout the two months prior to the Bill's First Reading.

Although apologising to Todd Muller MP for his discourtesy, James Shaw acknowledged in Parliament that, in the end, the decision-making was monopolised by the Coalition parties, along with interest groups such as trade unions, environmental lobbies and Maori. The government's original ambition to achieve bi-partisan legislation was abandoned, but with regret. The new Coalition's strategy is an over-the-top Bill which begins life as 'Green Party Heaven' but might yet be pegged back by a reluctant inch-by-inch process during the select committee hearings.

The blatant anti-rural prejudice of the methane provisions seems to be a "shiny object" designed to attract flak and draw attention away from the more nuanced dangers of the core Bill. It will be no surprise if NZ First turns up on its white charger in November to save the farmers at the 11th hour – once into that final 12 months of coalition when NZF must clearly differentiate itself.

Like Australia, where climate change has been the "[third rail of politics](#)", New Zealand's next election seems likely to be dominated by issues raised by the Green Party's ideology. The present Bill meets **none** of the five 'must-haves' spelled out by the National Party in 2018:

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<sup>17</sup> The RIS (p. 4) – "A long-term, low emissions development strategy will also be necessary to ... drive the transition, with support arrangements to avoid or ease uneven distributional impacts across regions and society."

- (i) **Science-based:** The Bill makes no reference at all to climate science and **precedes** the UN IPCC's Sixth Assessment Report (AR6), now in draft and nearing completion. The RIS and Explanatory Notes both rely on relentless hyperbole rather than citing any extracts from either the UN's published science consensus or NZ's official weather data.
- (ii) **Technology-driven:** Ideology has already driven the government's rejection of new technology in genetically-engineered grasses and 21st-century modular nuclear reactors. Its 2019 budgetary focus will ape yesterday's high-cost policies that have [notably failed](#) in the EU rather than seeking to be early adopters and innovators in any of tomorrow's [fields that other countries might follow](#).
- (iii) **Long-term incentives:** The radical overarching purposes of the Bill ensure an end to the climate policy consensus of the last 20 years. Future uncertainty will abound until the Courts eventually rule on the Bill's distasteful efforts to bind future Parliaments.
- (iv) **Apace with trading partners:** The centre-left and centre-right of New Zealand politics are poles apart – will we pursue *“leadership of the world”* or revert to *“doing our fair share”*?
- (v) **Minimal economic impact:** Concepts of cost-effectiveness, affordability, practicality or environment and economic balance are all quite foreign to this Bill. As with the Oil and Gas exploration ban the Green wall-to-wall ideology allows for very few compromises.

While the Zero Carbon Bill purports to follow the UK Climate Change Act of 2008, which has been aptly described as [“history's most expensive virtue signal”](#) (£300 billion in 10 years), this Bill is so much worse in a myriad of ways. In its economic damage alone, the government's modelled cost estimate of NZ\$75 billion (\$5,000 per household) relies on wildly [optimistic assumptions](#) and has been [savagely](#) critiqued.

The “overarching purposes” should make New Zealanders very afraid. But even apart from those murky agendas, this Bill is simply unaffordable.