



Too much gassing, too few trees

Labour's dream of a carbon-neutral nation requires forests — and, long-term, politically neutral policies

WHEN you are shooting for the stars, it doesn't help to start your journey by shooting yourself in the foot. If Labour is serious about moving towards its ultra-ambitious (some would say impossible) target of making New Zealand carbon neutral, it is going to need trees, trees and more trees to absorb the massive quantities of carbon dioxide required to get net emissions of greenhouse gases down to zero. And then some.

Yet, Labour is currently embroiled in a battle royal with the one sector of the economy which should be its natural ally in attaining its goal — the forestry industry.

While the Government is the final arbiter in the complex argument over entitlements to potentially lucrative carbon credits, it will be the loser if already-depressed investor confidence in the sector hits rock bottom.

Then again, the prospect of a so-called "deforestation tax" may have done that already.

Forestry investors have been voting with their feet in what National calls a "chainsaw massacre" as forests are chopped down before measures are in place to penalise deforestation.

The result? Even more greenhouse gas emissions as carbon is released from the felled timber.

Labour is at huge risk of the focus of the climate change debate shifting to the credibility gap between its carbon neutral rhetoric and its failure to make even slow progress in that direction.

For now, Labour has secured political ownership of "carbon neutrality" and is riding that bandwagon for all it is worth.

Private-sector companies and state corporations are tripping over one another to attach the carbon neutral label to themselves, mainly for reasons of self-promotion and, in the case of those selling products to environmentally aware consumers in foreign markets, self-preservation.

Come election-time, however, merely talking carbon neutrality may not be enough.

Neither will the tokenism of a handful of Government departments becoming carbon neutral be sufficient to outweigh the ugly news on the other side of the emissions ledger.

According to the Ministry of Agriculture and Forestry, new plantings of trees have fallen from a high of 98,000ha in 1994 to just 5000ha last year.

Meanwhile, replanting after harvesting of existing forests is also declining. Nearly a third of the forests harvested last year are expected to be converted to another land use, much of it to methane-belching dairying.

National has been hammering Labour with such statistics for some time.

It has now undercut the Government by promising to give the forestry sector an as-yet unspecified slice of the carbon credits created by



New Zealand's ratification of the Kyoto Protocol.

Labour has accused National of being fiscally irresponsible in offering what it says would amount to a \$1 billion-plus windfall to foresters.

But National has received some backing from an unlikely quarter. The Greens this week urged the Government to hand over a portion of the credits as a much-needed incentive to get seedlings in the ground.

The argument over carbon credits has bubbled away since 2002 when the Government opted to retain them.

But the simmering anger over what forest owners claim is theft of their property rights found an outlet through December's draft sustainable land management plan.

This discussion document appeared to raise the possibility of a deforestation levy. The word got around that land owners would be penalised up to \$13,000 per hectare if they cut down their trees and turned their land to new uses.

For many investors, already hit by tumbling



log prices, that was the final straw, even though such a levy is still only a proposal and likely to go the way of Labour's flatulence and carbon taxes.

But much to the Government's annoyance, the Kyoto Forest Owners Association, which represents investors, used the MAF-organised consultation exercise on deforestation policy as a vehicle for relitigating entitlement to carbon credits.

The Government argues it is essential that climate change policy be consistent and fair across the whole economy. Otherwise, it will not get buy-in from big greenhouse gas emitters.

Suddenly devolving carbon credits would also incur a fiscal cost which would have to be met by the taxpayer or carbon emitters.

However, the forestry sector argues its contribution to cutting greenhouse gases is going unrewarded while the greenhouse gas-emitting agriculture sector gets away scot-free.

National points to Cabinet papers showing the Government initially agreeing to bestow the credits for forests planted after 1990 with those Saturday, 17 March 2007, p. 28

who planted them. The Government then changed its mind.

However, the political argy-bargy raises a wider question: can the parties in Parliament reach a consensus on climate change policy?

A multi-party agreement would ensure measures to combat global warming have stickability beyond the three-year election cycle. Broad consensus is also necessary to ensure business knows where it stands before making long-term infrastructural investment.

New Zealand's position also needs to be consistent to hold sway in international negotiations on global warming, rather than flip-flopping every time the Government changes.

National called for multi-party talks last year. The Prime Minister seemed receptive, at least initially.

Climate Change Minister David Parker has been sounding out other parties.

However, National cancelled its meeting with Parker after Michael Cullen revealed details of a supposedly private meeting that Government and Opposition members had with Reserve Bank officials over monetary policy.

Things have since been in limbo. But there are signs of renewed efforts behind the scenes to get a multi-party dialogue up and running.

It is in all parties' interests to appear constructive. Furthermore, there is already rudimentary agreement that reducing emissions in the energy sector, principally electricity generation, be the first priority, while an emissions trading system be established down the track.

The major obstacle is the almost total lack of trust between Labour and National.

National is wary of being drawn into something which will enable Labour to secure the numbers to pass climate change legislation for which it will then claim the credit.

Labour sees National's siding with the forestry sector as an illustration of how parties might be tempted to sacrifice long-term consensus for short-term political gain.

Labour is reluctant to concede the big advantage it believes it secured when the Prime Minister talked carbon neutrality last year.

National believes Labour is deluding itself and is extremely vulnerable on climate change. New Zealand's greenhouse gas emissions will still be rising at election-time next year — and National will remind voters of that.

The question will be whether voters succumb to the emotional pull of Labour's dream of carbon neutrality or let the grim reality intrude.

Sparks fly — Weekend Review, B5

Monday:

The cost of credits — The Business