



New Zealand is part of a global movement toward a carbon-trading market, writes Climate Change Minister **David Parker**.

Everybody's doing it

AS THE old song goes, "everybody's doing it" — in the green arena, emissions trading is the new black. Far from New Zealand being out on its own by advancing its emissions trading scheme, we are but one of a group of enlightened countries, states and cities working to realise the benefits of being part of a carbon-trading market.

Why? Because we all need to reduce the greenhouse gas emissions that contribute to climate change, and emissions trading is a way of finding the most cost-effective emissions reductions.

Emissions trading is in the news across the Tasman, following the release of a report by Professor Ross Garnaut to the Australian Government on climate change and how to deal with it. The report endorses their government's commitment to an emissions trading scheme starting in 2010, noting that the more sectors it includes, the fairer and more effective it will be.

I'm looking forward to seeing their Green Paper, due out later this month, which will lay out their proposed scheme in detail. An Australian scheme will help establish a strong carbon trading market in the Pacific, from which New Zealand can only benefit.

Just last week, the city of Tokyo announced a mandatory cap-and-trade system. Such systems cap the amount of emissions allowable, while a trading system allows those who have reduced their emissions to trade their allowable surplus with those who exceed their allowance.

The Tokyo system is targeting large CO₂-emitting office buildings and factories in the city. It will be the first mandatory cap-and-trade system in Japan. It will target approximately 1300 office buildings and factories, accounting for about 40 per cent of total emissions from the industrial and commercial

sectors in Tokyo.

This scheme is a result of climate change action in Tokyo gaining more and more support from the business community.

Emissions trading schemes are also evolving in other parts of the world. The United States, one of the globe's biggest contributors to human-induced climate change, is actively developing greenhouse gas emissions trading to reduce its emissions. No less than nine federal bills to cut greenhouse gases have been rolled out since the start of the year. Both US presidential candidates have signalled strong support for greenhouse gas emissions trading as part of the US response to climate change.

The Regional Greenhouse Gas Initiative is a fully agreed cap-and-trade scheme covering power plants in the north-eastern US; the first three-year compliance period will start in 2009.

And California has just released its Draft Scoping Plan for a cap-and-trade scheme that would start in 2012 and cover 85 per cent of the state's emissions. It is projected to reduce emissions from the covered sectors by 30 per cent from business-as-usual levels by 2020.

An American emissions trading scheme would join similar schemes that have already proved their success. In January 2005, the European Union Emission Trading Scheme started operation as the largest multi-country, multi-sector greenhouse gas emission trading scheme worldwide.

The scheme currently covers more than 10,000 installations in the energy and industrial sectors which are collectively responsible for close to half of the EU's emissions of CO₂ and 40 per cent of its total greenhouse gas emissions. The European Commission has released its proposal to expand the scheme and increase its stringency during a third phase from 2013 till 2020.

A recent report released by the

Pew Center on Global Climate Change on the first phase up to 2007 has confirmed that the scheme has operated largely as envisioned, and been successful in developing the trading market infrastructure and introducing a price of emissions into economic activity.

Even before emissions trading came into effect in the EU, the British were doing it. The UK Emissions Trading Scheme was a voluntary emissions trading system created as a pilot for the EU scheme. It ran from 2002 till 2006.

At the time, the scheme was a novel economic approach, being the first multi-industry carbon trading system in the world. The lessons learned influenced the EU's confidence to proceed with its emissions trading scheme.

Britain is now proceeding with a Carbon Reduction Commitment Scheme for large commercial and public-sector organisations. Long term, this will involve a government cap and allowance auction.

New Zealand is innovative in its approach to including forestry and agriculture in its emissions trading scheme.

Apart from the fact that we have a unique emissions profile and need to include them, we are also not alone in that decision, contrary to popular belief. Australia and the US are considering options for how to include these sectors in their emissions trading schemes over the longer term, either directly or via offset mechanisms.

While emissions trading schemes are taking shape in different ways around the world, they have two fundamental characteristics in common. First, they are taking market-based approaches to finding least-cost ways to reduce the emissions that are a product of our economic activity.

Second, they are designed to suit the individual circumstances



of each country while contributing to global efforts to reduce emissions.

So emissions trading is not new. It's not even a novel idea any more. New Zealand's Climate Change (Emissions Trading and Renewable Preference) Bill still has a few creases that need to be ironed out. Competing interests will always mean that it will never be perfect. But no emissions trading bill, anywhere in the world, is going to please everybody, all of the time.

California senator Barbara

Boxer put it in nutshell when she said of the US' Lieberman-Warner Bill: "I don't think this is a perfect bill. So why am I so strongly in favour of keeping our coalition together to move this very strong bill forward, even though it's not perfect?"

"Because, ladies and gentlemen, we are facing a crisis that will hit our children and our grandchildren the hardest if we don't act aggressively. Not to act would be wrong, cowardly and irresponsible."



Walk the talk: David Parker left the ministerial car in the garage and took to the footpath to get from the Beehive to Premier House in Tinakori Rd for Labour's caucus meeting on Tuesday. Picture: KENT BLECHYNDEN