



Office of Hon Dr Nick Smith

MP for Nelson
Minister for the Environment
Minister for Climate Change Issues
Minister for ACC

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CC 2813

Brett Murphy
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Dear Mr Murphy

Thank you for your email of 6 May 2010 to the Prime Minister and a number of my ministerial colleagues regarding the implementation of the New Zealand Emissions Trading Scheme (NZ ETS). I am replying on their behalf as the matters you raise fall within my area of responsibility as Minister for Climate Change Issues.

It is important to note that New Zealand is not attempting to lead the world by implementing the NZ ETS. In fact, of the 38 countries facing obligations under the Kyoto Protocol, 29 (that is to say, more than three quarters) have already implemented an emissions trading scheme of some sort. Most introduced their schemes in 2005. The majority of our emissions will not be included in the scheme that is introduced on 1 July 2010. The government has made it quite clear that other sectors and gases will not be added to the NZ ETS until such time as other countries make significant and effective progress.

I would also 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 to emitters, who are in the best position to reduce their emissions.

In terms of the scientific evidence for climate change, I do not claim absolute consensus on the science, nor do I claim that everything about the earth's climactic system is understood. However, the overwhelming majority of the experts in climate change science agree that the evidence for climate change has strengthened in recent years. As an engineer, I approach this issue from a risk management perspective. In the case of climate change, I firmly believe that there is sufficient risk to justify action.

In your letter you comment about the recent volcanic eruptions in Iceland. These eruptions are estimated to have resulted in around one million metric tons of greenhouse gas emissions. Globally, greenhouse gas emissions from all volcanoes equal less than 1 percent of those generated by human activities. Volcanic activity has been a constant component of the natural carbon cycle for a very long time, and these emissions have historically been removed by natural sinks. It is the balance of this process that has been disturbed by human emissions.

I also note your concern over the stolen emails from the University of East Anglia Research Unit. Two independent enquiries recently cleared the scientists involved of any wrongdoing. I am advised that a careful review of their content shows that nothing in the emails undermines the scientific case that climate change is real — or that human activities are almost certainly the cause.

With regard to the NIWA temperature record, the government has discussed NIWA's climate research with its Chair, the Chief Executive and Dr Wratt, NIWA's chief climate scientist. The government is confident that NIWA maintains reputable scientific standards. NIWA has published an article explaining why the data requires 'correction' and why we can be sure the evidence for temperature rise in New Zealand is unequivocal. I encourage you to read this article for yourself, which is available on NIWA's website www.niwa.co.nz/news-and-publications/news/all/niwa-stands-by-its-scientists.

I do not agree with you that the government should abandon the NZ ETS, but do share your concern that the NZ ETS does not undermine economic growth. That is why the government has significantly moderated the NZ ETS to reduce impacts on the economy and protect the competitiveness of New Zealand businesses while creating incentives to reduce emissions. It is also important to note that the NZ ETS is flexible and that it will be reviewed regularly. This will allow for adjustments to occur in response to changes in the international situation and our understanding of the science of climate change.

Yours sincerely



Hon Dr Nick Smith
Minister for Climate Change Issues