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Trends in New Zealand Climate Change Policy 1988 – 2006

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Abstract

Since 1988 the New Zealand government has participated in an international effort to limit climate change. This study focuses on the domestic policies to reduce greenhouse gas emissions pursued over the period 1988 - 2006, using information drawn from public sources and obtained under the Official Information Act.

The science of climate change, international legal framework, and New Zealand's emissions are briefly described to provide the context for policy. The history of domestic climate change policy between 1988 and 2005 is reviewed, and the policies released over the course of 2006 examined. The long-term trends in policy are analysed, and the 2006 policy assessed against them to determine whether it represents a continuation or departure from those trends. Finally, some brief policy recommendations are made.

The analysis of long-term trends shows that the New Zealand government has consistently preferred economic instruments over regulatory ones in the effort to reduce emissions, and that it has consistently excluded agriculture from policy. There has also been a heavy reliance on forest sinks at the expense of emissions reductions. Finally, there has been a repeated failure to implement policy, particularly in the area of putting a price on carbon.

The 2006 policies broadly followed these trends, although with some important differences: there was a greater willingness to use regulation and the first steps towards incorporating agriculture were taken. Overall, the approach was more pragmatic than that taken previously.

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List of Abbreviations

COP	Conference of parties.
CPI	The Kyoto Protocol's first Commitment Period, 2008 – 2012.
DPOS	The 1999 Climate Change: Domestic Policy Options Statement (Ministry for the Environment (1999a)).
ECNZ	The Electricity Corporation of New Zealand Ltd
EECA	The Energy Efficiency and Conservation Authority
HFCs	Hydrofluorocarbons.
IPCC	Intergovernmental panel on Climate Change.
LULUCF	Land-use, land-use change, and forestry.
MEPS	Minimum Energy Performance Standards
MFAT	The Ministry of Foreign Affairs and Trade
MTCO₂-e	Megatonnes of Carbon Dioxide-equivalent.
NEECS	National Energy Efficiency and Conservation Strategy.
NGA	Negotiated Greenhouse Agreement.
NZCCP	New Zealand Climate Change Program
PFCs	Perfluorocarbons
PFSI	Permanent Forest Sink Initiative.
PGGRC	Pastoral Greenhouse Gas Research Consortium
UNFCCC	United Nations Framework Convention on Climate Change.

1. Introduction

Climate change is one of the greatest threats facing the world at present. British Prime Minister Tony Blair has said that there is “no issue that is more important than climate change”,¹ while the *Bulletin of the Atomic Scientists* has stated that it “poses a dire threat to human civilization that is second only to nuclear weapons” (Bulletin of the Atomic Scientists (2007), p. 70). According to the Intergovernmental Panel on Climate Change (IPCC), greenhouse gas emissions from the burning of fossil fuels and the cutting down of forests could cause average global temperatures to rise by 5.8°C by 2100, causing a significant shift in global climate patterns and rise in sea levels, with a corresponding impact on biodiversity, human societies, and human health (IPCC (2001), pp. 8, 11).

Since 1988 the New Zealand government has participated in an international effort to limit climate change. In 1992 it signed the United Nations Framework Convention on Climate Change (UNFCCC), and in 1997 it signed the subsequent Kyoto Protocol. The latter set legally binding emissions reduction targets for first-world nations, including New Zealand. New Zealand is thus obliged to limit its net greenhouse gas emissions, or take responsibility for them using specified “flexibility mechanisms” such as international emissions trading.

Over that same period, the New Zealand government has pursued a variety of policies in an effort to limit greenhouse gas emissions. This has been politically controversial, and in December 2005, the government was forced to review its policies after finding that its expected position during the Kyoto Protocol’s first Commitment Period (CP1) was much worse than expected. This review, and the opposition of the government’s new coalition partners following the 2005 election, led to the abandonment of the planned carbon tax, and the government went back to the drawing board. A new policy was

¹ Interview with John Campbell at the Climate Change and Governance Conference, 29 March, 2006. In Chapman, Boston, and Schwass (2006), p. 29.

developed over the course of 2006, with major policy documents being released in December of that year.

This purpose of this study is to examine the long-term trends in New Zealand climate change policy. In particular it:

- 1) Reviews the history of New Zealand's climate change policies from 1988 to 2005;
- 2) Examines the development of policy over 2006 and details the policies that have emerged as a result;
- 3) Analyses the long-term trends in policy in this area; and
- 4) Assesses whether the policies developed during 2006 represent a continuation or departure from those trends.

Its contribution to knowledge lies in taking a long-term view and in its examination of recent policy. As the literature review below shows, there is a clear gap in the literature in this area.

This thesis covers material up until 31st December 2006. The focus is tightly on domestic rather than international policy. Whether New Zealand should participate in international efforts against climate change, or the nature of international institutions, is outside the scope of this study as these issues have been well rehearsed elsewhere. Regardless of the arguments for or against, the New Zealand government has accepted certain obligations within that international framework. The question this study focuses on is how it has gone about meeting them.

The study will show that there are clear trends in New Zealand climate change policy, and that the policies developed over 2006 broadly follow these trends, though with some important differences. Notably, the approach taken in 2006 represents a more pragmatic approach than that seen in the past.

1.1 Literature review

Publications to date on the subject of New Zealand's climate change policies can be divided into three broad waves. The first wave dates from the mid-1990s, as the issue of climate change rose to prominence in the wake of the signing of the UNFCCC, and primarily focused on international issues rather than domestic policy.

One highly influential work is Alexander Gillespie's *Burning Issues: The Failure of the New Zealand Response to Climatic Change* (Gillespie (1997)). It contains a useful introduction to the science of climate change, and a critique of New Zealand's domestic policies and international position, focusing on the decision to adopt a "net approach". This is extended to the period 1995 – 1998 in Gillespie (2000), while Hamilton (2000) provides a similar critique of policy in the early 1990s from the perspective of Greenpeace.

McLeod (1995) reviewed domestic policy as it stood in 1995, with a corresponding focus on the use of the Resource Management Act 1991 and the board of inquiry decision on ECNZ's Taranaki Combined Cycle power station at Stratford. The latter was also the subject of several articles, including Taylor (1996) and Van Bohemen (2003).

The decision to ratify the Kyoto Protocol in 2001 led to a second wave of publication. Bosselmann, Fuller and Salinger (2002) examined policy as it stood in 2002, and argued strongly for greater use of the Resource Management Act to supplement the proposed carbon tax. McKinnon (2002) considered the question of whether the government should ratify, while Delamare (2002) argued for the devolution of forest sink credits to forest owners in the event of ratification. Warnock (2004) examined New Zealand's approach in meeting its international obligations and concluded that economic concerns, particularly the possibility of selling surplus emissions units from forest sinks, were the primary driver of domestic policy, while Bosselmann (2005) criticised New Zealand's reliance on economic instruments and forest sinks. More recently, Copsey (2005) examined the development of the government's position in the pre- and post-Kyoto eras, through the lens of holistic constructivism.

A third wave was sparked by the decision to abandon the carbon tax in 2005, and focused on critiquing that decision and why New Zealand had found it so difficult to implement policy in this area. Ward (2006) examined whether economic instruments have a future in New Zealand's climate change policy, while Boston (2006) and Chapman (2006) analysed the political challenges and barriers to policy.

1.2 Sources and the Official Information Act

Due to the dearth of recent research on this topic, this study has relied mainly on primary sources. These have included government policy announcements, consultation documents, reports, cabinet papers and press releases. Many of the key documents were available on the Climate Change Office's website (<http://www.climatechange.govt.nz>). Others were publicly available, or (in the case of the consultation documents released in late 2006) available on request from the relevant Ministry.

In addition to primary sources, significant use was made of the Official Information Act 1982. The Act requires government departments to make available information requested by members of the public, unless there is "good reason" for withholding it (Ministry of Justice (2001), p. 4). Making a request is as simple as writing a letter.

Requests were aimed primarily at the office of the Minister Responsible for Climate Change Issues, and focused on cabinet papers. Some requests were also made to the Department of the Prime Minister and Cabinet and the Ministers of Foreign Affairs and Trade, Agriculture and Forestry, Building and Housing, Environment, and Finance. Often public statements (for example, Prime Ministerial press conferences) about ongoing work or signalling upcoming policy announcements were used to identify target documents; in other cases, targets were identified from previously acquired material. Combined with public sources, the documents uncovered provide a full picture of the policy development process during 2006 and earlier. One particularly large request covered cabinet papers between January 1999 and June 2001, and was invaluable to understanding the development of the government's 2002 *Preferred*

Policy Package. Later documents fill in the gaps in publicly released material to give a fuller picture of the options considered during policy development during 2006.

1.3 Structure

This study is divided into seven chapters. Chapter Two discusses the context of New Zealand's climate change policies, including the problem of climate change, international cooperation on the issue, New Zealand's emissions profile and the expected impacts of climate change on New Zealand.

Chapter Three examines the first decade of New Zealand climate change policy, from 1988 to 1999. Particular attention is paid to the 1996 report of the Working Group on CO₂ Policy (Working Group on CO₂ Policy (1996)), and the 1999 *Domestic Policy Options Statement* (Ministry for the Environment (1999a)), which established economic instruments as the preferred policy tool in New Zealand's response to climate change.

Chapter Four examines the policies pursued between 1999 and 2005, and specifically the 2002 *Preferred Policy Package* (DPMC (2002b)) and the 2005 review which led to its abandonment (Ministry for the Environment (2005b)).

Chapter Five explores the replacement policies announced by the government over the course of 2006.

The long-term trends in policy are analysed in Chapter Six, along with an assessment of whether the policies announced in 2006 represent a continuation or departure from those trends. Some recommendations for future policy are included.

Conclusions are contained in Chapter Seven.