

# Industry's view of the Kyoto Protocol

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## **Abstract**

Industry in New Zealand is very concerned about the Government's response to the Kyoto Protocol.

The Kyoto Protocol is the international response to the threat of Global Warming. There is general consensus about the science behind the greenhouse effect and the contribution man makes to GHG's in the atmosphere. However, there is a lot of uncertainty surrounding the scale of the impact on climate that these gases might have and how other factors that effect the climate might interact. In addition, the Kyoto Protocol is a treaty with a very long term objective, a treaty that will only be successful if it becomes global in terms of the commitment developing and developed countries make to meeting GHG emission reduction targets.

Against this background, New Zealand is steaming down a path of early ratification and early transformation of our economy away from GHG emitting activities. This enthusiasm disregards the position most of our trading partners are taking. It also disregards the unique structure of the New Zealand economy and the particular vulnerability that structure creates for New Zealand in a carbon constrained world. And the enthusiasm disregards the fact that our ratification of the Kyoto Protocol in 2002 will make absolutely no difference to the environment in 2020 or even 2050, nor will it make much of an impression on President Bush's view of the world!

## **Author**

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# New Zealand & the Kyoto Protocol

## A RATIONAL APPROACH

Todd Energy and the Climate Change Pan Industry Group  
Presentation to the  
2002 New Zealand Petroleum Conference  
  
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## Summary

- **Global Warming**
  - Risk but uncertain
- **Kyoto Protocol**
  - Will it work?
- **New Zealand Situation**
  - Isolated, unique, alone - and we like energy
- **Conclusion**
  - Competitive risk and economy N°1 PRIORITY
  - Must not rush ratification

## Global Warming

- IPCC provides science & policy advice - by consensus
- Predicts range of temperature increase 1.4° to 5.8°C by 2100
- Acknowledges major uncertainties in models etc
- Assumption of harm
- Climate IS variable

According to IPCC (BPM 2001, p. 12/25): "As the CO<sub>2</sub> concentration of the atmosphere increases, ocean and land will take up a decreasing fraction of anthropogenic emissions". But table below from IPCC, TS, 2001 (p. 18/20), shows an increase in CO<sub>2</sub> uptake.

	1980-1989	1990-1999
Emissions (Gt/yr)	5.4	6.3
Atmos increase (Gt/yr)	3.3	3.2
CO <sub>2</sub> uptake (%)	39	49

## Global Warming (Cont)

- Debate hi-jacked by political hype
- Tony Blair, our Greens blame weather today on GW. No support for that
- IPCC itself says:  
*"No systematic changes in the frequency of Tornadoes, Thunder days or hail events in the limited areas analysed"*

## Global Warming Cont. . .

- Our own Minister describes the weather patterns in a GW'ed NZ as if it is tomorrow's Weather Forecast!!
- There is nothing like that certainty
- Risk - we need to respond, with caution, not zeal.

## Kyoto Protocol

- Objectives long term
  - Force the environmental cost of GHG to be priced.
  - On a Global Scale
  - Encourage technology development
  - To stabilise and reduce atmospheric GHG concentration
  - Major changes in energy generation & use

## Kyoto Protocol (Cont.)

- 1st Commitment Period 2008/12
  - Only Annex 1 Countries
  - No US.
  - Aus, Canada, Japan maybe
- 2nd Commitment Period
  - Will the US join, Russia with no "hot air"
  - How do we commit developing countries

## Kyoto Protocol (Cont.)

- US response is critical
  - 25% of worlds GHG emissions
  - 35% of Annex 1
  - Japan and EU will not allow the Kyoto Protocol to be a trade advantage in the 1st commitment period
  - Developing countries - China, India - will not join without the US

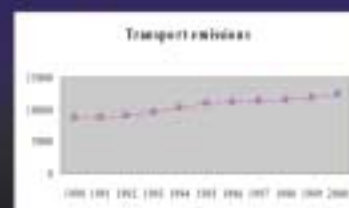
## New Zealand Situation

- Unique Issues
  - GHG: 55% CH<sub>4</sub>, 40% of CO<sub>2</sub> Transport
  - Energy is a comparative advantage - so we are energy intensive (not inefficient)
  - Long way from market
  - High transport component in economy
  - Compete largely with non Annex 1
  - Commodity producer, price taker
  - Low future energy security

## Background to Decision:

		(1990 = 100)
		a(CO <sub>2</sub> ) e
Transportation emissions	8%	4,187
Transportation, including land use change	7%	3,587
Land Use Change, Agriculture	4%	2,100
Buildings	2%	1,227
Transport	16%	8,094
Industry	7%	3,617
Electricity	7%	3,527
Gas, Heat and other emissions	7%	3,487
Other industry	6%	2,987
Electricity and Heat from Hydro	61%	30,817

## Background to Decision:



## New Zealand Cont . . .

- Vulnerable, under performing economy
- We aspire to climb the OECD ranks!



## New Zealand Cont . . .

- Compete with Australia & non Annex 1 countries



## New Zealand's Response

- National Interest Analysis
  - Best Part
    - Policies need to be consistent with a growing and sustainable economy.
  - Worst Parts
    - NZ should have made significant GHG reductions on BAU and be set towards a downward path for total gross emissions by 2012
    - The conclusion - in spite of the information and in the absence of policy!!
    - Timing of ratification not well considered

## NZ's response Cont . . .

- If we price emissions, & Aust do not - economic downturn!!!
- The US
  - Reduce emission intensity
  - Invest in technology
  - Fund through robust growth
- Without the US, Kyoto will not work!!

## NZ's response Cont . . .

- **Industry Says**
  - Do not rush NOW
  - Develop policy, analyse and consult
  - Assess what is best for NZ, based on facts, not emotion
  - THEN Decide
- A rational response is to not seek to force changes in the way we generate and use energy until post 2012

A strong growing economy must be  
our N° 1 PRIORITY

Why does the Government have another  
agenda