



Office of Hon Dr Nick Smith

MP for Nelson

Minister for the Environment

Minister for Climate Change Issues

Minister for ACC

20 AUG 2010

CC 3800

[REDACTED]
[REDACTED]
Dear Mr [REDACTED]

Thank you for your email of 25 June 2010 to the Prime Minister regarding the implementation of the New Zealand Emissions Trading Scheme (NZ ETS). I am responding on his behalf as the matters that you raise fall within my responsibilities as the Minister for Climate Change Issues.

I would like to clarify that the NZ ETS is not a tax. The scheme does not generate revenue for the government. Under the NZ ETS, part of New Zealand's international obligation to reduce emissions is passed down to the participants that emit greenhouse gases or supply products that create emissions when used by consumers (for example, electricity and fuel companies). By requiring participants to pay for their emissions (via the purchasing of units to offset them), the NZ ETS will shift the cost of meeting our international obligations from the general taxpayer to emitters, who are in the best position to reduce their emissions.

Fuel for international aviation and shipping is not covered by the Kyoto Protocol and is therefore not subject to the NZ ETS. However domestic freight and shipping is included. This should lower the added costs for shipping that you are likely to have and should not add to your export costs.

I appreciate that some people do not accept the science relating to human-induced global climate change. Although I do not claim that there is absolute consensus on the science of climate change, or that everything about the earth's climatic system is understood, I can assure you that I have remained well-read on the science of climate change for nearly 20 years and that I remain informed on the different theories. As an engineer, my position is grounded in risk management. I am satisfied that, in the case of climate change, there is sufficient risk to justify action and that the government's action to mitigate and prepare for the effects of climate change is appropriate.

It is true that the Earth's climate has varied throughout time and will continue to do so. However, the evidence is clear that long term climate change is driven by human emissions of greenhouse gasses. An overwhelming majority of science is from non-biased, peer reviewed sources. The climatic variations over the twentieth century can only be understood by taking all factors, both natural and human, into account. Natural factors cannot explain the warming in the latter half of the twentieth century. On their own, natural factors would have actually produced an overall drop in average global temperatures

New Zealand is not leading the world by implementing an emissions trading scheme. There are 38 countries facing obligations under the Kyoto Protocol, of which 29 already have an emissions trading scheme. Regardless of whether they have implemented emissions trading, many countries have other substantial measures in place to reduce emissions and meet their international obligations. For example, although our closest trading partner, Australia, has delayed their emissions trading scheme, they are implementing other measures to encourage the use of sustainable energy, which, amongst other things, are likely to cause Australian power prices to rise by more than seven percent, far ahead of anything expected in New Zealand.

The government will formally review the NZ ETS in 2011 and will not extend our scheme or remove the assistance to New Zealand businesses unless other countries, particularly our major trading partners, make progress reducing their emissions.

Yours sincerely

Hon Dr Nick Smith

Minister for Climate Change Issues

Subject:

FW: Emissions Trading Scheme

25 June 2010

Mr John Key
Prime Minister
Parliament Buildings
Wellington

Dear Prime Minister John Key

My wife and I own a small company the annual revenue of which is a mere \$2.2 million. We have owned this business for some 23 years and we market our liquid organic fertiliser products under the **XXXXXXX** and **XXXXXXX** brands to agriculture and horticulture throughout New Zealand and we currently export around 25% of our production to a number of countries including the UK, USA, Canada, Thailand, Taiwan, Bangladesh and South Africa. The cost of getting our products to market now is huge and we simply cannot afford to retain much of our business by having yet another increase in the cost of freight and shipping.

As a manufacturer and marketer of liquid organic fertilisers we are acutely aware of the positive contribution our products make to soil, plant, animal and human health. The unique nature of our products has helped us to gain a modest level of export revenues from a diverse range of countries with huge differences in their financial strengths and standards of living. The markets are also very competitive and we are extremely concerned at the impact on our business of **yet another tax**.

We pay tax on our profits.
We pay Fringe Benefit Tax where required.
We pay GST as applicable.
We pay local body rates

Now you want us to pay yet another tax on our purchases of fuel and Electrical energy.

Not only that but we expect all our suppliers of materials, services and transport will increase their prices to us as a result of their tax increase.

I have to say that my concern caused me to read and research as much of the available information as I could find on the issue of global climate change and its possible relationship to the actions of mankind.

Prime Minister, to me the overwhelming weight of evidence indicates that our planet has always experienced climate change and that any current changes cannot be unequivocally related to being caused by mankind.

With this in mind I implore you to cancel implementation of the Emissions Trading Scheme. I personally can see absolutely no justification for this imposition. I am extremely angry that you appear to be continuing with the ETS when none of our neighbouring countries or indeed any country is doing so in the same way.

Having been a supporter of the National party for the relevant part of my 65 years, I must say that if the ETS goes ahead next week I for one will not vote for National at the next election.

Your sincerely