

## Give Greenhouse Gas Emission Permits to Citizens, Not Emitters

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An equitable and effective approach to addressing climate change can be set through giving each citizen an equal number of emission permits.

Addressing climate change requires a price to be put on greenhouse gas emissions. The major political parties are signaling they wish to do this through issuing permits that cap the total volume of emissions and can be individually traded.

The Sustainability Council proposes that instead of giving these permits to emitters, they be given to New Zealand citizens. Everyone then gets a cheque when they sell their permits to agents who buy for the upstream suppliers, such as fossil fuel importers. The costs of trading the permits are kept low through use of these agents.

If emitters have to pay for permits, they remain incentivised to consider how the same goods and services can be provided while generating fewer emissions. Alternatives will be given closer scrutiny.

If all sectors must purchase permits, this removes the need to negotiate industry allocations of free permits and the real action then becomes the quantity of permits to be issued year by year. Giving away permits to citizens provides full flexibility to modify the annual quantity of permits in response to continually improving understanding of the risks and the unfolding pattern of commitments made by other nations.

Also proposed is a tax on the sale of permits (say 10%) to feed a fund that:

- Invests in public projects that mitigate emissions; and
- Can provide transitional compensation to large footloose firms where this is considered desirable.

This “popular decarbonisation” approach provides an equitable framework that can be simply communicated, and focuses discussion on how fast total emissions should fall. It needs to be evaluated as an allocation mechanism and a tool to help break the problem Al Gore identifies: the maximum scope of action that is politically acceptable does not meet the minimum that is required.