

22 February 2009

## **Submission to the Select Committee: Review of the Emissions Trading Scheme**

Farmers of New Zealand Inc. is a relatively new rural advocacy organisation currently based in Northland but increasingly attracting members from around the country. The organisation was set up due to a demand from the farming sector for an advocacy service more attuned to modern farming business. Our membership has exceeded one thousand and is growing.

The government's determination to proceed with an emissions trading market will have a dramatic effect on the nation's investment and purchasing habits. The costs to our economy could be measured in the billions of dollars. An economy that you are no doubt aware is already suffering from extremely poor productivity, low wage rates, and a high cost of investment capital. The government must be absolutely certain that this is the right course of action for it to pursue such a bold policy and therefore we have assumed you are privy to more information than we are.

Our investigation's conclude:

1. Due to the nebulous and mostly unverifiable carbon accounting the scheme is open to considerable cheating and litigation. Even the best guess's verified by field trials have a variation of plus or minus ten percent.
2. Since 1999 scientific observational evidence continues to weaken the theory that carbon emissions cause global warming.
3. We are advised that since 1998 temperature has not increased which contradicts the hypothesis that increasing carbon emission increases temperature.
4. We cannot find in any of the literature we have investigated any observational evidence that warming is caused by anthropological carbon emissions. After twenty years of intense worldwide study we would have thought scientists would have found something.
5. It appears that the only reason we blame carbon emissions is the predictions of climate models that to date have been shown to be highly inaccurate and reliant on numerous assumptions.

There are many other observed facts, including the now correct interpretation of ice core data that make us uncertain that the current belief regarding carbon is justified. We acknowledge that global warming has occurred in the past (as well as cooling) and accept that there may be observations that support some model. Models can and are altered as conflicting data is observed but this does not validate the model to correctly predict the future.

We believe no responsible government should invest so heavily without supporting evidence from repeated scientific observation. We also acknowledge that many countries internationally accept the carbon argument but this in itself is evidence of a political herd mentality not validation of anthropological global warming.

The problem with most environmental policy is that it is generally out of date in terms of current science. What science has found is that the people who succeed wait a little before they start and gather information. Once begun, they look for unexpected consequences. Then as time goes on decisions are increasingly interactive. The people who fail generally establish procedures based on what they believe rather than the facts. We know that the landscape white men saw when they first came to the New World was something they didn't understand at all. They believed they were seeing wilderness, but in fact it was a landscape entirely altered by native peoples who were there at the time.

The Prime Minister Rt. Hon John Key, responding to our queries a few months ago, stated that the issue of climate change was an emotional one. We submit it should not be and the Committee needs to remove the political psychodrama out of climate change decision-making if it is to deliver effective public policy.

We conclude the following:

1. The government should proceed with great caution. We should not be the first or even in the first few. We are a small nation that produces negligible amounts of global emissions. We must ensure any policy does not damage our international competitiveness.
2. We believe the current proposed approach would prove to be a blunder of monumental proportions in the questionable aim of meeting international obligations. Other nations manipulate and compromise to suit their position and we should not be so gullible. This proposed scheme does not align with our economic interests and will not deliver improved environmental outcomes.
3. Any Emissions Scheme will impose massive and unnecessary costs on an economy already reeling from poor productivity, a lack of usable capital, and low wage rates. Imposition of these costs will not deliver any benefit to New Zealand or to the rest of the world.
4. Farmers of New Zealand believes that if the Government sees a need to pursue a climate change fiscal policy a simple tax on all is the simplest way to go. A user pays policy on industry and farms do not reflect public good. We are all consumers and beneficiaries' of the products we produce and export and therefore it makes equitable sense that all should pay. The use of a carbon tax using the GST mechanism should be considered as an alternative. If the wider public is in support of climate change provisions they should be prepared to pay.
5. The Committee should recommend to Government that New Zealand agencies and companies should prepare rebuttals, based on sound economics and policy, to challenge those who claim that New Zealand is dragging its heels and that our ruminants pose any threat to the global climate.
6. The Committee should recommend to Government that it urgently support research into the present performance of our pastures as carbon sinks, and investigate methods that can further enhance this performance, instead of focusing solely on the natural methane generated by naturally belching ruminants.
7. The Committee should recommend to Government that it require the conflicting theories on how to make long-range weather forecasts be put to the test. Our farmers need to know when we are entering periods of drought and flood and they need to know that our

forecasts are based on the most appropriate scientific theories.

8. The Committee should recommend to Government that it initiate research into the total biological exchanges taking place on our pastures, with particular regard to the comparative impact on greenhouse gas emissions of grazing ruminants and perennial grasses, trees and other crops, and the implications of top-soil management techniques.
9. That the Committee should recommend to Government that it initiate research into the social and economic impacts an ETS will have on rural communities and what influence such impacts could have on the nation as a whole.
10. We fully support the arguments submitted to the Committee by the Centre for Resource Management Studies. They have asked to appear before the Committee.

## **The Submission**

### 1.0 Ruminant Methane and soil sequestration

The only reason we have a greenhouse gas 'liability' is that we have chosen to include the methane generated by our belching ruminants. No other government has chosen to do so, and given that our ruminant population is so small globally. Our total ruminant population is only 16 million beef equivalents. India has 280 million cattle and buffalo and Brazil 170 million with both countries having significantly inferior genetics and animal husbandry practices. Even climate change promoters have commented that our farming practices are superior delivering much less methane than others. Why then are we so inclined to tax and only tax those that deliver the least per animal emissions? Our animals do not pose any treat to global climate change. In fact we should promote them and our farm practices as being the best in the world.

US grass farmers are now selling carbon credits generated by carbon sequestration achieved by appropriate management of their soils and pastures. (See "Carbon-Offset Cowboys Let their Grass Grow" *Scientific American - Environment*, December 2008.) These 'rangeland sequestration projects' have generated only about 200,000 credits so far but may be forerunners of a carbon dioxide bonanza. We believe that this practice may be a scam but demonstrates that globally nobody is going to play fair. We need to develop policy that is based on scientific fact and takes into account all inputs and outputs.

New Zealand farmers feed their large animals almost entirely on the perennial grasses. It is estimated that 75% of global livestock emissions are from countries with poor productivity like India. Internationally, animal scientists have discovered that dividing pasture into separate areas or "paddocks" and carefully managing the movement of cattle through those paddocks produces the highest quality grasses. Cattle that graze on this succulent grass produce up to 20 percent less methane. New Zealand farmers already do this.

Cows have a short lifespan when raised in a confinement dairy, which is the way most cows are raised today internationally. They provide a very high volume of milk, partly due to hormone injections and a high-grain diet, but cows last for only 2-3 years. Cows raised on grass are healthier and more fertile, making them good milk producers for up to twelve years. These long-lived and more contented cows may reduce greenhouse gas production (methane) between 10 and 11 percent according to a British Study. New Zealand farmers already do this.

The Americans call us 'grass farmers'. Our farmers, who used to be "the backbone of the country" are now continually abused for their assumed contribution to greenhouse gas emissions. Our most successful exporters are assumed to be "destroying the planet". The climate alarmists would love to close them all down. But US researchers are now telling us that our perennial pastures are

major greenhouse sinks; the total of greenhouse gasses released into the atmosphere by crop production inputs, minus carbon sequestered in soil, is negative for perennial crops.

The following table makes the comparison:

SOIL CARBON SEQUESTERED (Kilos per hectare per year)

*Annual crops: 0 to 450*

*Perennial crops: 320 to 1,100*

GLOBAL WARMING POTENTIAL (Kilos of CO<sub>2</sub> equivalent per hectare per year)

*Annual Crops: +140 to +1140*

*Perennial Crops: -1,050 to -200.*

Because these are year-on-year gains, from stable perennial crops, the calculations are simple and easily verified, unlike forests, which go through complex cycles from planting to harvest and beyond. We should urgently carry out the necessary research so we can quote our own scientists rather than depend on overseas scientists and overseas publications to be the bearer of the good news. We can use the performance of these pastoral sinks to fight the 'Food Mile' campaigners and other trade barrier arguments.

## 2.0 Scientific Claims

Anyone who claims that the science on global warming is settled is wrong. There is now growing evidence that the earth is not warming but cooling: since the 1970s the glaciers of the Arctic, Greenland, and the Antarctic have been growing, and since 1998 average world temperatures have been falling with 2006 cooler than 2005 and 2007 cooler still.

Thirty years ago we had similar dire warnings about an ice age that did not eventuate. Regarding the future in 2100 and beyond we need to place this in perspective. Look at the following words;

*Airport, antibiotic, antibody, antenna, computer, continental drift, tectonic plates, zipper, nylon, radio, television, robot, video, virus, gene, proton, quark, atomic structure, atomic bomb, nuclear energy, ecosystem, fingerprints, jet stream, shellshock, microwave, DVD, HIV, wind tunnel, fibre optics, direct dialing, taser, laser, interferon, acrylic, gene therapy, moonwalk, spot welding, heat-seeking, sunscreen.*

Nobody in 1900 would have understood the meaning of these words. If no one in 1900 was in a position to help us today are we not in a similar position with regard to 2100? The world has changed dramatically in the last hundred years so can we really and arrogantly think we know how people will live in another 100 years? The Intergovernmental Panel on Climate Change predictions for 2100 is a range of temperature increase from 1.5 degrees to a high of 6 degrees. A 400% variation! That's fine in academic research but in the real world nobody acts on a 400% uncertainty.

Spending trillions globally on what we think is the future is only sensible if we lack an understanding of history and a decent imagination for what may be in the future. Instead we should be concentrating on solving world poverty, the fact that a child is orphaned by AIDS every 7 seconds and that 50 people die of waterborne disease every minute. This does not have to happen but we allow it.

What we should think about very carefully

1. The political process has captured and often corrupted the integrity of scientific research.
2. Policy makers have trouble acquiring good information because they are not trained in science. There is no mechanism to avoid bad information.
3. The Intergovernmental Panel on Climate Change accepted the 'Hockey Stick' without question or independent review. This poster child of global warming enthusiasts turns out to be rubbish and an artefact of very poor mathematics.

Farmers of New Zealand Inc.

PO Box 484 Whangarei, Northland

Ph (09) 439 5219, Fax (09) 439 5719, Email: [newzealandfarmers@xtra.co.nz](mailto:newzealandfarmers@xtra.co.nz)

4. Many scientific studies are never verified so there is a lot of very bad data and severely biased studies in circulation.
5. Many science based policy decisions cannot be made with confidence not because the data is biased but because the data does not exist at all.
6. Science and public policy has become inextricably mixed to the extent it is impossible to separate them. We have no mechanism to obtain good scientific answers.
7. The present structure of science is entrepreneurial with investigative teams vying for funding from organisations or governments who have a clear stake in the outcome. This is not healthy science.
8. Verification of results is rarely funded if the funding body agrees with the outcome of first study they commissioned.
9. Scientists that publish data against the 'consensus' ideas are charged with heresy and vilified personally as if the facts do not matter.
10. Consensus is the business of politics not science. Science requires only one investigator who happens to be right. Consensus is irrelevant.

### 3.0 Opportunity for misuse and abuse

It should be clear to anyone that the notion of trading in carbon dioxide credits (or equivalent gases) and offsetting carbon dioxide footprints, will provide a multitude of opportunities for fraud, misinterpretation or straightforward error.

Such fraudulent schemes always end up costing someone their savings and given the amount of savings which have been destroyed in New Zealand over the last twelve months we should not even be considering schemes which will encourage another round of fraudsters and another round of wealth destruction.

The scope of the presently proposed ETS is significant and extends to virtually all sectors of the economy. The government fact sheet on Opportunity for the Bill explains:

*Once fully implemented, the scheme will apply to all greenhouse gases specified in the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, petrofluorocarbons, and sulphur hexafluoride.)*

*It will also apply to all parts of the economy that emit these gases, including electricity generation and industrial heat and power, transport, industrial processes, forestry and waste.*

The Australian Government has recognized the potential opportunities for dispute and litigation, and the Australian Competition and Consumer Commission has released an Issue Paper: The Trade Practices Act and carbon offset claims. (January 16 2008).

This Issues paper lists the following examples of the information gaps and discrepancies in the market relating to carbon offsets as:

- Claims of Carbon-neutrality based on an accurate carbon footprint but inappropriately 'offset'
- Claims of Carbon-neutrality based on an inaccurate carbon footprint
- Claims of Carbon-neutrality made without substantiation
- Claims of a transition to a position of carbon neutrality (representations about future matters)
- Claims of 'low carbon' in particular products and services

This excellent paper identifies the opportunities for fraud and deception; the table of issues and concerns on page 2 deserves all our attention. While emissions-trading schemes have been successful in certain markets overseas (For example, the sulphur dioxide trades in California and elsewhere) they are fraught with difficulties if the trading is extended beyond single jurisdictions.

These problems occur when trading occurs across State boundaries and are further multiplied if trading occurs across international boundaries.

The problem areas identified by the Australian Consumer and Competition Commission are all potential sources of dispute and litigation. This litigation could take place between competing companies, and between individuals and companies and between companies and government agencies. The stakes will be high and the costs of litigation will be high as well.

If an American company brings a case against a New Zealand company for presenting misleading or fraudulent claims to the American market the New Zealand company will have to defend its case within the US courts.

However, members of this Committee should at least be asking such questions as:

- Where is the equivalent of a department of weights and measures?
- Where and what is the equivalent of the standard kilogramme and the standard metre?
- Who sets the rules and who arbitrates disputes about those rules?
- Who sets the penalties for breaking the rules and who collects the fines?

A carbon market is an academic model that is totally open to abuse by the market. New Zealand is a small country with limited resources already. Litigation is about who has the largest chequebook and on that score we have already lost.

#### 4.0 Impact on the Rural Economy

Rural communities already struggle to achieve equity of delivery across a wide range of services. Generally, our roads, energy, communication, and social services are not delivered to the same standards expected in our main urban environments. This reality is in spite of rural New Zealand providing a significant proportion of the nations wealth.

We believe the introduction of an Emissions Trading Scheme will have a greater economic and social impact in rural communities. The possible costs to farming will remove significant capital from rural communities that are reliant on income generated off farms.

In addition the increased costs to transport, energy, and communication will have a greater negative impact on rural communities. Both the public and private sector behaves under a purest market model investing capital where they expect to gain the greatest return. Clearly this will be in high population urban areas. Rural communities already suffering from lower capital investment will see further reductions as productivity and cost increases from the ETS bites.

We believe the Committee needs to consider the economic and social implications any scheme will have on the rural community and what impact this is likely to have on the nations productivity and government social expenditure.

END

#### **CONTACT**

Ian Walker - National Chairman  
Bill Guest – Operations Director