

**NEW ZEALAND BUSINESS ROUNDTABLE**

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**SUBMISSION ON THE *NATIONAL INTEREST*  
ANALYSIS OF THE KYOTO PROTOCOL**

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**MARCH 2002**



# **SUBMISSION ON THE NATIONAL INTEREST ANALYSIS OF THE KYOTO PROTOCOL**

## **1 Introduction**

This submission on the National Interest Analysis (NIA) of the proposal that the government should ratify the Kyoto Protocol is made by the New Zealand Business Roundtable (NZBR), an organisation comprising primarily chief executives of major New Zealand business firms. The purpose of the organisation is to contribute to the development of sound public policies that reflect overall New Zealand interests.

This submission focuses on the central arguments for ratification put forward in the NIA. The NZBR's submission last December on *Kyoto Protocol: Ensuring our Future* contains a fuller discussion of climate change issues. A copy is attached.

That submission concluded that there is no good case for early ratification. Action likely to harm the competitiveness of New Zealand businesses for no discernible environmental benefits would be inconsistent with the government's goals for economic growth and its declared concern to pursue business-friendly policies and listen to business views.

We have expressed concern about the quality of the advice the government is receiving on economic policy issues.<sup>1</sup> As the following sections explain, we believe the quality of the analysis in the NIA document is also poor.

Section 2 examines the NIA's explanation of what climate change is and why it is a problem.

Section 3 responds point by point to the government's arguments for ratification.

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<sup>1</sup> See in particular the NZBR's submission on the 2002 Budget Policy Statement and its media statement of 14 February 2002 on the release by the government of consultants' reports on growth strategies.

Section 4 discusses the position of agriculture and forestry.

Section 5 presents our conclusions.

## **2 The NIA's explanation of what climate change is and why it is a problem**

The most prominent statement in the NIA is the italicised four-sentence extract from the summary of the June 2001 assessment by the US National Academy of Sciences that heads the first page of the document. This asserts unequivocally that recent global temperature increases are mostly due to human activities and that human-induced warming and associated sea level rises are expected to continue through the twenty-first century.

However, this statement in the executive summary was not supported by the report itself. This was pointed out in the *Wall Street Journal* by one of the leading scientists who contributed to it. He stated explicitly that the full report made it "clear that there is no consensus, unanimous or otherwise, about long-term climate trends and what causes them".<sup>2</sup>

It is difficult to believe that the authors of the NIA were not aware of this rebuttal. Why did they elect to include such a misleading statement?

Appendix 3 of the NIA attempts to explain what climate change is and why it is a problem. It heightens the impression that the NIA is a document of advocacy rather than analysis. The material in the appendix is mainly drawn from reports of the Intergovernmental Panel on Climate Change. As a body of scientists, the IPCC is qualified to provide scientific projections but is not qualified to advise on the costs and benefits to human welfare of measures to reduce global warming. The appendix

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<sup>2</sup> A copy of this article is attached as an appendix to this submission.

presents no economic evidence at all to support the assertions it makes about the "need for global action".

### **3 The NIA's reasons why New Zealand should become a party to the Protocol**

The NIA gives five reasons why New Zealand should become a party to the Protocol on pages 19-21.

#### ***It is in New Zealand's long-term environmental and economic interest to maintain a stable climate***

This is key assertion in the NIA. It is a prime example of advocacy rather than analysis:

- none of the contemplated measures can stop global warming that is in the pipeline or stop natural variability. Contrary to the NIA, the minister of energy has acknowledged "there will still be climate change because there is a 50-year lag in the weather";<sup>3</sup>
- the Kyoto measures would not stop global warming by 2100 even if they were achieved in full but merely delay it by perhaps 6 years (see attached submission). The minister of energy has conceded that effectively "Kyoto won't make any difference".<sup>4</sup>
- New Zealand might benefit from modest global warming. As the NIA acknowledges:

Benefits of low-level global warming for New Zealand could include faster plant growth, longer growing seasons, and warmer winters. The balance between positive and negative effects will depend on regions and sectors, and will most likely change over time. It will also depend on adaptive responses to the effects of climate change.

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<sup>3</sup> Pete Hodgson, *The Independent*, 6 March 2002.

<sup>4</sup> *Ibid.*

The NIA goes on to assert without any attempt at justification that in the "[l]ong term, the overall effects are expected to become increasingly negative". However, according to IPCC documents a rise of up to 2°C could be beneficial overall for many developed countries. Mixed or neutral net effects are projected for greater rises up to 3°C. Beyond this there would be net losses.<sup>5</sup> Furthermore, according to the Ministry for the Environment, "New Zealand is likely to warm by only about two-thirds of the global mean temperature range." The NIA's assertion does not seem credible in the face of such findings.

- most importantly, the statement takes no account of the costs of measures "to maintain a stable climate." It is irresponsible to propose that costs should be incurred no matter how undesirable, futile or unrealistic the goal.

***Stabilising atmospheric greenhouse gas concentrations at safe levels will require an effective, globally-coordinated response***

There are several problems with this statement:

- technological advances to reduce reliance on fossil fuels do not necessarily require government action. The National Academy of Science's report noted that the "increase in global fossil fuel CO<sub>2</sub> emissions in the past decade, averaging 0.6% per year, has fallen below the IPCC scenarios" and the growth in atmospheric methane has "fallen well below" IPCC scenarios.<sup>6</sup>
- the statement begs the question of the sensible timing of any response to global warming. The attached submission draws attention to a strong research-based view that the most cost-effective approach would be to defer any response;

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<sup>5</sup> Bjørn Lomborg, 'Lomborg's reply to *Scientific American* January 2000 critique', 10 February 2002, p 11.

<sup>6</sup> *Climate Change Science: An Analysis of Some Key Questions*, Committee on the Science of Climate Change, Division of Earth and Life Studies, National Research Council, National Academy Press, Washington DC, 2001, p 19.

- the Kyoto Protocol is not the only option for a "globally coordinated response". Recently the United States has put forward an alternative programme in which Australia has also decided to participate. New Zealand should also be considering this alternative.

***Benefits of being a party to the Protocol in negotiating the rules for future commitment periods***

In the absence of an adequate NIA there are few grounds for optimism that New Zealand's negotiators can know where the national interest lies. Successive governments have never responded adequately to business sector concerns about New Zealand's negotiating approach. A recent NZIER study questions New Zealand's negotiating record when it says :

Overall, New Zealand appears to have failed to negotiate sufficient room within the rules of the Protocol to offset the relatively high burden of adjustment faced by this country. This can be contrasted with Australia, which has been able to achieve a broad range of concessions, including a generous target of 108% of its 1990 emissions.

There is no reason for the business sector to feel anything but disquiet about what future New Zealand governments might decide to negotiate.

***Avoided risk to New Zealand's trade and other international relationships***

The United States and, apparently, Australia have taken a different approach. No argument is presented in the NIA for New Zealand adopting a different approach from these two key allies and trading partners. As New Zealand is such a small contributor to global warming we are sceptical that other international relationships would be materially damaged by delaying a decision to ratify.

The NIA claims that ratification would help New Zealand commercially in relation to its clean, green environmental image. It presents no evidence whatsoever in support of this assertion which we doubt. Government documents should simply not make claims that are not backed up by evidence.

Global warming is sometimes seen as a rich versus poor country issue. Yet countries such as Singapore and Hong Kong with average per capita incomes much higher than New Zealand are not assuming obligations under it. Moreover, the economic cost of the treaty in the next hundred years has been estimated to be the same as the one-off cost of installing clean drinking water and sanitation for every human being on the planet. This indicates that Kyoto is an extraordinarily poor use of resources from a developing country viewpoint.

### ***Ratification by New Zealand would demonstrate commitment to the Protocol***

The NIA makes no coherent case for committing to the Protocol. It is clear that the United States, India and China are currently unlikely to ratify. On current trends these three countries are likely to account for around 75 per cent of global emissions within ten years. There are good grounds for the description of the Protocol by President Bush as "fundamentally flawed". The *Wall Street Journal Europe* recently stated that:

... the truth ... is that Kyoto is a monstrosity projected to cost billions, possibly trillions, of dollars to achieve a goal that will probably not avert a threat that no one is sure that the world faces".<sup>7</sup>

New Zealand should not act precipitously to ratify such an inadequate treaty when (i) it remains unclear whether it will come into force; (ii) it is uncertain whether parties to it will take genuine action to meet their commitments; and (iii) there are no serious disadvantages to New Zealand in delaying ratification.

## **4 Agriculture and forestry**

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*Wall Street Journal Europe*, 6 March 2002.

The government has been claiming that ratification would benefit New Zealand agriculture and forestry. Organisations representing these industries dispute these claims. It is unacceptable for the government to continue to make them in the absence of evidence, which is lacking in the NIA.

In respect of agriculture, logic demands that methane emissions are included in any effective approach to global warming as they are an important greenhouse gas. Around 60 percent of New Zealand's greenhouse gas emissions consist of methane and nitrous oxide, mainly from agriculture, with the remaining 40 percent consisting of CO<sub>2</sub>. It would be unprincipled and politically expedient of the government to exempt methane emissions from control measures if it ratified Kyoto. This would place far more of the burden on other industries and would not achieve abatement at least cost. We understand that farming organisations are taking a national interest perspective and not seeking special treatment, which in any case could not be sustained for long. It follows that if the government takes a principled approach to its Kyoto commitments, agriculture would be damaged. This would add to the economic costs of ratification, given that moderate warming could benefit New Zealand agriculture. The increased costs of processing and marketing agricultural products would be a further burden on the sector.

In respect of forestry, the government has made much of the argument that New Zealand could be a net gainer from trade in forest 'sinks'. However:

- seventy-five percent of commercial forests were planted prior to 1990 and hence generate no carbon credits. The subsidy to post-1990 forests in the form of a carbon credit will increase plantings in non-Annex I countries and place the bulk of New Zealand's commercial forests at a disadvantage;
- the 'sweetheart' deal at Marrakesh to allow Russia to claim credits for its vast natural forests will further depress international wood prices and erode New Zealand's comparative advantage;

- the situation for post-1990 plantings is unclear, and uncertainties about rights to carbon credits in the context of harvesting and replanting will deter investment;
- the feasibility of ambitious plans for international trading in emission credits remain in doubt;
- reliance on sinks is not a long-term option for meeting Kyoto commitments, given the limitations on forestry plantings;
- Kyoto would mean higher transport and energy costs for wood processing.

## **5 Conclusion**

The NZBR considers that global warming is an issue that needs to be taken seriously, and that New Zealand should act as a responsible member of the international community.

However, the science of climate change remains uncertain in respect of the magnitude of temperature increases; the economic case for taking early abatement action is weak; the Kyoto Protocol is a badly flawed approach; and New Zealand has little to gain from early action to ratify it.

The NZBR's position in the attached submission is that New Zealand should not proceed to ratification until the government demonstrates clearly that it is in New Zealand's interests to do so and major trading partners, including the United States and Australia, take decisions to ratify.

It is clear that the United States and major developing country emitters will not ratify the Protocol in the foreseeable future and Australian ratification is in doubt. New Zealand industries would suffer competitive disadvantages in the absence of far more concerted international action.

The government has not seriously addressed other options, including the recent proposal put forward by the United States which appears to be a measured response that would be less economically damaging for New Zealand. Nor is it seriously pursuing a number of opportunities such as roading reforms identified in our December submission that would have both economic and environmental benefits for New Zealand.

The NIA fails to establish any convincing case for ratification – it is a document of unsubstantiated assertions rather than analysis. We cannot understand how ratification of the Protocol would be consistent with the government's declared targets for economic growth. The NIA is in any event incomplete in that the government has yet to come up with concrete proposals on how New Zealand would meet its Kyoto commitments. We believe that the Committee should recommend to parliament that a revised and much more rigorous NIA should be prepared by the government for public discussion once its proposals have been formulated.

Appendix

## **GLOBAL WARMING**

### **The Press Gets It Wrong**

Our report doesn't support the Kyoto treaty.

BY RICHARD S. LINDZEN

Monday, June 11, 2001 12:01 a.m.

Last week the National Academy of Sciences released a report on climate change, prepared in response to a request from the White House, that was depicted in the press as an implicit endorsement of the Kyoto Protocol. CNN's Michelle Mitchell was typical of the coverage when she declared that the report represented "a unanimous decision that global warming is real, is getting worse, and is due to man. There is no wiggle room."

As one of 11 scientists who prepared the report, I can state that this is simply untrue. For starters, the NAS never asks that all participants agree to all elements of a report, but rather that the report represent the span of views. This the full report did, making clear that there is no consensus, unanimous or otherwise, about long-term climate trends and what causes them.

As usual, far too much public attention was paid to the hastily prepared summary rather than to the body of the report. The summary began with a zinger--that greenhouse gases are accumulating in Earth's atmosphere as a result of human activities, causing surface air temperatures and subsurface ocean temperatures to rise, etc., before following with the necessary qualifications. For example, the full text noted that 20 years was too short a period for estimating long-term trends, but the summary forgot to mention this.

Our primary conclusion was that despite some knowledge and agreement, the science is by no means settled. We are quite confident (1) that global mean temperature is about 0.5 degrees Celsius higher than it was a century ago; (2) that atmospheric levels of carbon dioxide have risen over the past two centuries; and (3) that carbon dioxide is a greenhouse gas whose increase is likely to warm the earth (one of many, the most important being water vapor and clouds).

But--and I cannot stress this enough--we are not in a position to confidently attribute past climate change to carbon dioxide or to forecast what the climate will be in the future. That is to say, contrary to media impressions, agreement with the three basic statements tells us almost nothing relevant to policy discussions.

One reason for this uncertainty is that, as the report states, the climate is always changing; change is the norm. Two centuries ago, much of the Northern Hemisphere was emerging from a little ice age. A millennium ago, during the Middle Ages, the same region was in a warm period. Thirty years ago, we were concerned with global cooling.

Distinguishing the small recent changes in global mean temperature from the natural variability, which is unknown, is not a trivial task. All attempts so far make the assumption that existing computer climate models simulate natural variability, but I doubt that anyone really believes this assumption.

We simply do not know what relation, if any, exists between global climate changes and water vapor, clouds, storms, hurricanes, and other factors, including regional climate changes, which are generally much larger than global changes and not correlated with them. Nor do we know how to predict changes in greenhouse gases. This is because we cannot forecast economic and technological change over the next century, and also because there are many man-made substances whose properties and levels are not well known, but which could be comparable in importance to carbon dioxide.

What we do know is that a doubling of carbon dioxide by itself would produce only a modest temperature increase of one degree Celsius. Larger projected increases depend on "amplification" of the carbon dioxide by more important, but poorly modeled, greenhouse gases, clouds and water vapor.

The press has frequently tied the existence of climate change to a need for Kyoto. The NAS panel did not address this question. My own view, consistent with the panel's work, is that the Kyoto Protocol would not result in a substantial reduction in global warming. Given the difficulties in significantly limiting levels of atmospheric carbon dioxide, a more effective policy might well focus on other greenhouse substances whose potential for reducing global warming in a short time may be greater.

The panel was finally asked to evaluate the work of the United Nations' Intergovernmental Panel on Climate Change, focusing on the Summary for Policymakers, the only part ever read or quoted. The Summary for Policymakers, which is seen as endorsing Kyoto, is commonly presented as the consensus of thousands of the world's foremost climate scientists. Within the confines of professional courtesy, the NAS panel essentially concluded that the IPCC's Summary for Policymakers does not provide suitable guidance for the U.S. government.

The full IPCC report is an admirable description of research activities in climate science, but it is not specifically directed at policy. The Summary for Policymakers is, but it is also a very different document. It represents a consensus of government representatives (many of whom are also their nations' Kyoto representatives), rather than of scientists. The resulting document has a strong tendency to disguise uncertainty, and conjures up some scary scenarios for which there is no evidence.

Science, in the public arena, is commonly used as a source of authority with which to bludgeon political opponents and propagandize uninformed citizens. This is what has been done with both the reports of the IPCC and the NAS. It is a reprehensible practice that corrodes our ability to make rational decisions. A fairer view of the science will show that there is still a vast amount of uncertainty--far more than advocates of Kyoto would like to acknowledge--and that the NAS report has hardly ended the debate. Nor was it meant to.

*Mr. Lindzen, a professor of meteorology at MIT, was a member of the National Academy of Sciences panel on climate change.*