

### Opportunities

The government believes that the transformation to a more environmentally sustainable economy will open up opportunities for New Zealand businesses.

New Zealand is already a world leader in existing technology in important areas like agriculture, forestry, and biotechnology. There will be significant new economic opportunities for these sectors if they are at the forefront of the development of new carbon-friendly technologies.



The action we take to reduce emissions will also help to improve our environment. It will improve our air and water quality, land management (eg, in areas like erosion, flooding, indigenous forests, and biodiversity), domestic energy security (by reducing oil imports and developing domestic renewable energy sources), and conservation of valuable resources for use by future generations.

### Where to go for more information

For more information on the government's climate change work, including 'The Framework for New Zealand Emissions Trading Scheme' and a series of emissions trading factsheets, visit [www.climatechange.govt.nz](http://www.climatechange.govt.nz)

### Conclusion

The need for the world to act to reduce greenhouse gas emissions is now clearer than ever. Greenhouse gas emissions created by humans are contributing to climate change. Doing nothing is not an option.

The international community is now taking the threat of climate change very seriously, and is working together on solutions.

The New Zealand government has already implemented a number of policies and measures to reduce our emissions and to prepare for climate change. These include improving the fuel efficiency of vehicles, increasing the standards for insulation in buildings, and encouraging renewable energy. There will, in many cases, be beneficial side effects in the resulting cleaner air, increased energy security, reduced fuels bills, better housing, and so on.

An emissions trading scheme will play an important role in our action to address climate change.

The New Zealand government has decided to use an emissions trading scheme for greenhouse gas emissions as part of its response to climate change. Emissions trading will help reduce emissions, encourage and support global action on climate change, and help put New Zealand on a path to sustainability. This factsheet introduces the reasons why we need to become more sustainable through initiatives such as emissions trading.

## Why a New Zealand emissions trading scheme?



### Emissions trading

- > An emissions trading scheme will establish a New Zealand market for greenhouse gas emissions, supporting global efforts to reduce these emissions
- > The scheme will be introduced gradually, as sectors become ready, and the transition will be gradual, allowing for smooth adjustments.
- > It is a flexible and effective approach that is likely to lead to the least-cost option to reducing New Zealand's greenhouse gas emissions
- > Extensive consultation in 2006 and 2007 showed wide support for an emissions trading scheme as the primary means for managing New Zealand's greenhouse gas emissions.

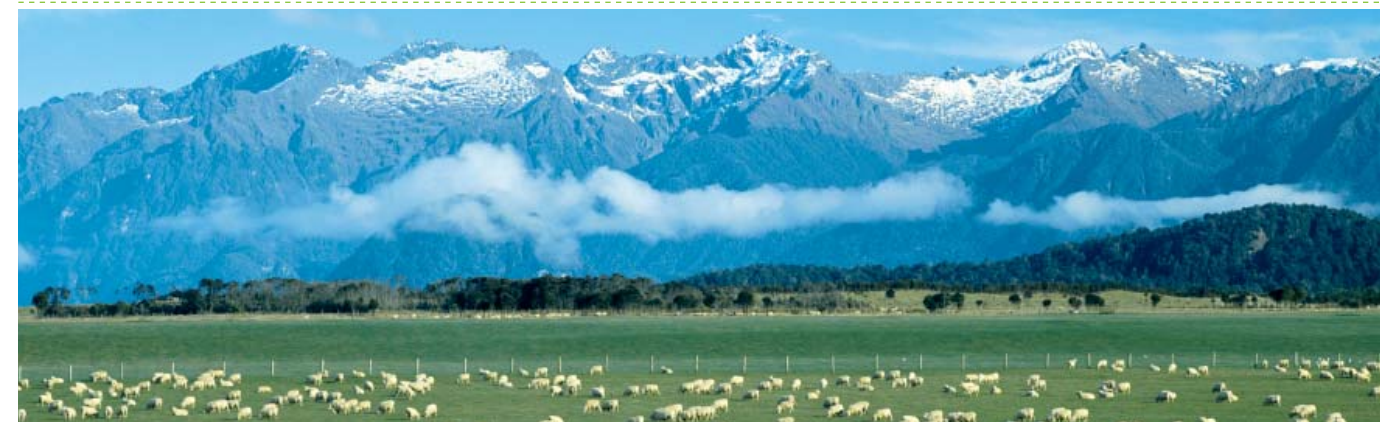
### A more sustainable New Zealand

Emissions trading is a core component of the government's initiatives aimed at tackling climate change and transforming the economy in a way that is sustainable. We want to improve productivity and wealth, while advancing long-term environmental sustainability through improved efficiency in the use of energy and resources.

Important sectors of the economy are already developing long-term strategies based on sustainability. As the world moves in this direction, there are considerable economic opportunities for those at the forefront of carbon-friendly technologies.

Emissions trading will encourage, for example, businesses to use fuel and energy more efficiently than they do at present. By developing more sustainable technologies and smarter ways of doing things we will help the process of transforming the economy, improving our quality of life, and protecting the environment.

Government will help households, businesses and industry sectors in the transition to a sustainable New Zealand. And the emissions trading scheme will be implemented gradually, allowing for smooth adjustments.



### Why do we need to reduce our greenhouse gas emissions?

Climate change is real and presents an unprecedented challenge for the global community, the world environment and world economy, and – consequently – for New Zealand as well. Without global action to reduce and stabilise greenhouse gas emissions, the world is projected to experience a rise in temperatures, increasing sea levels, more frequent extreme weather events, and a change in rainfall patterns.

There is growing recognition that the costs of inaction internationally on greenhouse gas emissions will exceed the costs of action. New Zealand's biologically-based economy relies on a benign and stable climate for production; therefore, international action on climate change, where all nations, large and small, play their part, is crucial for our long-term economic, social, and environmental well-being.

It is not the New Zealand way to do nothing, while expecting others to act. In addition, as a small trading nation, we need to recognise the shift in attitudes in our key overseas markets where climate change issues are having a growing impact on the thinking of governments and consumers.



### Why is the government introducing an emissions trading scheme?

It is the government's responsibility to lead on these issues; otherwise the significant changes needed are highly unlikely to occur. Emissions trading is just one aspect of the government's wide response to climate change. Other initiatives, including the New Zealand Energy Strategy, are also being introduced.

Becoming more sustainable, and dealing with climate change, is an important element of the government's strategy for economic transformation. Industry sectors such as tourism and wine production are already planning and investing based on more sustainable approaches that enhance New Zealand's international clean, green brand. This approach must be supported by policies that tackle the environmental challenges we face. Failure to control greenhouse gas emissions appropriately would have trade risks.

The government's approach is in line with other developed countries that are in the process of developing and introducing initiatives aimed at reducing greenhouse gas emissions. A failure to act sustainably and responsibly could reduce New Zealand's credibility internationally, and threaten New Zealand's interests in a range of trade and other negotiations.

There has been wide consultation with businesses and stakeholders on a range of possible policy responses to climate change. These responses included emissions trading, a carbon tax, direct regulatory measures, and other possibilities. Emissions trading offers the most flexible, effective, fairest, and least-cost option to reducing New Zealand's greenhouse gas emissions. It was also the most preferred of the options.

### What will the impact of emissions trading be?

If we do nothing, the level of New Zealand's greenhouse gas emissions is expected to rise significantly. In the short term, it is clear that introducing an emissions trading scheme will result in emission reductions relative to business as usual (ie, emissions might continue to rise, but would do so at a slower rate than at present).

The long-term effects of an emissions trading scheme are difficult to estimate, but are likely to be significant, particularly if predicted developments in new technologies and complementary measures – such as energy efficiency measures – emerge.

The effect on the economy from introducing an emissions trading scheme is expected to be negligible, with economic modelling predicting it will knock 0.1 per cent off New Zealand's gross domestic product (GDP) growth of 15 per cent between 2005 and 2010.

Emissions trading will mean an increase in the costs of products that cause greenhouse gas emissions, such as petrol and electricity, but the government will help households, businesses, and industry sectors to adapt to cost increases. The emissions trading scheme will be introduced gradually, allowing for smooth adjustments across the economy.

Regardless of whether an emissions trading scheme is introduced, there will be costs to the economy as a whole – and to households and businesses – as a result of global efforts to reduce greenhouse gas emissions. We have already agreed to these costs under the Kyoto Protocol. The government is engaging with businesses, industry sectors and the wider community on how to make the scheme as fair and effective as possible for everyone.

