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Climate Change Policy: A Renewable Energy Company's Perspective
Prepared for the Hon David Parker, 9 February 2006

Climate change policy should be:

- Effective at reducing GHG emissions and stabilising atmospheric concentrations
- Fair by providing a uniform, and lowest possible cost of carbon across the economy
- Consistent by avoiding subsidies for particular sectors (fossil, nuclear or renewable)
- Durable (by being effective and fair) so as to provide certainty for the business sector (new and old).

For these reasons I have consistently argued for the last 18 years for the polluter pays principle to be applied to fossil fuels. Pay for what? The cost of avoiding adverse effects. How? By paying to absorb CO_2 from the atmosphere. (There is no other way to avoid adverse effects.) Specifically how? Probably by afforestation (the least-cost option right now) but geosequestration or any other means if/when it is cheaper. Why? To create a six-fold effect:

- Stabilise atmospheric concentrations if adopted world-wide (the goal of the FCCC)
- Correctly price fossil fuels and encouraging them to be phased out
- Create a biomass feedstock (sustainably stored solar energy) so that (like a "sponge", not a "sink") it can …
- Replace fossil fuels (unsustainably stored solar energy) for our combustion fuel needs
- Create a level playing field to encourage renewable energy (zero net vs zero net)
- Stimulate energy efficiency and conservation.

What is this called? It has had a few names:

- Tradeable absorption obligation (TAO)
- Tradeable carbon certificate (TCC) with absorption credits
- Two-sided carbon trading (emissions and absorption).

I do not rule out other measures as well, but I maintain that the above is a necessary step, and may as well be the first step albeit "throttled back" to reflect the Kyoto target (stabilise emissions versus stabilise concentrations). Especially while it is "throttled back", other **consistent** measures to stimulate renewable energy (including a carbon tax) are justified (for as long as zero net does not compete against zero net). See also my submission of 21/12/01.

Policies and actions inconsistent with the above should be avoided. These include:

- Issuing a resource consent to a gas-fired power station (TCC - 1994) which requires "sink offsets" and then not enforcing it
- Announcing a carbon tax and then cancelling it (1997 and 2005)
- Nationalising the forestry credits thus removing a vital market mechanism
- Increasing tax write-offs to encourage gas exploration
- Indemnifying a gas-fired power station (E3P at Huntly) against a supply risk
- Removing CO_2 from the RMA **before** putting anything in its place.

In summary we need a fair and durable policy which puts a price on carbon emissions. To be fair and durable it has to be seen as effective, and the required effect is to reduce net emissions, ultimately to zero (for practical purposes). It does not need to include a carbon tax (it needn't preclude it either) but there needs to be some price on carbon, and reward for absorption across the economy right now. Rather than imposing a special carbon tax on the power sector, the government should enforce the TCC resource consent and apply it generally.

Windflow's 800 investors, like many in the renewable business, see financial returns as a means, not an end. We want to make a difference, we're in it for the long term. Climate change demands an approach that gets to the root of the problem. A policy that requires the polluter pay to absorb CO2 is fundamentally right and unarguable. As such it provides the best long-term prospects not only for all renewable industries, but for future generations. Thank you for listening.

Yours sincerely, Geoff Henderson