climate change

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Kiwi space sheep fight fires

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Carbon cost shock

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HUGE costs in New Zealand's zero carbon goals that could set the country back more than a trillion dollars have been side-lined in Government calculations, seasoned rural economist Phil Journeaux says.

He calculates the policy will costing the NZ economy more than a trillion dollars by 2050 and shave billions a year off income.

AgFirst agricultural economist Journeaux said he has become increasingly alarmed about a failure to acknowledge what the aspirations to lower carbon emissions will really mean in economic terms to not only the rural economy but to all NZ.

Journeaux spent much of his career as an economist with the Primary Industries Ministry.

A wave of reports examining lower carbon emissions have been release in the past few months.

They include Sir Peter Gluckman's final report as the Prime Minister's science adviser, the Parliamentary Commissioner for the Environment's report on livestock methane emissions and the Productivity Commission report on a low-emissions economy.

There was also a discussion document, Our Climate, Your Say, Consultation on the Zero Carbon Bill, in June that rang alarm bells for Journeaux.

"There were a couple of concerns it raised. The first was the differential in GDP growth that results between the various policies focusing on agriculture alone as we move from do-nothing to a net zero emissions economy by 2050 with 50% and 75% reductions in gases below 1990 levels along that spectrum."

The loss figures are not spelled out but showing up in the different rates of GDP that can be expected under each scenario.

Under a do-nothing approach average GDP is modelled rising at 2.2% a year.

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ON TRACK: Judge and CP Wool relationships manager, left, questions Agriculture Minister Damien O'Connor on what he is doing for crossbred wool while Ashburton A&P Association president David Butterick, right, listens. Photo: Annette Scott

Minister gets wool message

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WOOL issues are being addressed, Agriculture Minister Damien O'Connor told farmers at the Ashburton A&P Show on Friday.

Judge and CP Wool relationships manager Roger Fuller asked O'Connor what he is doing for crossbred wool, stressing that it's not economical to even take the wool of the sheep's back as crossbred values sit.

O'Connor assured farmers looking on at the judging of the fleece wool the newly appointed Wool Group is addressing the issue and he hopes for improvement in due course.

Ashburton sheep farmer and A&P Association president David Butterick hosted O'Connor for the morning at the show.

O'Connor said he was there to talk to farmers on the ground and in particular talk about issues top of mind including irrigation and water, Mycoplasma bovis and wool.

Wool section convener Dave Strong said entries were up this year across all types including Merino fine wool, mid micron Corriedale and PollWorth, crossbred and Border crosses with black and coloured fleeces also up on previous years.

It is very pleasing to see farmers supporting the wool section, especially given the doldrums of crossbred wool prices.

Lower carbon a tough ask

AN ANALYSIS of the Environment Ministry report Our Climate, Your Say document on a low-emissions economy acknowledges the impact on economic growth such policies will have.

It found New Zealand's economy will continue to grow under any of the options but not as quickly as it would with no climate change action being taken.

The report's authors said it is highly unlikely NZ will take no action on climate change given its commitment to the Paris Accord.

Key challenges include major competitiveness issues in trade-exposed, intensive emissions sectors.

Agriculture falls into that category given it accounts for almost 50% of NZ's emissions.

The same sectors are expected to experience a decline in output and jobs and slower rates of growth in household incomes.

Overall, by 2050 total household incomes are expected to grow by 40% compared to 55% with no climate-change action.

The report notes the concerns agricultural economist Phil Journeaux has raised about the need for the rest of the world to engage in emissions reductions rather than NZ taking the high ground as a minority emitter.

It acknowledges the risk of significant negative economic impacts on gas-intensive sectors including pastoral farming mean there could be emissions leakage, where businesses and sectors move overseas away from carbon penalties, therefore having no effect on overall global emission levels.

The authors said the whole world needs to act to avoid damage from climate change.

Because of NZ's unique gas profile, with almost half generated from livestock, which has no proven technology to reduce gas losses, the analysis acknowledges it will be relatively expensive compared to our trading partners to reduce emissions.

Greater investment in research and development for businesses will also be required alongside emissions pricing to increase the rate of innovation to respond to reduction demands and the analysis pins hopes on greater innovation evolving as emissions pricing rises.

MONEY: Zero-carbon targets could cost New Zealand a trillion dollars by 2050 and shave billion a year off the national income, agricultural economist Phil Journeaux says.

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That drops to 1.8% and 1.6% for 50% and 75% reductions respectively, in an economy that assumes agricultural innovation as the only means of reducing gas emissions. At net zero, GDP growth will fall to 1.6%.

In an economy relying on energy, agri and transport innovation to reduce carbon the net zero GDP is estimated to be about 1.9%, the best of three outcomes.

Journeaux's concerns over the data were strong enough to prompt him to write to Climate Change Minister James Shaw and Environment Minister David Parker. He has not had replies.

"The calculations are based on a Treasury forecast of 2.2% do-nothing growth, interesting given average GDP growth over the preceding 30 years was 0.64% pa.

"The main concern, though, is the extrapolation of the figures, which the document did not comment on. This relates to the cumulative cost of GDP forgone over the next 32 years under these policies."

His concerns are shared by Waikato University environmental economics expert Professor Frank Scrimgeour.

Scrimgeour did some modelling work 10 years ago looking at the impact of carbon and fuel taxes.

"What I found then, and I suspect it holds today, is the devil is in the detail with such policies.

"They had quite definite impacts on GDP and there could be several ways to achieve the same result."

A number of indicators he used including household income and capital formation highlighted such policies are also uneven in their impact on sectors.

"There can be quite shocking effects when you look past the average outcome across the entire economy.

"Such aggressive policies will inflict more economic pain than people realise."

Journeaux has calculated the cost by 2050 under a best case growth of 1.9% to be $50b less income for that year than it would have been under business as usual.

In the worst case growth of 1.5% for that year, the country would be $110b worse off.

"The document is silent on the calculation that cumulatively in today's dollar terms NZ will forgo between $185b and $417b."

This amounts to $700b to $1.5 trillion in 2050 dollar terms.

"In fact the document states 'the difference in economic impact of moving from current domestic target to net zero emission target is not substantial'."

Journeaux disputes that statement, with even the lesser amount of $50b from the best case comparing to NZ's 2017 total GDP of $265b in 2017.

The GDP impact is also found in an NZ Institute of Economic Research economic impact analysis on the same policies.

Average annual per household incomes are revealed to drop an average of 7% under zero emission policies because of higher carbon prices pushing up the cost of goods.

A key part of the policies is the boost in tree planting required for carbon offset, a practice Journeaux said will have major implications for rural NZ.

Little analysis has been done on the impact of losing two million hectares of pastoral land to trees, as proposed in the Productivity Commission report on a low-emission economy.

Journeaux labelled its assumptions as naive.

"We are running the risk of forgoing so much GDP, when on a global level we are simply not going to make a significant difference to greenhouse gas reduction if the big players like United States, India and China are not on board with it."

He is not proposing NZ do nothing but the policies need more intense cost-benefit scrutiny by qualified agricultural economists.

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>
> **Frank Scrimgeour**
> **Waikato University**