

## **Moving in the Right Direction**

Last Thursday, US President George Bush launched a vigorous defence of the free market, stating that the only long-term solution to the global financial crisis is sustained economic growth. He explained that the surest path to growth is the free market and free people:

This is a decisive moment for the global economy. In the wake of the financial crisis, voices from the left and right are equating the free enterprise system with greed and exploitation and failure. It's true this crisis included failures - by lenders and borrowers and by financial firms and by governments and independent regulators. But the crisis was not a failure of the free market system. And the answer is not to try to reinvent that system. It is to fix the problems we face, make the reforms we need, and move forward with the free market principles that have delivered prosperity and hope to people all across the globe.

The President stated that while the free market system is not perfect, it provides the incentives that lead to prosperity: the incentive to work, to innovate, to save, to invest wisely, and to create jobs for others. And as millions of people pursue these incentives together, whole societies benefit... The record is unmistakable: If you seek economic growth, if you seek opportunity, if you seek social justice and human dignity, the free market system is the way to go.[1]

As the new National government charts its course towards the brighter future promised to the electorate, John Key and his team will undoubtedly be mindful of the words of President Bush. It means not only avoiding the imposition of unnecessary regulations and restrictions, but also reviewing and removing those that are unnecessary. This is something for the incoming government to keep in mind when undertaking the review of climate change legislation that has been announced today, since an emissions trading scheme was always going to be a major cost on New Zealand's productive sector and a significant impediment to growth:

“National agrees to a review by a special select committee of Parliament of the current Emissions Trading Scheme legislation and any amendments or alternatives to it, including carbon taxes, in the light of current economic circumstances and steps now being undertaken by similar nations. National further agrees to pass forthwith an amendment to the ETS legislation delaying its implementation, repealing the thermal generation ban and making any other necessary interim adjustments until the select committee review is completed”.[2]

New Zealand is not alone in reviewing climate change legislation. The deepening global economic turmoil is impacting heavily on governments around the world that are concerned about the economic cost of environmental commitments.

I asked Catherine Beard, the Executive Director of the Greenhouse Policy Coalition, an organisation that represents New Zealand's industrial sector, and this week's NZCPR Guest Commentator, to update us on overseas developments. Catherine explains how, in the wake of the global financial crisis, government commitments to climate change is crumbling:

"The resolve in Europe to make meaningful emission reductions is crumbling by the day in the wake of the financial credit crunch sweeping the globe, bringing with it fears of a global economic recession.

"The revolt is being lead by Germany, Italy and Poland, and includes all the former communist countries Hungary, Bulgaria, Estonia, Latvia, Lithuania, Romania and Slovakia. They are all fearful that the cost of additional emission reductions will harm their economies, forcing energy intensive industry to exit Europe and set up in parts of the world where there will be no carbon charge

The European Union has always been at the vanguard of the climate change movement. With many Eastern European member countries having suffered from economic collapse during the nineties, the EU's Kyoto Protocol agreement to reduce greenhouse gas emissions to 8 percent below 1990 levels was not regarded as being too onerous. But with Italy and Spain threatening non-compliance as they struggle to meet their targets, and Germany leading the charge to demand major exemptions for energy intensive industries, the future of the EU climate change initiative looks increasingly shaky.

Add to that view increasingly held by developed countries that India and China (which is expected to double emissions over the next 20 years) must also agree to cut emissions if there is going to be any further global agreements, and the whole climate change edifice looks to be on the brink of collapse.

A big part of the problem for global warming alarmists is that although the United Nations and Al Gore told the world that catastrophic climate change was going to occur - unless the emissions of man-made greenhouse gases were reduced - the globe has not warmed but cooled. Since 1998, emissions have continued to rise and temperatures have continued to fall. This means that increasing numbers of people are becoming far more skeptical about global warming scaremongering and politicians jumping on the global warming bandwagon.

So where does it leave New Zealand?

Firstly, the move to pass legislation to delay the implementation of the emissions trading scheme and to repeal the ban on thermal electricity generation is sensible.

Secondly, while the plan to hold a select committee inquiry is a good step in the right direction, it is crucial that it allows the opportunity for a wider debate on the

scientific evidence in support of, or against, the existence of anthropogenic global warming. The review must also, as a priority, hold a proper investigation in the way that the United Nations' Kyoto Protocol deals with agriculture.

Let me explain.

At school we learnt about the carbon cycle. It is a natural cycle which maintains a steady level of carbon dioxide in the atmosphere of 0.038 percent. The cycle begins with plants absorbing carbon dioxide during photosynthesis and locking it up in plant tissue. When animals eat the plants, some carbon dioxide is released into the atmosphere during respiration, with the remainder being used to build up animal tissue. If the animal is a ruminant, like cows and sheep that chew their cud, friendly bacteria break down the plant cellulose in multiple stomachs emitting methane as a byproduct. Over an 8-10 year period this methane breaks down into carbon dioxide and water. When plants and animals die, decomposition returns carbon dioxide to the atmosphere - except when it gets buried for hundreds of years, and as a result of heat and pressure, turns into fossil fuels.

The point is that the carbon cycle is a natural cycle between plants and animals that maintains a constant level of carbon dioxide in the atmosphere. As such, the fact that methane, which is an important part of that natural cycle, is treated by the Kyoto Protocol as a man-made greenhouse gas that needs to be reduced, is misguided - especially as New Zealand's methane emissions make up over a third of our total greenhouse gas inventory.

This is an issue that has taxed many, including Professor David Bellamy and agricultural consultant Robin Grieve.[3] Robin recently calculated that, by looking at the whole carbon cycle, dairy cows are not net emitters of carbon, but carbon sinks: "The cow has removed 25kgs of CO<sub>2</sub> from the atmosphere and emits 6 to 10kgs CO<sub>2</sub> equivalents in methane. She is in credit between 15 - 19kgs". In other words, for each kilograms of carbon dioxide removed from the atmosphere through grazing, the cow discharges only one third of a kilogram of equivalent carbon dioxide back into the atmosphere, with the other two thirds being stored in milk, meat, and other bodily products. That means that livestock, rather than being regarded as net emitters of greenhouse gases, should be accounted for on the credit side of the Kyoto Protocol ledger!

To further illustrate how truly stupid the Kyoto Protocol is, Robin has calculated that according to their rules, mowing a lawn with a motor-mower is six times better for the environment than letting a sheep graze it: "The environmental impact of my sheep, as defined by Kyoto, is 19.65 kgs carbon equivalent compared to a lawnmower's 3.107 kgs carbon. This means my sheep is 6.3 times worse for the environment than a lawnmower according to Kyoto." [4]

All of this highlights the gross inaccuracies in the way that agriculture has been

treated under Kyoto Protocol rules. But with the agricultural sector being such a key part of the New Zealand economy – as well as being an important global food producer - this is an area that demands an urgent review of the highest order since the findings will be of great international significance.

If the special Climate Change select committee investigation incorporates agriculture and the scientific basis of climate change in its terms of reference, it will be a very important step in the right direction. This will allow New Zealand to become a follower rather than a leader in this fraught climate change area, and enable the government to focus its effort on the crucial matter of getting the economy right.

*1. President Bush, President Bush Discusses Financial Markets and World Economy*

*2. National-ACT Confidence and Supply Agreement*

*3. Muriel Newman, Protecting our Future*

*4. Robin Grieve, Lawnmower versus Sheep: the Kyoto folly*

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