

## **ETS Changes Put 84% of Kyoto Bill to Future Taxpayers**

*Media Statement – 12 November 2009*

Proposed changes to the emissions trading scheme (ETS) would result in 84% or more of the nation's multi-billion dollar Kyoto liability being put on to future taxpayers. Today's polluters will pay nothing like today's emissions bill.

After all the delayed start dates, exemptions, rebates and compensation payments are totted up, the Government would receive just 12 million emission units net under the new ETS, with each unit accounting for a tonne of greenhouse gas emissions. When compared to the Kyoto liability of 76 megatonnes, the amended ETS could not reduce this by more than 16% (12/76 Mt) during the Kyoto period from 2008 to 2012.

84% or more of the Kyoto liability would be transferred to future taxpayers under the proposed new ETS, unless current taxes are raised to fund this. On current plans, a future generation in the 2020s will pay when the forests now earning credits are cut down and the same number of credits will need to be purchased elsewhere to replace them. This is equivalent to putting the bulk of the Kyoto bill on the credit card and would make it a massive intergenerational wealth transfer.

The Kyoto liability of 76 Mt has a value of \$2.3 billion at \$30/tonne of CO<sub>2</sub>, increasing to \$3.8 billion at \$50/t, and \$7.6 billion if carbon prices rise to \$100/t.

The Treasury's Kyoto accounts show New Zealand currently in credit with respect to its Kyoto obligations. This is because they do not include the future deforestation costs arising from harvesting those forests that are currently earning credits. However, the Treasury recently advised that it will be necessary to recognise a "contingent liability" on the Government's books to account for the forestry credits. This would show the cost to a future generation of not making today's polluters pay today's emissions bill. Those accounts need to be updated urgently to include this correction and inform consideration of the Bill before Parliament. The current set of accounts gives a misleading impression of the nation's greenhouse gas position.

These findings are part of an analysis prepared by Geoff Bertram and Simon Terry that also updates key calculations presented in the Sustainability Council's 2008 report, *The Carbon Challenge*, including:

- Households would bear half the total costs resulting from the proposed changes to the ETS during its first five years (52%), while accounting for just a fifth of all emissions (19%). Together with small-medium industry, commerce and services, and transport operators, they would pay 90% of the costs resulting from the ETS during the first five years while being responsible for 30% of total emissions.

- Pastoral farmers would gain a \$1.1 billion subsidy and pay the equivalent of 2% of their fair share of the Kyoto bill during the first five years of the scheme, while large industrial producers would gain a \$488 million subsidy. These figures assume a carbon price of \$30/t and would be proportionately greater if the price were higher.
- When considering the full eighty-year transition period from 2010 to 2089, the proposed changes would deliver subsidies to agriculture and large industries with a nominal value of about \$100 billion at the \$50/t carbon price the Government uses to cost ETS impacts. This is equal to eight years total government spending on health, or 75 years worth of policing.

Two thirds of the subsidy payments would be made to pastoral farmers and one third to major industries. If carbon prices went to \$100/t, their total value would be about \$200 billion.

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