



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 3988

Ken McLanachan
krkam@actrix.gen.nz

Dear Ken McLanachan

Thank you for your email of 4 July 2010 to the Prime Minister regarding the Emissions Trading Scheme (NZ ETS). I am replying on his behalf as the matters you raise fall within my responsibilities as the Minister for Climate Change Issues.

New Zealand, like all developed countries, recognises that action must be taken to tackle climate change and reduce its impact. The government has pledged, under an international agreement called the Kyoto Protocol, to reduce the amount of climate changing greenhouse gases that we as a country emit or face a financial penalty for not doing so.

This government has made a number of changes to moderate the NZ ETS that was introduced by the previous government. These changes halve the costs to consumers and businesses and significantly slow the entry of any other sector into the scheme. We are also ensuring that the New Zealand businesses that face competition from countries without such schemes are not unfairly penalised. To ensure that we don't increase global emissions or have job losses by having businesses move overseas, we are providing these businesses with assistance (by way of carbon credits). The assistance will be phased out over a longer period of time than that proposed by the previous government.

I consider that the NZ ETS provides the right economic incentives to plant the trees that will expand New Zealand's forest estate, creating a carbon reservoir. This reservoir (or 'carbon sink') will help New Zealand to meet its obligations under the Kyoto Protocol. I also expect that the NZ ETS will ensure that existing forests will be managed in a way that increases the levels of carbon stored in them. The NZ ETS has also meant that deforestation of pre-1990 forest land has largely ceased.

Farmers can take a range of approaches to reduce costs and emissions. There is the opportunity to offset some or all of your emissions. For an average dairy farm, 6 hectares of *pinus radiata* will offset the cost of the NZ ETS from 2010 to 2012. I encourage all landowners to plant trees on their least productive land. There are also clear environmental benefits including reduced soil erosion, and nitrate run-off, biodiversity enhancement and shade for stock, which may lead to increased productivity. A brochure for farmers and landowners about the NZ ETS is available to view or download from www.climatechange.govt.nz/emissions-trading-scheme/about/what-it-means-for-me/brochure-farmers/index.html.

The government bases its climate change policies on multiple sources of peer reviewed science including information produced by NASA, universities and research institutes from around the globe, and research from within New Zealand. The government has confidence in Dr Peter Gluckman's advice on the science of climate change, as well as NIWA's scientific standards. I am satisfied there is sufficient risk to justify action and that the government's measures to mitigate and prepare for the effects of climate change are appropriate at this time.

Yours sincerely

Hon Dr Nick Smith
Minister for Climate Change Issues