

Kiwi Carbon Haze

New Zealand's cap-and-trade rationale is a bunch of hot air.

Wall Street Journal – Opinion – Asia
September 7th 2009

To the annals of global warming lunacy, add this gem from New Zealand: According to a parliamentary committee, Kiwis should accept lower standards of living to protect the national image abroad.

The findings of the "Emissions Trading Review Committee" aren't binding, but they tell much about how deep today's green religion runs. New Zealand has a nominally conservative government run by Prime Minister John Key. But even Mr. Key won't consider completely disavowing environmental taxes in the form of cap-and-trade—he just wants to soften them. He ordered a parliamentary committee last year to figure out how.

Their report, issued last week, doesn't question disputed United Nations climate-change assumptions, nor explain the cost to the average Kiwi of taxing every corner of the economy—especially agriculture, the country's biggest export. The authors brush aside the fact that New Zealand only emits 0.2% of global emissions, calling it "small," but "not insignificant." Thus Wellington should "act now" to reduce emissions "to protect our international reputation, particularly in the areas of trade and tourism."

This is green PR gone wild. New Zealand already boasted one of the world's most pristine environments before it passed cap-and-trade last year. The law, if anything, has made the country less green, not more so. As soon as the former Labour government started talking about global-warming initiatives, foresters started chopping down trees to reduce their carbon footprint—and cost of buying emissions permits in the future. Over the past few years, New Zealand has experienced severe deforestation. Economic activity in the sector has plateaued.

Then there is the broader cost to macroeconomic growth, which isn't marginal. The New Zealand Institute of Economic Research, an independent consultancy, estimated last year that the cap-and-trade scheme could cost as much as 3,000 New Zealand dollars (\$2,500) in reduced income annually for the average family. But the truth is that no one really knows what the ultimate impact will be, given that New Zealand, by rendering its industries less competitive, will make it permanently harder for them to compete at home and abroad.

The best advertisement for New Zealand isn't to support ideas that make the country poorer. Instead, Mr. Key's government would do better by focusing on encouraging strong economic growth to support a vibrant, entrepreneurial society. That way, tourists may want to come to New Zealand and stay.