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13 October, 2009

Clerk of the Committee
Finance and Expenditure Select Committee
Level 9
Bowen House
Wellington



Dear Meitara,

Climate Change Response
(Moderated Emissions Trading Amendment Bill)

Please find enclosed my submission to the committee. There are two parts to it:

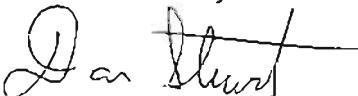
A submission on the science and a submission on the explanatory notes to the Bill. Both need to be read together. I could not get a copy of the Bill until Friday last so I apologise in advance for any mistakes, typos or *non sequiturs*.

I wish to appear before the Select Committee because I want to name certain people in connection with the material submitted. This may need to be done "in camera". The letter to the Prime Minister attached with the material will explain my reasons for wanting to appear in person at the Committee's hearings.

For further background about myself you can look up my CV etc on:

<http://donaldstewart-ready-for-work.blogspot.com>.

Yours sincerely



Don Stewart

Emissions Trading Bill: Submission on the Science

Introduction

There is neither economic nor scientific logic behind a CO₂, CH₄ etc., emissions trading mechanism. While there are good reasons for reviewing the way the world economy is structured that should not happen via false theories in science (refer below). Emissions trading schemes for carbon will effectively introduce a new world currency or carbon-based currency. Initially, it will operate alongside existing national (e.g., NZ Dollar) or regional currencies (e.g., Euro). All in the name of protecting the ice-caps.

It is agreed that processes, systems, societies or organisations that emit dangerous substances should be required to safely dispose of them. With proper internal accounting, there is no reason why disposal costs should not be shared by consumers and shareholders. For example, cities should pay to get someone to treat sewage before it is emitted into rivers or the sea, or treat the sewage themselves. Power stations should likewise pay the costs of dumping nuclear waste in secure containment.

This bill's main concern is with carbon-based gases and their supposed damage to the climate. There was some surprise to find this Bill in Parliament's Finance and Expenditure Select Committee in-basket. That suggests the purpose behind this Bill is fundamentally about changing economic behaviour not about the way we treat the environment. The supposed environmental problem is being monitored in several ways. But the rapid melting of glaciers and polar ice caps seems to be the main criterion by which this supposed relationship of carbon output and climate change/global warming is being measured. What is really at issue is the bankrupt model being used to explain the origin of the ice caps. It is collapsing as the ice caps themselves are melting (Arctic) or breaking up (Antarctica). However, politicians of most persuasions are using this theory to achieve another agenda which is to wean us off oil. The oil profits obtained by a narrow range of producers with alien philosophies that are now also being exported to the oil consumers are the two main factors concerning governments. It is argued here that increased taxes, with systems already in place, are a better and much simpler way to reduce consumption of these products.

I ask the committee to hear three pieces of scientific, historical or academic evidence that overturn the now-orthodox "scientific" belief that man's use of carbon is overheating the earth etc. Then I shall consider some economic issues.

(1) Scientific: Volcanic and Subterranean Influences.

(2) Historical: Records from sailors in the North Atlantic searching for routes along the Great North-West and North-East Passages to reach China (Cathay) and India.

(3) Academic: Quality of peer review of advice reaching governments.

Main Submisssion

(1) Volcanic and Subterranean Influences

(i) Sub-polar warm-water lakes

This is an issue for the South Pole. In *The Independent* (10/01/07), Russian scientists at the Vostok Station on the South Pole were reported to be drilling down to a warm-water lake nearly 3000 metres below the surface of the ice. They had to be stopped by scientists at other bases who understood the potentially disastrous consequences of a shaft of hot water erupting near the centre of the ice pack down there. When I attended an Inter-Governmental Panel on Climate Change (IPCC) briefing session in March 2007 at Victoria University, while on a brief visit back to New Zealand, I mentioned this report to the scientists giving the brief. I had thought the report might have been a hoax or exaggeration. To my surprise, they just took a light-hearted attitude when I mentioned this and replied, "120 to 130" such lakes exist. These lakes are presumably on the surface of the land mass that lies underneath 60% of the Antarctic ice pack. (About 40% of the Antarctic Ice Cap lies on ocean). Common sense tells us that warm water will melt ice. Thus the South Pole is melting from underneath and might soon completely break up rather than just 'calve' at the outer perimeter. That is the real threat we have to plan for. An Emissions Trading Bill has no relevance to that scenario. For confirmation of that scenario, or otherwise, we are really dependent on the nuclear-submarine data.

(ii) Subterranean Influences

To assist the Finance and Expenditure Committee for the purposes of this document, I define "subterranean" primarily as beneath the "ocean floor" or the ocean floor itself.

The most important factors driving the aforesaid "global warming" are subterranean influences. This heat from beneath the Earth's crust is responsible for most of the extra warming of the globe, excluding sunlight effects, changes in uncontrollable solar activity etc. Since we have not been systematically measuring them for more than about 50 years, we do not know the extent to which these "subterranean influences" are part of a long term trend. It may be seasonal but the question then is "What is the period of this season?" I suspect it is a quite long period of thousands of years. In terms of policy questions, which governments must attempt to answer, the trend is effectively permanent but short-term phenomena disguise it. To give you some brief examples:

- from just a cursory study of the records we have regarding Arctic exploration over the last 1200 years (Vikings, British, Scandinavian etc.,) there is little doubt the ice caps have been steadily retreating for thousands of years;
- research into the collapse of the agricultural systems in Iraq *circa* 1000 BC suggests water shortages were already occurring there as a result of declining feedstock in the upper reaches of the Euphrates and Tigris rivers¹;

- a few years ago a United States submarine commander was court-martialled because his submarine hit an under-water volcano. The volcano was not on naval charts because it was quite new. As with many of these volcanos, they disappear because ocean currents erode them quite quickly unless there is sufficient mass to form a substantial cone or reef.

While I was the Agricultural Attaché's Economist at the United States Embassy (1986-92), I received an invitation to visit the vessel Malcolm S. Baldrige that had called in at Port Nicholson. On board, there were huge thermometers attached to buoys, gas retorts and other equipment. These devices were for monitoring southern ocean temperatures and gas exchanges between the sea and atmosphere. The data they hoped to obtain was to be compared with information collected by submarines monitoring the "subterranean influences". In *circa* 1989, a United States Congressional Committee told scientists that it would not consider any policy to manage climate change without a survey of the huge Southern Ocean's impact on the situation. No one, at the time, had any idea what impact the Southern Ocean, or oceans generally, had on the world's atmosphere. For example: Was the sea absorbing gases or a net gas producer from its floor? The 'program', scheduled to begin around 1990 when I went aboard the Baldrige, was to be conducted in two parts from 1990 to 2000 then 2000 to 2010. I assume this 'program' has nearly completed its task and will be reporting to the Congress accordingly. I have also assumed that research programmes like this are the main reason for the United States' reservations about the impact of carbon dioxide etc., on global warming. This conservatism is quite correct and proper.

(iii) Marine and Submarine Surveys

Since the 1950's, nuclear submarines of the Soviet Union, the United States, Britain and France have been charting the ocean floor. They have been finding massive deep sea vents heated by the enormous cauldron that lies just beneath the earth's solid crust. (Near the Grand Canyon a massive underground caldera could explode at any time so this is not just a "subterranean" phenomenon under the oceans). The World's crust is punctured all over the place and there is some evidence more 'cracks' are appearing. Lava flows can be seen by anyone who flies above places like Indonesia. On the floor of the ocean there is much more 'volcanic' or 'thermal' activity. Obviously, it is not easy to monitor the ocean floor except by submarine. That means only four or five governments have the data that's really necessary to make any sensible conclusions. The IPCC, which has no access to these governments' data, never says much about these things for obvious reasons. The IPCC really measures symptoms or end-results of events it knows little about. It is not investigating actual causes. Furthermore, the IPCC has completely ignored the issue of 120 warm-water lakes underneath the South Polar ice cap.

Below I will suggest there should be an international inquiry into the way scientific data is collected, and how it is interpreted. In the meantime, it is foolhardy for New Zealand's Government, which seems to be out of the loop on real data like most other governments,

to distort the economic environment in ways that would be far more catastrophic than anything we can imagine in the botanical and zoological environment. Bills like this would mean governments are doing something in the name of a cause which was lost long before it could ever be won! “Global Warming” has no link with human activity, except at a theoretically and unmeasurably infinitesimal level. Global Warming began almost immediately after polar and glacial ice was originally formed by a catastrophe.

Ice melts slowly at first, then catastrophically as anyone who has de-frosted a freezer knows. We may be at the catastrophic stage regarding the world's ice-caps and glaciers. *The Dominion Post* (3/10/09), citing the United Nations Environment Program in a headline, “Climate Change Worse”, reported the following;

“Droughts, acidic oceans and melting glaciers are signs that the pace of climate change is surpassing worst-case scenarios ... Melting mountain glaciers in Asia could threaten water supplies for up to 25% of the world's population.”

In 2006, the United Kingdom had an extraordinarily hot summer where several records were smashed. Although not the hottest summer on record (1976), it was significant because the record-breaking events in 2006 followed a series of summers in a trend of rising “maximum average” temperatures: 2002 (18.4), 2003 (20.3), 2004 (18.9), 2005 (19.1), 2006 (20.4). The receding North Polar Ice cap may have been one factor but the Gulf Stream which is probably fed with heat from sub-ocean volcanos no doubt had much more effect but this is rarely monitored or neither consistently nor adequately monitored. I was living in Britain at the time and we realised the temperatures were unusual. The British Government decided to release funds for a vessel to undertake similar research into what might be happening with the Gulf Stream. Reports suggested the programme was similar to the American example with the Malcolm S. Baldrige although on a much smaller scale. One of its priorities was to study the impact of the Gulf Stream with the Humboldt Current.

(2) Historical Records

The history of European maritime adventures is well-known and there are records of these voyages in archives. As far as I am aware, they have never been searched for information that could help us track the ice retreat in the North Atlantic and Arctic Oceans. Sometime in the past, the Arctic Circle was the outer limit for sea-ice to form. The ‘circle’ is now far to the south of that limit and is effectively a redundant marker. From AD 1500, British sailors’ efforts to reach China via North-polar sea lanes were sparked by obvious signs of marine-ice retreat by the early 16th century AD. They wanted to reach China either through the North-west or North-east passages. These ventures usually foundered either not far from the Norwegian Coast (North-east) or past Hudson Bay (North-west). Viking explorers were looking at these routes, or possibly even using them, 500-700 years before British sailors. British ships were ocean-going vessels. Viking canoes could be taken over-land or onto ice sheets so they were able to travel where British ships could not. In the week

beginning 13 September 2009, there were reports that a Korean vessel guided by a Russian ice-breaker had managed to get through the toughest ice barrier past Siberia. I understand others achieved the same feat a couple of years earlier. We conclude from this that there has been a considerable retreat of the North-polar ice cap since at least AD 1500 because the British in the Sixteenth Century had themselves realised there had been a considerable retreat of the ice since AD 800-1000. Captain's Cook's voyage to the South Pole², although ostensibly to monitor Mercury's transit of the Sun, was to discover what impact global warming was having on the South Polar ice cap. For more precise information, we would need to investigate records which I believe are to be found somewhere (probably in British and other European archives).

Summary of the "Science" Regarding Global Warming

From the available information, we conclude that global warming, as defined by retreating ice caps etc., probably contributed to the Agricultural Revolution in Britain in the Eighteenth Century with warmer land temperatures and better farming conditions. The Agricultural Revolution financed the Industrial Revolution. Thus increases in carbon in the atmosphere, as a result of industrial uses of coal and oil now appear to "rise in advance of the warming trend" when in fact the world was warming anyway. Only in recent times have we been measuring temperatures and carbon in the atmosphere. Many different correlations can be identified but none can be shown to be dependant on one or another. It is practically impossible to separate cause from effect within such a limited data-range. But this sort of evidence is not reaching Governments. Whether 'global warming' fuelled by 'natural' causes is a cyclical episode: a trend; or some dynamic variable like warm-water currents like the Gulf Stream, or with whatever heats those currents; is open to debate. Even if these are cyclical phenomenon, what is driving the warmer conditions? Subterranean volcanos and/or deep ocean-vent activity? These questions are not receiving any attention in this debate which is what makes it so obviously absurd to most clear-thinking and informed people. It is well known the United States, Russia and other countries are in possession of interesting or vital information relating to the world's environment but for them the information is also of great strategic interest. That is why that information rarely sees the light of day and certainly has never been tabled at the IPCC. That is also why the IPCC reports surveys are mostly irrelevant apart from the distinct possibility the system is reaching a new higher ambient temperature. Some people doubt that contention. At the moment I am prepared to support that. However, the so-called anthropomorphic contribution is irrelevant.

I am sufficiently aware of these factors to realise, especially as an economist, that attempts to save the polar ice caps and glaciers around the world via economic policy instruments are futile. The science is wrong and counter-active economic policies will only distort supply and demand schedules, relative costs, comparative costs etc. It is even possible that the recent banking and economic crises were partly the result of fright at the impact of new economic policy instruments to restrain economic activity in the hope of halting global warming (which is almost certainly happening). People realised that many long-term contracts could be rendered financially unviable by new planning constraints, cost

relationships, taxes etc.

I believe we should survey historical records of navigators of the North Atlantic and Arctic Oceans going back 1200 years to *circa* AD 800 before we conclude that global warming is the result of man's economic activity. I agree that current patterns of economic activity are not sustainable and that they have environmental side-effects. However, there is no point being like King Canute and trying to stop a process that is not man's responsibility but the Earth's itself³.

(3) Problems in The Academy: Peer Review Issues

The "science" that Governments receive is often poorly peer-reviewed. I conducted a survey to study this claim for The Hon., Simon Upton when I worked at the Ministry of Research, Science and Technology (1993-98). Often departments do not refer scientific evidence for peer review to scientists outside their own departments. Sometimes, a wider college of scientific review, for example in a committee, rejects views that may come from fields slightly further outside those of the committee members' range. In one such case, where I organised a meeting of scientists to review submissions from crown research organisations and universities, all recognised 'scientists' and academics in their respective branches of the Academy, some advice was rejected when it should have been accepted. The records of that meeting may still be in the Ministry's archives. At the time, *circa* 1997-8, I noticed a certain embarrassment when particularly severe criticism of the IPCC reports came in one submission from a well-known and highly respected academic. The critic, from the University of Auckland, pointed out problems with scaling of graphs and charts and other matters. While I felt that there had been an awkward pause or silence at the time, my job was merely to record decisions. At the time, I felt did not have the technical ability to weigh the importance of this particular submission. I also thought that the wider process would probably overcome the problem. However, about eleven years later, I have watched in horror as important scientific data is steadily being ignored throughout the entire global warming debate. That is the most important reason why I am now requesting the Finance and Expenditure Select Committee to call for an inquiry into the scientific peer review process and indeed into the so-called scientific method by which data is observed, postulated, analysed etc. My immediate suggestion is that you look at the whole question of hypothesis-testing which is so basic to "science". The Government pays at least a billion dollars every year for science where there is, in most cases, no consideration of a null hypothesis. In this case, the null hypotheses could either be that man: "is not causing global warming"; or "that something else is". I use null-hypotheses for my research which receives no Government funding, I might add!

The Economics

Currently, oil trade is priced in United States Dollars. Some moves to change this are afoot and I understand some oil trades use the Euro and possibly other currencies. The relationship between oil, energy and money, the latter being the parallel flow to goods and services on standard economic models, comes together in the unique position the US

Dollar has with oil. When oil rises in price, the US dollar is effectively depreciating or vice versa. Thus oil effectively replaced gold as the backing for the dollar's value after President Nixon de-coupled the dollar from the Gold Standard (Smithsonian 1971). Rather than a fixed standard and rather inflexible standard we now have a rather more fluid standard ("Black Gold"). This situation is becoming rather unstable especially after the recent banking fiascos and because the American economic system is seen by other nations as profligate leading to an uncontrolled production of dollars (printing money). This is the privileged position of a reserve currency. That privilege once held by the United Kingdom, and before the Roman Empire by the trading system that Tyre once controlled, is lost when the empire, system or nation holding the privilege loses the confidence of the rest of the world. If we are now at a point where there must be a change of ownership of the 'reserve currency' this should be achieved by other means and not by this apparent mechanism involving carbon credits, carbon footprints (debits I suppose) etc and the pseudo-science behind it.

In the London *Financial Times* (Marc 24, 2009), Mr Franck Biancheri, Director of Studies of LEAP/E2020 (WWW.LEAP2020.EU) and "President of Newropeans, (WWW.NEWROPEANS.EU) issued a full-page advertisement on page 5 with an open letter to the G20 Leaders gathering in London at the time. "Leap's" third strategic recommendation stated, "The key to solving the crisis lies in creating a new international reserve currency!". This may all be tongue-in-cheek stuff but tongues here are wealthy enough if they can afford advertisements like that. He said that the "Khaleeji (common currency of oil-producing Gulf states, to be launched in January 2010") would be part of a new "international reserve currency" formed by a basket of currencies of the "US Dollar, Euro Yen, Yuan, Ruble, Real and others including the Khaleeji (Chaldee)" and managed by a "World Monetary Institute".

Mr Biancheri's claims may be ridiculous but authoritative economic journals like the London Economist do call for arrangements like this basket from time to time. Many economists are attracted to developments like this. My point here is that the so-called "science" behind the so-called "global warming threat" which I consider to be something to look forward to - no winters, new lands to explore and develop etc., - is pseudo-science. I made the point once at a conference of Agricultural Economists in Blenheim (*circa* 1990). A group of economists there attacked me at the breakfast table the following morning. But a lot of "science" reaching Governments is 'pseudo-science'. The Politicians are usually in no position to distinguish good science from bad science. However, there is evidence in the Government's archives that reveal just how bad the situation is (refer discussion above). I personally sealed it in a carton for the archives for a former Chief Scientist.

What I am not clear about is whether the scientists concerned, or one in particular whom I am prepared to name before the Committee, suppressed embarrassing criticism which exposes some of this nonsense, or whether he was instructed by the Government of the day to suppress the information because this whole process has ulterior motives nothing to do with global warming. To most of us, it is a King Canute scenario if anyone thinks the volcanoes etc., can be turned off. I suspect it is not the scientists calling the shots, but

governments because some scientists in the IPCC junket have said “Governments asked them to form the panel”. Ms Jeanette Fitzsimmons, Green Party, said in her speech at the First Reading of the Bill, that people or organisations have had since about 1987 to prepare for measures to arrest “global warming”. Ms Fitzsimmons and others like her no doubt deeply and sincerely believe global warming is “anthropomorphic” but people like her are much like stool-pigeons for a procedure that looks more like something to introduce a new international Carbon-based currency. It is “carbon-based” in that carbon becomes a euphemism for energy. Everything requires energy. Since the late 19th century, decisions were taken to introduce the petrol and other similar engines that could turn what was really a waste (oil) into energy, money and technology. Many known technologies then needed a better energy source than coal or wood.

Thus oil has become the *de facto* international currency in a way that few other commodities, let alone wastes, ever got near to doing. The Finance and Expenditure Committee has become the vehicle to introduce a far-reaching new economic system. It is not overseeing an environmental Bill.

Sustaining the Economic System

It is agreed that the present economic system is unsustainable. The world is going bankrupt to the producers of Middle East Oil. Attempts to secure oil from more ‘friendly’ regions like Canada’s tar sands only exacerbate the Middle East’s stranglehold on the world’s financial system. To produce oil from tar sands requires a barrel of oil’s energy to produce at about \$US 50 per barrel. Thus prices nearer \$100 are needed but that is only practical if one can obtain energy at the \$50 equivalent. This becomes nonsense in itself and partly illustrates the dilemma. We are hooked on Middle East Oil. Arabian Light Crude requires little cleaning in comparison so if it sells, for example, at \$75 a barrel there is about \$73 gross profit because production costs, the infrastructure long ago constructed, are little more than \$US 2 per barrel. I had thought Arabian costs were higher but I saw that figure reported a few weeks ago. The precise figures are not as important as the fundamental issue. Today’s typical urban, peri-urban or even rural economies, with most people relying on cars to manage their lives, houses, suburbs, schooling, going to work, shopping etc., ironically ties them into the price of Middle East oil. Increasingly, that is also tying them into Middle East philosophies although, ironically, they rail loudly at that. One can feel that ‘philosophical’ pressure in London all the time and it is rising here in New Zealand too although still very much in the infancy stage.

A much simpler way to wean the system off oil is to tax it directly. There need not be a sudden large impost. The process can proceed gradually. Ironically, the Government is under pressure from the Law Commission to use taxes to quietly force people out of binge-drinking habits. Oil and alcohol are turning out to be price inelastic. That means price changes do not alter behaviour much. With alcohol, there are peculiar *normative* issues to contend with. (‘Normative’ is economic jargon for ‘personal’ or ‘human behaviour issues’.) Regarding petrol or motor fuels, the Government is aware that Warrant of Fitness data shows New Zealanders have in fact been driving fewer kilometres between warrants

as petrol prices increased. Of course that translates to lower economic activity in other sectors. As one drives up the price of oil, especially by taxes, economic activity must eventually suffer. Governments can re-distribute the tax revenue to encourage economic activity but they then get into the game of allocating resources. Normally, markets are better at allocating resources but if they do not work or work in weird ways, Government intervention may be necessary. The strategic advantages of taxing oil outweigh the disadvantages and certainly outweigh the disastrous outcomes threatened by this Bill which include heavy punitive taxes on the vast majority of citizens to financially support huge enterprises all in the name of preventing ice caps from melting.

Recommendations

Before letting the Bill proceed:

Ask for an international inquiry into the way IPCC scientific data is collected, how it is interpreted and by whom;

Conduct a survey of historical records of navigators of the North Atlantic and Arctic Oceans to determine how much the north-polar ice-cap has been receding since *circa* AD 800; and

Conduct an Inquiry to determine whether hypothesis-testing, including null-hypothesis testing, is conducted in scientific research in global warming issues and in all science advice given to governments or in any science they pay for.

Don Stewart
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13 October 2009
Phone (04) 385 6288 or 0210 2989 320

Notes:

- (1) Hillel, Daniel. J. 1992. *Out of the Earth - Civilization and the Life of the Soil*. University of California Press, Los Angeles, (Reprint).
- (2) The Wellington *Dominion-Post*, "Ships' logs Aid Climate Doubters", (7/10/09), reported "Captain James Cook's weather reports ... are helping scientists predict climate changes". Although this claim might be a bit exaggerated, there are clearly international moves to find out what is really going on from old navigational records. I advocate researching these going as far back into history as 1200 years ago especially for the North Atlantic situation. IPCC-science-only data is insufficient.
- (3) During the first two weeks of October 2009 there were earthquakes across the ring of fire from Peru, through Tonga, Samoa and Sumatra. The Philippines received two massive tornados. Even New Zealand's weather seemed unusually cold and wintry and had a small earthquake on Saturday 10 October. The instability of the earth's crust; the effect of heat and gas release from subterranean sources when tremors and movements occur; and the 120 'volcanos' or warm-water geyser-fed lakes under the Antarctic ice cap; remind us that many vast and unmeasurable factors deep beneath us are much more likely to be causing global warming than human activity. We need to prepare defences against these threats rather than invest resources into misguided beliefs we can somehow control the earth's temperature.

Climate Change Response (Moderated Emissions Trading Amendment Bill)

Introduction

Most of the comments below are directed at the “Explanatory notes”. A separate paper, (Emissions Trading Bill: Submission on the Science) has been supplied to explain the main reasons for this submission.

The Public document is in two parts: Explanatory Notes (pages 1-69); and the actual amendments (pages 1-97). In this submission, statements in the explanatory notes are labelled EN1 etc.

Status Quo and Problem (EN13)

The notes say, “Householders are not participants under the NZ ETS”. This is disingenuous and of great concern to many New Zealanders because we have seen this sort of statement so many times before only to find out some time later that exactly the opposite occurs. If one thinks about the philosophy behind this, emitters of carbon will want to claim the end-user is responsible for carbon emissions and should pay for them. Householders who want to escape the burden of this ‘tax’ will want to opt out. They will have to become a participant and prove their carbon savings, for example by installing solar heating or some other “abatement technology”.

In this submission, there is no need to protect the environment from Carbon dioxide because this gas is not responsible for global warming. Natural subterranean factors are causing the ice caps to melt. Combined with the disingenuous statement above, there is the fear that alternative agendas lie behind this Bill. The very fact that it is appearing before the Finance and Expenditure Select Committee supports our concerns here.

On page EN14, the last sentence notes, “No allocation plans have yet been finalised”. Again, this is disingenuous. As one reads through the Explanatory Notes, it is clear the existing legislation has been rushed into existence on the back of emotive scientific beliefs about the causes of climate change. However, the sheer complexity of such schemes: problems of measurability, protecting participants, monitoring compliance, audits etc.; beggars belief. It cannot work. Governments already have intractable problems trying to make the financial system work, blocking money laundering, or as in New Zealand stemming the tide of legal aid and ACC costs.

On page EN 15, the notes state, “The key purpose of the NZ ETS”, among other things, “is to respond to possible changes in the post-2012 international framework.” The pseudo-science behind this theory that man’s use of carbon is melting the ice caps should not be allowed to drive draconian changes to fundamental economic systems. As it stands, before the introduction of legislation like this, Governments were already failing to regulate financial systems, and protect citizens from illegal migration and labour market abuses. These are issues Governments should be working on rather than spending resources on

complex systems to monitor carbon-based energy use. Few believe the world's 160 nations can manage such systems. This legislation is being driven by speculation.

On page EN 16, the notes say, "The fear is that a loss of competitiveness from these EITE will result in carbon leakage, with market share being lost to countries that do not have emissions reductions policies in place." The drafters effectively admit that majority opinion around the world is rightly sceptical of the claim of a relatively small band of 'environmentalists' and opportunists who see a chance to profit from schemes like this.

Pages EN 16 - 19 report on harmonisation of New Zealand's scheme with Australia's and Europe's. This represents barely 20 nations out of 160. What is happening in the other 140 nations? The plan to involve New Zealand's agriculture is based on Europeans' long-held opposition to New Zealand's exports of food to the region. They lost the opportunity to prevent this trade in the world's trade courts so now they are trying to make New Zealand's agriculture sector uncompetitive through a bogus environmental tax.

On page EN 21, the option to "Abolish the NZ ETS" is rightfully flagged. We should do this. However, the note says that we could "meet commitments under the Kyoto Protocol by purchasing emissions credits from international markets". There is some sense in doing that because it is soon going to be clear from scientific evidence that subterranean influences are in fact causing the ice caps to melt even more quickly than one might have expected. The Protocol will become redundant and New Zealand will not have to buy any credits. Even if the Protocol is to operate for a brief time, New Zealand could register as a developing country and escape the burden. This submission supports the abolition of the NZ ETS and, if necessary, joining the list of undeveloped nations that is excluded from Kyoto protocols.

The drafters' concern about abolishing the NZ ETS is argued on the basis that "firms have little incentive to change their production patterns or invest in emissions-reducing technologies." This is not true. Motorists have been reducing their consumption of petrol as prices rise. This is revealed in miles-travelled data between Warrants of Fitness. The Government (Ministry of Transport's Road Safety Unit) has this information. The main problem is that oil-based energy sources are still the most efficient from a technical perspective. Alternatives such as Stirling motors, battery technologies, solar panel systems etc., simply fail to compete on cost-benefit. A simpler way to change the cost-benefit balance is to tip the scales by taxing oil. More than a century ago, Governments began subsidising the motoring and oil sectors by investing in road networks that could carry petrol-powered vehicles. Perhaps the Governments should recognise their mistake and tax oil to allow alternative energies to compete more effectively. However, historically high oil prices do appear to be doing that anyway. It might be better to let these natural market mechanisms have more time to bring about adoption of "emissions-reducing technologies" (page EN 21), "emission abatement technologies" (page EN 30), "improved efficiency" (page EN 33), "technology options" (page EN 37) and "mitigation options" (page EN 39).

On page EN 22, it is noted "Climate Change is a long-term problem". This is like saying "bad health is a long-term problem". Climate is always changing. Records show that the

world's volume of ice has been shrinking for thousands of years (refer Science Submission). That has affected climate and regional environments. The ice is now at its natural 'fast-melt' stage. Thus climate changes could be more extreme in this late (natural) stage of the process. Ice cannot survive in a system where the ambient temperature is above-zero. It appears to permanently survive in moons orbiting Jupiter and Saturn where ambient temperatures are "sub-zero" and no life seems to be present. The Earth, which has to be arm' for life to exist, will lose its ice-stocks unless another catastrophe involving extra-terrestrial bodies affects the Earth again. As noted in the Science Submission, an additional factor, i.e., greater instability in the Earth's crust over the last hundred years, is operating. Thus climate is indeed changing although some so-called 'sceptics' who are actually clear-thinking scientists doubt the change is a net warming. It is the opinion of this reviewer that the earth is getting warmer as the ice melts and that some unusual variations in climate are to be expected but mankind simply cannot do anything about it and does not need to.

On page EN 26, the notes imply households could "face large price increases" unless the changes mooted for the SEIP and Liquid Fossil Fuel sectors are adopted. The costs of a fantastic monstrosity such as this scheme will be paid by households. The administrative costs could be dispensed with by using simpler taxation systems already in place. Since the perceived problem (climate change) cannot be ameliorated anyway neither this scheme nor changes in taxation will be relevant.

There seems to be little thinking in the legislation about auditing these schemes. As we now know with the Financial Services Authority in the United Kingdom, with the Enron disaster a few years ago, derivatives markets circumventing formal clearing house mechanisms, and many other experiences, we are already failing to properly audit markets. A Pornographer in New Zealand has been allowed to set up a string of "Phoenix" companies to continue his most undesirable business and to mislead creditors into continuing to finance him despite his bankruptcy. The Companies' Office has allowed this situation to carry on over a few years presumably because the staff are inefficient or ill-equipped to do their job either because of lack of skills or because the Government has not given them sufficient power to do the job of monitoring companies under the terms of their legislation. This only serves to underscore that the Government's first priority is to get existing legislation operating efficiently. It is not proper for the Government to introduce even more burdensome and expensive legislation especially when it is based on a pseudo-scientific claim.

The notes refer to "participants ... becoming familiar with their obligations and the operation of carbon markets". Having to become "familiar" with these things should be unnecessary. They are already familiar with existing taxation systems. Why not use them? Apart from some tweaking on energy taxes, the *status quo* (pre-26 September 2008) should remain. The Act should be abolished because it has now become quite clear it is unworkable. That is what good legislation is about. Acts that do not work should not exist. Parliament is about removing legislation as much as it is about adding legislation. Even if the Bill's measures to delay implementation go through Parliament, the nation will not be ready to implement their "obligations". More time will be needed or, what is more likely, with

participants still unready, implementation will continue and produce more disasters like the INCIS Computer fiasco. However the wider impact of the repercussions of this Bill make disasters like INCIS or the impact of un-monitored derivatives in the financial system look small in comparison.

As noted in the Science Submission, statements like "the world moves to carbon pricing" (page EN 22) and "operation of carbon markets" (page EN26) suggest the real *raison-d'être* for this Bill is to lock New Zealand and developed countries into a new economic system much like Bretton Woods where carbon (oil), not gold nor US Dollars, becomes the reserve asset for the monetary system. Certainly there needs to be reform of the world's economy but this is not the vehicle to do that. Pseudo-scientific theories (or romantic notions) about "Climate Change" should not be the basis for world-wide economic reform.

On pages EN 27-28, the "number of units individual firms are entitled to receive will be calculated on the basis of industry average emissions for each activity or evidence of industry average emissions from Australia". This is in the context of harmonising New Zealand's approach with Australia's. Since Australia had to harmonise its GST system with New Zealand, perhaps the Government has agreed to harmonise the ETS with Australia's. However, what we do know from the former cooperative dairy industry's experience with cost averaging as the basis of working out payments to individual factories processing farmers' milk, this suggestion of "industry average emissions" is hopelessly ill-conceived and fraught with difficulty. To make it work, every company, "point of obligation" or participant would in effect have to enter a giant cooperative where everyone's financial information is centralised at some point. Furthermore, as with the dairy industry's system that operated for decades and probably still does to some extent even under the Fonterra regime, many exceptions will be needed. A non-governmental central authority will have to determine those exceptions. As dairy products became more sophisticated the Dairy Board had to introduce more and more "Non-Standard" products which received payment on a separate basis from the average cost system. The 'average-cost' system really became a 'residual-cost' system. If the same thing happened in the ETS emissions would remain out of control. In the "Average-Cost" system, the industry's total costs for the production of butter, wholemilk powder, cheese, etc., were calculated and an average worked out on the basis of a standard factory-cost. Factories that performed better than the average were able to pay out more to farmers. Larger-scale factories tended to make better payments to farmers which in turn encouraged the amalgamation of smaller companies. Eventually this process resulted in the merger of all companies into one (Fonterra). We could see this happening as the result of the in-built economic logic. One can also see the ETS, especially if it is integrated with Australia's, having to introduce a similar regime to allocate permits, units etc. The changes to the existing economic system we are familiar with are enormous and one wonders if legislators have even begun to think of the problems or far-reaching significance of the scheme. How major companies will be convinced they should allow a central authority to have control of sensitive commercial information is another matter legislators do not seem to have sufficiently considered unless there is some other agenda going on and there is something going on that most of the rest of us don't know about.

On page EN 28, the “fiscal cost” of the “intensity-based approach to (free) allocation of units to emissions-intensive, trade-exposed (EITE) industry” are likely to “become increasingly large” over the “long term”. This will simply result on an increased burden for the tax-payer. The point is that unnecessary costs based on a pseudo-scientific theory are going to be borne by the end-user: tax-payers; householders; and eventually farmers. These groups may be able to recoup some losses through share dividends but only at the risk of losing life-savings to a derivative-fed financial chaos.

Pages EN 25-29 discuss harmonisation of New Zealand’s and Australia’s respective schemes. However, we have been writing these submissions at the very time Australian politicians are engaged in a major debate on their side of the Tasman. No doubt their officials are telling them what New Zealand is going to do at the same time as our officials are telling us what Australia might do. The officials, in other words, are driving this legislation. This is not what Parliament is supposed to be about. Clearly, politicians on both sides of the Tasman are unable to come to a consensus. There is no reason why they should do. The ETS is a concoction drawn up to respond to a non-existent crisis or if there is a crisis it is one we cannot do anything to prevent. If there is a crisis, it cannot be man-managed. All we can do is to prepare for some anticipated effects. For example, farmers may have to shift the normal season for lambing to later in the spring to avoid chilling blasts from the Southern Ocean resulting from massive chunks of the collapsing (exploding?) Antarctic ice cap. New Zealand’s already-prone coastal towns and townships will have to retreat from coastal areas which the Department of Conservation has known for decades are unstable (c.f., Oamaru).

The Agriculture sector is discussed on page EN 30-31. The opening statement about Agriculture’s emissions is meaningless. The emissions described are only a percentage of those defined by IPCC, UNFCCC and the Kyoto Protocol. No account is taken of emissions of wildlife, humans, organisms in the sea, rotting vegetation nor volcanos such as Ruapehu and White Island nor other thermal emissions. No account is taken of the fact that wildlife around the world has been reduced over the centuries so that the impact from today’s domesticated flocks and herds is less than the impact of vast animal numbers in former times. The statement that 50% of New Zealand’s emissions come from agriculture reveals once again the European determination to prevent New Zealand’s farmers from taking market share from its inferior farmers. For decades, New Zealand trade officials had to wander Europe’s capitals to convince politicians to protect New Zealand’s access to the British market. Even today, New Zealand butter is the best on the market according to the Asian supermarket staff who nowadays operate most London supermarkets.

The only practical “abatement option” farmers have is to slaughter their animals. A lot of science investigating other abatement options is like the science underpinning the global warming hysteria. New feeding regimes might yield some benefits over a range of issues and there are inefficiencies that have to be addressed which will be necessary if the world is to feed itself in future. Reducing sheep and cattle numbers to save the ice caps is nonsensical and counter-productive. Farmers will simply move to non-developed countries to escape the ETS regulations of the small elite band of countries operating such schemes. Obviously, that will defeat the objectives of the ETS, unless every country is participating.

That's most unlikely because we have not been able to get every country to participate in worthwhile programmes like narcotics bans, illicit trade in children, decent treatment of women etc.

On page EN 31, the "key administrative challenges" are referred to. It is also worth noting that a "hybrid point of obligation" is to be removed from the Bill. These two notes reveal that the system is fantastically complex and far too complicated to implement. The need for a hybrid point of obligation suggests that points of obligation at either the "processor level" or at the "farm-level" are either too inequitable (processor level) or too complex (farm level). The latter would mean envisaging a household level as well and this is the suspicion many citizens have. Householders are fearful their properties are targeted for example by a tax on the carbon inefficiency of the property. It is interesting to note that the Government is being told this is a unique time to introduce capital gains taxes and flat tax rates. These things could be introduced via a Bill like this under the cover of an urgent need to protect the polar ice caps (and polar bears). People see through these bogus strategies and the pseudo-science. They will not accept draconian interference in their lives.

The third paragraph on page 31 appears to have typing error: "The legislation will specify certain criteria to which the Minister must have before making an Order in Council ...".

On page EN 32 the hope that New Zealand will reach an emissions reduction of 50% by 2050, while Agriculture supposedly contributes 50% of emissions but will not come under the ETS until 2015, is optimistic. The suggestion here is that no one seriously believes agriculture is at all relevant to the discussion. Since animals around the world, and non-domestic animals in New Zealand, are not being factored into the discussion it seems odd New Zealand's farm animals are. The statement here that we want to make a "credible statement about New Zealand's long-term contribution to addressing climate change" should be considered in the context of the incredible claims made by pseudo-scientific voices calling for protection of the ice caps.

Page EN 32 also refers to "future Intergovernmental Panel on Climate Change Assessment Reports". The Prime Minister and Hon., Minister for the Environment have been advised of the errors within the IPCC process (refer Letter 13 August 2009). It was at a report-back session from the IPCC in 2007 that scientists admitted "120 to 130" warm-water lakes are melting the Antarctic Ice cap from underneath. These matters are not being reported by IPCC. The Governments of the United States', Russian, British and French (and possibly others) are not releasing to IPCC data they have about sub-marine and subterranean thermal and volcanic activity affecting "global warming". The best message is to send a strong warning to the international community that world policies should not be engineered on the basis of pseudo-science.

On page EN 33, is the comment that "Intensity-based allocation provides an incentive to improve efficiency, but does not provide an incentive to reduce levels of output ...". The supposed problem concerning man-induced global warming is surely about excessive consumption and/or over-population. Fertility rates appear to be declining in many parts

of the world. There is much obesity. Reduced output and lower per capita consumption is presumably a worthwhile objective under any circumstances. Income redistribution might be a useful additional tool in facilitating the objective. Reduced levels of output would reduce waste which is surely beneficial. Why output levels must continuously rise, or must not be allowed to fall is a mystery. Falling output levels need not be a problem at all if there is improved efficiency. Those who do not have enough can be assisted by those with more than enough. By this comment the authors of the Bill seem to trying to generate more economic growth but without the high oil costs. The savings in capital accrued by the oil producers is proving to be a major force in world economics. That also seems to be a more relevant factor than saving the ice-caps but there are surely more efficient and less costly ways to beat the oil producers than an ETS. It would be better to appeal to the nation to use less oil, or campaign for ways to reduce dependence on oil and to explain why we need to do this using honest, open or transparent messages rather than via subterfuges like the ETS.

Page EN 34 notes, “Recent economic analysis has shown that intensity-based allocation will assist with lowering the costs of the NZ ETS and protecting EITE industries”. However recent scientific analysis [(c.f., *The Dominion Post*, “Ships’ logs Aid Climate Doubters”, (7/10/09))], is beginning to show there is no need for this complex economic analysis in the first place. The economic theory here is so complicated that few outsiders have any idea what NZIER and Infometrics are talking about. It’s almost the equivalent of String Theory (where few mathematicians understand what this elite group is talking about) are people from a particular theoretical perspective).

In the following sentence it is argued that there will be “greater certainty for economic growth into the future”. But this needs to be questioned. Do we want or need continuous economic growth? Can we not try to live simpler less complicated lives?

On pages EN 35-36, the benefits to the forestry sector (“the sector receives the full economic incentive for new investment”) look more like a generous subsidy to that industry while the agriculture sector will eventually be taxed on animals supposedly emitting dangerous greenhouse gases. Many years ago, a so-called “Club of Rome” scenario had New Zealand covered in forests. It looks like this might yet come true. Actually, many developments since World War II seem to have had a certain logic about them and one wonders just how much Government legislation in recent decades has simply been rubber-stamping World Government legislation and the public’s submissions ignored. Removal of the ETS scheme would be one way to restore the public’s faith in the system.

The reference on page EN 36 to a “carbon constrained world” shows that “carbon” (or “oil” presumably) is becoming a uni-modal fixation. It is as though no other issue matters. Sewage pollution, nuclear waste, obesity, and many other problems are required to take a back seat. The hysteria over carbon and climate change is threatening to silence discussion, and more importantly action, on many other more important and undoubtedly real or actual problems. While sewage treatment, nuclear waste and obesity are really serious problems needing attention, supposedly dangerous carbon-based wastes are taking priority on the basis of scientific theory not properly contested.

There is a typing error in the last main paragraph on page EN 36: "Economic theory suggests that placing responsibility for emissions with those who *reduce* (produce?) them ...".

On page EN 37, the drafters observe, "As technology options become available ...the benefit of free allocation becomes reduced". This suggests someone else is going to have to pay for carbon emissions, presumably the householder and taxpayer. The statement also overlooks problems with the financing of new technologies and engineering solutions because of the latest credit crunch (2008-9). Many solutions are pie-in-the-sky (or Blue Sky research) so the burden of paying for the "Intensity-based allocation system" will be much longer than is anticipated. That's why this scheme must be terminated because there are too many uncertainties especially because of the international economic situation. In Britain, a Commons Select Committee looking at the United Kingdom's gas storage and reticulation system, as well as nuclear energy production, heard in submissions that the credit crisis is having a major impact on investment profiles up to 2014. Organisers of the infrastructure that Britain will need say that they have little hope of raising the necessary finance to construct it by 2014 when it will be needed. It is certainly advisable to look to non-oil energy solutions. However, with coal being unpopular on the false belief that it is a global warming agent when released as energy, and wind-power solutions nearly always blocked by local environmental groups, practical alternatives to oil are muted. There is actually not that much need for "new technologies" since many are really available. However, for reasons stated they are unnecessarily restricted. Two Ministry of Research, Science and Technology (MoRST) reports in the 1990's showed that world-wide there is a lot of scientific work that could usefully be applied today. While the actual science is paid for and produced voluminously, some of it of dubious value no doubt, the diffusion process and legal constraints on implementation receives little attention. The resources directed towards this legislative monstrosity should be directed at diffusing existing solutions and removing legislative barriers to implementing. For example, windmill farms should be exempt from challenge by environmental lobbyists on dubious criteria like 'peace and quiet'.

On page EN 38, the drafters' write regarding the 50 by 50 emissions reduction target: "It is difficult to estimate the economic impacts of such a target due to the long time frame involved, and no economic modelling of the costs and benefits has been completed for New Zealand." This comment reinforces claims here that the whole scheme and its legislation (2008) has been rushed through by a previous Government, largely due to the commitments it has been forced to follow by its antecedents (*circa* 1987 onwards). At some point a Government has to step in and stop the crazy bandwagon. As stated, it would probably be very difficult to come up with any realistic cost/benefit model. The fact that nothing has been done just renders the legislation in place even more absurd. In other theatres of Government policy, analysts develop models for population growth etc, even more long-term than 2050. These are used even though they inevitably have to speculate on future events or government interventions. To have "not completed" anything here suggests in fact nothing has been done. That would be acceptable if it was also accepted the ETS is a non-starter for that and other reasons.

On page EN 39, the Stern Review is quoted but there is no consideration why a "5% loss

of global GDP" would actually be a good outcome. The world cannot "act to address climate change" because most countries (probably more than 100) have nowhere near the administrative capability to administer a scheme like this. Afghanistan, for example, cannot hold basic elections without rigging ballot boxes. It cannot give basic rights to women. It is an extreme example but there are lots of others like Somalia, Sudan, Kurdistan, Turkmenistan, which would not be able to implement schemes like this. Supposedly developed countries like New Zealand or smaller European countries are really only pretending they can.

On page EN 39, New Zealand is said to be "at risk ... of significant environmental effects as a result of climate change". What we are mostly at risk of is an unstable crust and the sea eroding the shores which is simply a matter of physics involving the unstable crust and wave motion and nothing to do (so far) with climate change. That is a problem quite independent of climate change although future climatic events might have some effect. The Department of Conservation is well aware of those 'historical' factors but has not been prepared to say much about them because of the perceived impact on the Public Mind. One can foresee a claim that it was "climate-doubters" who are responsible for communities disappearing into the sea should the science properly interpreted be responsible for removal of this "climate change legislation". The issues raised in the Science Submission explain the risks we really need to monitor - weakness in the Earth's crust, subterranean and sub-ocean influences etc.

The Explanatory notes (page EN 39) over-estimate "New Zealand's ability to influence global agreements" by relying on "its active participation in negotiations". As the notes reveal, Australia and Europe, our two most valuable trade partners over the full range of exports, imports and invisibles, seem to be the main players we are negotiating with. The United States, China, India, and much of the rest of the world which receive a considerable share of our largest economic sector's exports, i.e., dairy products, seem to be little bothered by this global warming problem. This claim is more like hubris and hysteria than true evidence of any real negotiating prowess.

When a theory of pseudo-science leads countries to erect trade barriers against others that do not share the belief we get virtual total uncertainty. It is clear many countries holding the vast majority of the world's population are guided by advisers who are sceptical of the anthropomorphic basis for global warming or climate change. To suggest virtual blackmail on New Zealand's exports if the country does not adopt the ETS is ridiculous when one considers the slothfulness in countries trying to discipline Zimbabwe or Iran. The comment about New Zealand's "trade risks" relates to the age-old European concern about New Zealand's food exports to Britain. Europe's opposition never really got very far and there is no reason to think it is likely to succeed in another theatre. To reiterate concerns like this borders on naivety. Trade must be based on comparative advantage not on politics. That lesson has been learned in world trade forums.

In the section on "Risks" on page EN 39, "emitters have the choice as to whether to purchase permits to cover their emissions, reduce output or invest in mitigation options". The concern here is that the Crown faces increased risk. The problem with "purchase

permits”, especially if this is ‘world-wide’, or ‘scheme-wide’ since many countries will not be involved, is that the world will still emit too much carbon (for those who are bothered by this). That renders the scheme useless in terms of its main objective. Effectively the scheme would be achieving the same thing as taxes but only assuring the cost of permits drives the enterprise into an alternative solution. However, along the way, the world is burdened with an additional ‘administrative complex’ overseeing the process. Another option is that emitters might “reduce output”. But that is regarded as an undesirable outcome in other places in the notes (EN 33 and 34). This is inconsistent but there is much that is inconsistent about the situation we are now in which is why we must retreat from the position taken by the 2008 legislation that got us into this potentially complicated circumstance.

The revelation that there is “administrative complexity” is reinforced in a comment on the middle of page EN 40. The problem of “market manipulation” is not only real but is almost certainly likely to drive events. Staff in the Financial Services Authority (FSA) in England were warning their superiors about problems in manipulation of derivatives etc., in ‘high-finance’. It is well known and reported in England that FSA staff wanting to release information about the looming credit crisis even 3 or 4 years before it emerged were suppressed by superiors. Outside regulatory offices like the FSA, managers in the finance industry often lack the skills to keep up with the most ‘innovative’ practitioners of new ‘financial products’ (c.f., the Leesons and Madoffs of the world). When Government resources are at full stretch to monitor or prevent manipulation in many other markets it seems ridiculous to introduce another potentially huge market ripe for “manipulation”. Scope for money-laundering is expanded and it is interesting that after the First Reading of this Bill in Parliament, the next item on the agenda was about the failure of the previous Government’s attempts to stem money laundering through New Zealand.

In the heading “Compressed Timetable” on page EN 40, the sentence needs amending: “*Although* delaying the entry date for the SEIP sector by 6 months will allow more time to develop an allocation plan, *and* there is ...”. Either delete “*Although*” or “*and*”.

On page EN 41, the “intensity-based allocation” system delayed to July 2010 really introduces even more uncertainty. It would be better to remove the entire scheme from our legislation and re-consider taxation options which would be directed at reducing the country’s dependence on oil or imported energy sources, unless oil is in fact discovered in greater quantities in New Zealand or within its EEZ.

The necessity for review noted on page EN 41 refers to the “surrender of returns on a timely basis”. Experience in New Zealand shows that this is a romantic dream. Even simple tasks like getting details of New Zealand’s wheat, barley, oat and corn production takes up to two years. Forestry data is a shambles and quite complicated to reconcile (i.e., round-wood or ‘logs’ with manufactured products and waste). When a figure is published by Statistics New Zealand it is frequently revised a further year later. Experience shows New Zealanders do not like divulging commercial information especially in the forestry sector. It is often difficult gathering economic data in a manufacturing enterprise in order to comply with Statistics Department reporting requirements. There are delays in

complying as officials in the enterprise have to squeeze the department's requirements into an already busy work-schedule. It seems tragic that an even more complex reporting requirement is going to be imposed on certain sectors on the basis of some scientific opinion that does not stand up to even common-sense analysis.

Note typing error on page 42: should be "loss of competitiveness".

In the regulatory impact statement, page EN 43, the section concludes with a summary of the "identified areas" that need amending (certainty, clarity, administrative powers and processes etc). The "preferred option" is then outlined. In this submission, the "preferred option" is to scrap the scheme.

The "Adequacy statement" on page EN 44 is close to circular logic and says very little. It seems very unlikely the Ministry for the Environment has really carried out an adequate review of the adequacy criteria in the time it has received to do this. The Government of New Zealand now has a vast set of Acts, Regulations and other delegated legislation. There should be a review of what the Ministry actually did.

Under the heading "Status Quo and Problem", the list of sectors the "NZ ETS covers" is unusual in that instead of listing them alphabetically it lists them in a partial alphabetic list. What is odd about this partial alphabetic listing is that "Agriculture" ends up with the last item "Waste". "Forestry" is at the head of the list and "Agriculture" emerges at the end along with "Waste". Forestry is to be availed with "full economic incentive for new investment" according to pages EN 36. Subtle ways of writing often betray real agendas behind a document. The reading that could be interpreted from this is that the Forestry sector is to receive generous subsidies through the agency of this legislation to compete more vigorously with (wasteful implied) Agriculture. This submission does see it that way and has very good grounds for believing the NZ ETS has a hidden agenda against the agricultural sector.

"The Summary of the Problem" on page EN 46 repeats the list of problems on page EN 43 under the heading "Regulatory impact statement". This submission repeats the call to scrap the scheme. The section "Alternative options" on the following page (top EN 47) reveals more inconsistencies in the whole proposal. To even suggest or float the idea of "not exercising powers necessary to the functioning of the Act" shows complete disrespect for the constitutional process, the legislative process, and Parliament. Do not make laws if they are not going to be enforced or are not enforceable.

The italicised portion on page EN 47, "Clarifying administrative powers and processes" only highlights the propensity for the legal profession to make money out of taxpayers from expensive litigation. They should not be given the opportunity. It only means yet another sector being subsidised by farmers, householders, small businesses and taxpayers.

Then problems with Section 60 and exemptions requiring complex cost-benefit analyses are discussed. It should be noted that costs and benefits are extraordinarily hard to identify let alone value. These functions are written into the legislation without due concern to the

calculation of them. This should be another warning to the Government that the whole scheme is unworkable and open to corruption, fraud, manipulation etc. No Governor-General nor Minister should be placed under such great risk or unnecessary burden.

The requirement under Section 89 on “the chief executive’s forestry-related reporting obligations” serves even more to underscore the complexity of this scheme (page EN 48).

On page EN 50, there is a discussion on the possibility of legal challenge on the “Forestry Allocation Plan”. However, there is a further problem regarding economic equity. If “emissions” are the debit side of the equation: Forestry, “emission reducing technologies” (page EN 21), “emission abatement technologies” (page EN 30), “improved efficiency” (page EN 33), “technology options” (page EN 37) and “mitigation options” (page EN 39) etc., are on the credit side. While one might argue emissions can be reasonably easily calculated or measured and the emitter easily identified, on the credit side there is a plethora of different types of ‘absorbers’, ‘reducers’ abaters or whatever. How can their contributions be measured homogeneously? There is simply far too much scope for economic irregularity there. Taxation systems, although they are not Utopia and often quite blunt instruments, are effectively far better in deciding how to allocate rewards.

The reference to New Zealand’s EEZ at the foot of page 50 amplifies the hopelessness of monitoring that sector with a small or almost non-existent navy and air force that anyway has far more pressing jobs to do. (Perhaps Australia can help).

On page EN 54, under the heading “Creating the ability to waive fees and charges” the notes observe the need to avoid “bringing the ETS into disrepute through perceptions of inequity or unfairness in the administration of the ETS.” However, in the measurement of the effectiveness of abatement technologies etc., there lies a far greater propensity for perceptions of unfairness. As explained above, it is virtually impossible to value abatement technologies via forestry planting where relatively well understood measurements are accepted by nearly everyone, in comparison to other forms of abatement. If carbon were simply taxed, the value people or organisations receive from reducing carbon emissions comes through the cost savings of any abatement technology used (e.g., solar panels windmills). There may be debates about the level of taxation to apply etc., but we are quite familiar with that territory. It is most unwise to proceed down this track because there will be widespread “perceptions of inequity or unfairness, not just in the administration of the scheme but with the entire scheme itself.

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13 August, 2009

The Honourable John Key
Prime Minister of New Zealand
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Dear Mr Key,

Climate Change Hysteria

I believe there is a sensible, easy and practical way out of the morass on the climate change hysteria hitting New Zealand at the moment. The Government should demand an inquiry into the science consultation processes that have generated this hysteria.

During the mid-1990's the Ministry of Research, Science and Technology (MoRST) employed me on a series of contracts for research and administrative projects. I compiled reports concerning policy instruments to encourage innovation amongst a group of O.E.C.D. countries then a similar project for A.P.E.C. For the Chief Scientist, Mr Don McGregor, I compiled a report on Government Departments' compliance with Cabinet Office Manual requirements regarding the consultation process.

One of my administrative tasks was to assist the Chief Scientist's deputy, Mr Gerald Rys. He handled matters concerning the Inter-Governmental Panel on Climate Change (IPCC). Several times, I had to despatch complex IPCC reports to senior departmental officials. Literally, I would race around several Government Departments on a Friday afternoon to make sure the recipients could have at least the week-end to read these massive tomes of data, graphs and other information. This way I saved postage and ensured prompt delivery. Usually, these tomes arrived at our desk from the Ministry of Foreign Affairs on a Friday. Normally, a response was required by the Tuesday of the coming week. It would have been even more pointless mailing them to arrive on Monday morning. Clearly the recipients would have little time to read them properly or give any useful assessment and response. Even more clearly, the consultation process described here was a farce.

Later, if my memory serves me correctly, in the lead-up to the Kyoto Summit, Mr Rys asked me to assist an *ad hoc* consultative committee of scientists from NIWA and other 'Crown Research Agencies'. Its job was to consider, review and summarize submissions on one particular major IPCC report which, again from memory, was a 'final' report based on the

earlier intermediate documents we had been distributing. MoRST had called for and received these submissions from the scientific community or any other interested parties. I collected the submissions received, presented them to the committee at a one-day meeting in the MoRST offices in Wellington, then took minutes of the committee's deliberations on them. I understand those deliberations led to the design of New Zealand's response to international agreements on climate change. What surprised me at the time was why the committee rejected the comments of a well respected academic who made what seemed to me to be quite valid and important criticisms. I understand his voice is still being ignored. The body language alone suggested their embarrassment. Unfortunately, this feeling is not something that one can describe in writing but at that moment I felt time would confirm my suspicions. In effect, the committee suppressed comments that later turned out to be quite true and proper. The IPCC reports were seriously deficient and sometimes misleading when it came to analysis or presentation of data. Yet Governments around the world were making decisions affecting us all on biased, inaccurate and insufficiently peer-reviewed data contained in them. For example, historians' evidence is not reflected in these reports.

More recently, while I was working in London (2004-09) I continued to follow developments. *The Independent* (10 January, 2007) reported that Russian scientists had been drilling down to an underground lake in Antarctica (Vostok Station). They had to be stopped, probably quite correctly, because of the environmental damage feared by other scientists in different bases around Antarctica. In March 2007, on a brief visit back to New Zealand, I attended a report-back from IPCC by climate-change scientists at a public meeting in Wellington. One of those scientists was chairman of the committee mentioned above. When I approached the IPCC presenters after the meeting and referred them to *The Independent*'s report, they actually laughed, to my surprise, and they replied "120 to 130" such warm-water lakes exist underneath the Antarctic ice shelf (presumably on the land mass since about 40% of Antarctica sits on the ocean). IPCC reports say nothing about these warm-water 'volcanic' lakes. It is my common-sense contention that the ice-cap in Antarctica is melting from underneath, from volcano-heated warm water currents and only infinitesimally from warm air in the atmosphere. The latter must eventually be considered a factor because ice cannot naturally exist in a system where the ambient temperature is "above zero". That is the main flaw in the global warming theory. The ice must eventually melt anyway. It is completely natural for that to happen irrespective of any impact from man, animals, plants or volcanoes. The eco-system will adjust quite naturally just as it adjusted to the un-natural imposition of the ice in the first place.

As an Historian, I am well aware that British sailors from the 16th century were unable to travel much further than Hudson Bay or northern Norway when exploring the North-West and North-East Passages to "Cathay". Now, the formerly ice-packed northern oceans can be navigated with ease except at mid-winter in an especially cold winter. The point is that the ice caps have been retreating for centuries and millennia - naturally! Man's activity since the industrial revolution of North-Western Europe is a blip on this time-horizon. Actually, I believe it can be demonstrated that the effects of global warming on North-West Europe up to the 18th Century initially led to the boom in British agriculture or "Agrarian Revolution". Economists understand that the Agrarian Revolution helped build capital

reserves to finance the Industrial Revolution. Thus global warming facilitated the Industrial Revolution. The latter is not responsible for causing global warming and any effect it did or does have is infinitesimal. We can also demonstrate that the deserts of Southern Iraq are the result of reduced feedstock in the upper catchments of the Euphrates and Tigris rivers resulting from global ice retreat 3000-4000 years ago. Although other issues apply there too.

Modern scientific theories, in this matter, are therefore bogus nonsense when we properly peer-review the data from a broader academic perspective. Many scientists in the 'physical sciences' will agree that quite a lot of evidence suggests the ice caps are the result of recent catastrophes that have struck the earth in the last few thousand years. In fact, this month, both Venus and Jupiter have been affected by major eruptions or invasions of some sort from outer space. There are lots of reasons, as even Maori folk-lore explain, why the Earth and its geology and environment could have been subjected to damaging but not completely-destructive forces from outer space. I attended a lecture at the United States Embassy Auditorium in *circa* 1991 where we received a report from scientists at Pennsylvania University about extensive meteorite deposits all over the surface of a south-polar plateau. The meeting closed with almost violent disagreement between the Americans and some New Zealand scientists over the interpretation of this evidence.

The dire calamities being forecast are not the effects of so-called global warming; the latter indeed apparently occurring in leaps and bounds, inconsistently over short-term periods (decades) but in a definite trend nevertheless. The real calamity is the collapse of the basic paradigms of many scientific theories about the earth's history. It's a philosophical and psychological conundrum that really bothers them. If there is indeed 'failure' to reach international targets on climate-change control, many scientists doubtlessly will argue "we told you what would happen". However, it will be their own theories that will be proved wrong. That's why a broader representation from The Academy is needed in order for modern Canutes not to repeat their fore-runner's action.

Thus, there is a good reason why Governments do not get good advice on this matter. Researchers like myself, who seriously question causes in the model we have of global warming, are routinely shown the door as I was at MoRST. As the report I did for Mr McGregor showed, government departments routinely ignored the Cabinet Office Manual. As the Cave Creek Tragedy also revealed, one department in particular was exposed as failing to comply, not only with the Manual, but with common-sense engineering principles.

A vast coalition of interests who are basing their beliefs on bogus scientific models now assails the Government, pressuring it to make inane policies. I agree the data does seem to show the earth is warming as the ice on mountains, in glaciers and at the poles is melting. However, this is a natural process just like placing a block of ice in a drink. The initial impact is to cool the drink down but the ambient temperature of the room or environment in which that drink sits eventually results in the ice melting and disappearing and the drink warming up if it is not consumed. Unfortunately, common sense observational science is not allowed to stand these days.

Therefore, my advice to you is to call for an inquiry into the so-called 'scientific advice mechanisms' that have led us into this crazy situation. I am prepared to testify on the matters I am raising with you. I cannot give you all the details here. However, the public should hear what is really going on. I heard on the radio that the Australian Government may even go to the polls over the matter because its Parliament may not agree to measures to reduce Australia's consumption of carbon.

As an economist, I agree that any efficiency or saving in energy is sensible. Wastes, and harmful side-effects of products that we use, should be controlled. But to suggest that we are melting the ice caps and we are responsible for the demise of certain species of animals by the way we use energy right now is a spurious notion and will lead to damaging and pointless economic policies.

I am sure other Governments around the world would support a review of the science-consultation process. Their scientists are giving them very poor service on this issue suppressing any contrary views. Although, I have wondered if the IPCC process is a deliberate device coordinated by governments and scientists to reduce world consumption of oil, coal etc., for some other reason - perhaps the problem of the Middle East gaining control of the world's supply of capital. If something like that is the *raison d'être*, the policies proposed to reduce carbon consumption are full of much worse side-effects. It would be much simpler, and more honest and transparent, to increase taxes on fuel and energy rather than play around with complex procedures such as carbon-credits, 'trading' therein etc. Thus I return to what I see is the main problem - science paradigms and models used to explain the world's history. They are seriously errant. The world should not be stampeded into responding to frightening scenarios based on them. An inquiry into science, what it is and how it proceeds, should expose the real issues and relieve your Government from the responsibility to legislate in response to unnecessary and unfortunate hysteria concerning climate change.

As a public servant, I am ready to be at your service concerning policy on these matters,

Yours faithfully

Don Stewart
Historian, Economist, Web-Commentator.