

# Climate Change Response (Late Payment Penalties and Industrial Allocation) Amendment Bill

## Climate Justice Taranaki Submission

6 April 2023

1. Climate Justice Taranaki Inc. Soc. (CJT)<sup>1</sup> is a community group dedicated to environmental sustainability and social justice. This includes issues of inter-generational equity, notably in relation to climate change, which will increasingly impact present and future generations' inalienable rights to safe water, food and shelter, crucial to sustaining livelihoods and quality of life. Comprised of a broad range of people with varied expertise and life experiences, CJT has engaged respectfully with government on numerous occasions. Many of our points raised in previous submissions have proven accurate.
2. We welcome the opportunity to submit on the Climate Change Response (Late Payment Penalties and Industrial Allocation) Amendment Bill. This submission follows on from our previous submissions in 2016<sup>2</sup>, then 2020<sup>3</sup>, and our critical views on the Emissions Trading Scheme (ETS) remain unchanged.
3. The free NZ Units<sup>4,5</sup> given to 'emissions intensive and trade-exposed' industries render the ETS useless in curbing emissions from major emitters, especially with the substantial over-allocation beyond the actual emissions costs on industries that has been officially documented.
4. The phase out rate of free allocations is so pitiful that they will likely still exist till after 2050.
5. The Explanatory note of the Bill<sup>6</sup> states: *"The Bill enables a reassessment of the eligibility for industrial allocation using new base years to ensure that existing activities receive an appropriate level of assistance. The emissions intensity thresholds, used to determine eligibility, will be updated to account for the increase in the emissions price. This will better reflect the increased costs to an emitting business, and there, the risk of emissions leakage."*
6. It beggars belief that despite the recent, demonstrable catastrophes from escalating climate chaos in Aotearoa New Zealand and globally, that the government would propose a Bill to allow even more free emission allocations for polluting industries. Surely the increase in emissions price is exactly what's needed to drive down emissions under a climate emergency. The assumed 'emissions leakage' argument is flawed when responsible countries are stepping up to fulfil their obligations under the Paris Agreement. Aotearoa New Zealand should not be a laggard.
7. Analyses by Coal Action Network Aotearoa (CANA) and the Climate Club indicate that with the proposed changes in the Bill, millions more free carbon credits could be given to polluters. As an example, currently 57% of the emissions from Fonterra's lactose and whey production are free. But under the Bill, 87% of their emissions could become free, an equivalent of some \$2 million per year subsidies. Even worse, Fonterra's milk drying operations may also qualify for free allocations, potentially amounting to tens of millions of dollars each year.
8. Notably, Fonterra made a net profit of \$546 million in the six months ended in January, a whopping 50 percent increase from last year's<sup>7</sup>. Fonterra has also been identified recently as one of the meat and dairy companies globally that are making misleading green claims on their

productions, in this case, ‘carbon zero’ – a common greenwashing tactic used to capitalise on people’s environmental concerns<sup>8</sup>. Other than for base political reasons, why would the government give money away to a profiting, disingenuous polluter when there are so many urgent spendings needed, from rebuilding after cyclone Gabrielle to the longstanding and worsening housing and health crises, and increasing need for climate adaptation? That is not responsible governance at a time it is most needed!

9. On the 17<sup>th</sup> February, the Climate Change Commission wrote<sup>9</sup> to the Minister of Climate Change: *“...The Commission understands the need to ensure that any potential impacts of climate policies on households are well managed. I would caution however that deferring decisions during times of adverse economic conditions, which climate change is only likely to exacerbate, is not sustainable in the long run and will greatly compromise our chance of meeting the climate change targets set out in the Act. The price of emissions must reward producers, consumers and investors making choices that reduce emissions in line with budgets and targets.”*
10. The IPCC AR6 Synthesis report released in March 2023 has this headline<sup>10</sup>: *“Deep, rapid and sustained mitigation and accelerated implementation of adaptation actions in this decade would reduce projected losses and damages for humans and ecosystems (very high confidence), and deliver many co-benefits, especially for air quality and health (high confidence). Delayed mitigation and adaptation action would lock-in high-emissions infrastructure, raise risks of stranded assets and cost-escalation, reduce feasibility, and increase losses and damages (high confidence).”*
11. So here we request the following:
  - Do not change the thresholds for free allocation to link to the carbon price. Do not allow more companies to qualify.
  - Change the default phase-out rate from 1% to 15%, so that all free allocation is phased out by 2030.
  - Update the base years for calculating free allocation from 2006-09 to 2016-21, to avoid further over allocation.

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<sup>1</sup> <https://climatejusticetaranaki.wordpress.com/>

<sup>2</sup> <https://climatejusticetaranaki.files.wordpress.com/2013/03/cjt-submission-on-ets-feb2016-without-cover-address.pdf>

<sup>3</sup> <https://climatejusticetaranaki.files.wordpress.com/2020/01/cjt-submission-on-climate-change-response-ets-reform-17jan20-final.pdf>

<sup>4</sup> <https://www.epa.govt.nz/industry-areas/emissions-trading-scheme/industrial-allocations/decisions/>

<sup>5</sup> <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/industrial-allocation-cabinet-paper.pdf>

<sup>6</sup> [https://www.legislation.govt.nz/bill/government/2022/0207/latest/d7676664e2.html?search=ts\\_act%40bill%40regulation%40deemedreg\\_allocation\\_resele\\_25\\_a&p=1#LMS775233](https://www.legislation.govt.nz/bill/government/2022/0207/latest/d7676664e2.html?search=ts_act%40bill%40regulation%40deemedreg_allocation_resele_25_a&p=1#LMS775233)

<sup>7</sup> <https://www.fonterra.com/au/en/our-stories/media/fonterra-profit-up-50-in-fy23-interim-results.html>

<sup>8</sup> <http://changingmarkets.org/wp-content/uploads/2023/03/Feeding-Us-Greenwash-web.pdf>

<sup>9</sup> <https://www.climatecommission.govt.nz/public/Advice-to-govt-docs/16-02-2023-Letter-from-Dr-Rod-Carr-to-Minister-James-Shaw-ETS-Settings.pdf>

<sup>10</sup> <https://www.ipcc.ch/report/ar6/syr/resources/spm-headline-statements>