



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**New Zealand Emissions Trading Scheme Review 2015/16
Submission on Priority Issues, 19 February 2016**

This submission is made on behalf of the 31 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 320,000 members, the CTU is one of the largest democratic organisations in New Zealand.

We are gravely concerned at the effect of climate change and do not believe that the Government is doing enough to contribute to world efforts to combat it. We are also concerned that the effects of climate change and the measures needed to combat it will impact working people in their jobs and their communities unfairly, and measures must also be taken to address this.

This is a brief submission to highlight particular matters with respect to the priority issues being addressed in this review. We are considering our position on a fuller submission on the Review to be provided by 30 April 2016.

The “priority issues” contain proposals to

- (a) Remove the concession introduced in 2009 on obligations to surrender emission trading units for the liquid fossil fuels, industrial processes, stationary energy and waste sectors. The concession allows them to surrender one unit for every two tonnes of emissions (a 50 per cent surrender concession). The proposal would require them to surrender one unit for every tonne of emissions.
- (b) Review the existing \$25 fixed price surrender option for emissions trading units.

We have read the economic evaluation of the proposals by the New Zealand Institute of Economic Research (NZIER)¹ for the Ministry. This estimates that

- Average real wages could fall by up to 0.8 percent by 2020. This is the largest single economic effect evaluated
- A consequential fall in consumption, slowing investment and the economy
- The impacts would fall unevenly on households, with the lowest income 20 percent of households experiencing the greatest impact in terms of reduced spending (up to 0.26 percent fall compared to 0.15 percent fall for the highest income 20 percent of households).
- Different industries will, as would be expected, be impacted differently with the greatest impacts on mining, fertiliser manufacturing and waste collection

¹ “Economic impacts of removing NZ ETS transitional measures: A Computable General Equilibrium analysis”, NZIER final report to Ministry for the Environment, December 2015, available at <https://www.mfe.govt.nz/publications/climate-change/economic-impacts-removing-nz-ets-transitional-measures>

and treatment along with lesser effects on agriculture and parts of manufacturing while accommodation will benefit. Retailing and building construction will be impacted by the loss of demand from lower wages.

We recognise that these effects are very small and at the top of the estimated range, that the modelling is imprecise, and that it does not fully take into account changes in production processes that are hoped to occur given the changing costs faced by firms.

However the impacts will be larger if and when future governments take the need to combat climate change as seriously as it should be taken, or if the worst happens and climate change begins to seriously damage our country and economy.

The nature of the economic effects estimated by NZIER emphasises that the impacts are likely to be uneven and unfair, disproportionately harming the lives of people who are least able to control emissions or protect themselves from changes in the climate. Some of these changes are already occurring.

Any set of policies to combat climate change should therefore include measures to address these social and economic effects, including:

- Generous income replacement and other financial assistance to people who lose their jobs;
- Assistance in retraining to enable them to find well-paying jobs with good working conditions;
- Assistance in finding a suitable replacement job;
- Relocation assistance if necessary;
- Industry policies which ensure that new industries replace declining ones, and that they are high value industries providing high wage, secure jobs with good working conditions. They should take advantage of opportunities opened by the transition towards a greener, low carbon economy.
- Assistance to working people and the firms in which they work to adapt to the low-carbon future including ongoing training, advice and support for investment in new technologies and processes.

This requires planning capacity to bring these elements together, along with responses to climate change itself, in readiness for change. It needs an integrated approach to the climate change issues, emissions reductions, labour, economic, industry and social issues rather than the current piecemeal approach.

Internationally this is known as a “just transition” to the new environment. Its necessity was acknowledged in the preamble to the Paris Agreement in December:²

Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities,

Thank you for the opportunity to comment.

² Available at http://unfccc.int/files/home/application/pdf/paris_agreement.pdf, at p.1.