



## Office of Hon Dr Nick Smith

**MP for Nelson**

Minister for the Environment

Minister for Climate Change Issues

Minister for ACC

24 SEP 2010

CC 4253

Neil Henderson  
doonhill@farmside.co.nz

Dear Mr Henderson

Thank you for your email of 7 September regarding the New Zealand Emissions Trading Scheme (NZ ETS).

I would like to clarify that global warming potentials are determined on the basis of mass quantities, not mole quantities as you imply. It is therefore not correct to adjust the global warming factor for methane according to the relative molecular weights of methane and carbon dioxide. I suggest that you consult the IPCC for more information on how global warming potentials are determined.

I respectfully disagree with the analysis you use in your comparison of net emissions from a managed forest compared to that of a farm with constant livestock. The difference between trees and livestock is that livestock emit greenhouse gases, while trees sequester carbon. This means that your analogy does not work. A farm with constant livestock numbers will continue to emit greenhouse gases.

Your estimates of the cost of methane emissions per sheep and cattle beast per year appear to be correct, if you consider the full cost of methane emissions. However, even if agriculture enters the scheme in 2015, the NZ ETS provides for transitional assistance, which will substantially reduce these costs. The assistance level will start at 90 percent of a baseline and will phase out at 1.3 percent per annum from 2016. As I indicated in earlier correspondence with you, the government will not bring agriculture into the scheme unless there is sufficient progress from our trading partners. I would also like to point out that the NZ ETS provides opportunities for farmers. I am sure you are aware that, in some areas, farms have significant portions of unproductive or highly eroding land that is suited to forestry and can therefore be used very effectively by sheep and beef farmers to supplement their income under the NZ ETS.

I agree there is a potential long term constraint on the ability for New Zealand to plant trees to manage its greenhouse gas emissions, but I disagree that planting trees is unsustainable. Planting trees has many ecological and other environmental benefits, which make the NZ ETS and other forestry schemes sensible 'no regrets' policy. In any case, the NZ ETS does not merely aim to plant pines to cover our emissions as you suggest. It is also designed to incentivise native forestry and emissions reductions in other sectors by putting a price on carbon in a way that balances economic and environmental concerns.

You have raised the science of global warming a number of times in your correspondence over the past year, so I will not repeat my responses. However, I would like to reiterate that, with both the science and the economics in mind, the government considers that New Zealand can afford to take action on climate change without compromising our future prosperity. I believe that it is appropriate and timely to introduce a price on emissions through a moderated NZ ETS. A properly implemented emissions trading scheme, applied as broadly across the economy as practicable, will be the best way to reduce emissions at least cost to the economy and society

Although I appreciate that there will always be multiple and various perspectives on this matter, I consider that this letter and the five previous letters I have sent to you provide the scientific reasoning behind the decisions and clearly illustrate the government's rationale for taking these steps. I now consider correspondence on this matter to be closed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Smith', written in a cursive style.

Hon Dr Nick Smith  
**Minister for Climate Change Issues**