

**STATEMENT ON BEHALF OF NEW ZEALAND BY HON SIMON UPTON,
MINISTER FOR THE ENVIRONMENT, NEW ZEALAND.**

8 December 1997

Mr President

New Zealand supports a legally binding target for the reduction of greenhouse gases by Annex 1 countries. New Zealand believes a reduction of 5% below 1990 levels is achievable and realistic within a decade. It would be a useful platform from which to negotiate further reductions.

Our 5% reduction target is not proposed lightly, and I would like to explain to you what it means for a country like New Zealand.

We're small. We're much less heavily industrialised than most developed countries. Methane from agriculture is our single biggest source. But in terms of consumption patterns we're no better or worse than any other developed country.

However, a number of factors make action by New Zealand more expensive than other developed nations. In a nutshell, some of the easy steps available to others aren't available to us.

- We can't cancel any subsidies for fossil fuel production because we don't have any subsidies.
- We don't have inefficient coal fired power stations that we can replace with efficient gas fired ones: over 80% of our electricity is already generated from renewable resources.

I don't tell you this to elicit any sympathy. Our problems are ours to solve. But it does explain to you why we have advocated the measures we have.

Facing some of the highest abatement costs within the Annex 1 group, New Zealand could have argued for special treatment. We could have argued for differentiated targets. Had we been a member of the European Union we could have argued for increased emissions. Some of you may know that many of New Zealand's European settlers came originally from Ireland: our living standards today are similar to Ireland's - so are our industries. Within the EU bubble, Ireland is permitted a 15% increase in emissions.

We could have argued for a similar 15% increase. But we are not cushioned within the bosom of a large block like the EU. And we didn't believe it would be a credible or helpful position.

We have, instead, stuck by the search for a uniform, achievable reduction target. We think that stands the best chance of success.

But our preparedness to do so depends on mechanisms that allow us - and everybody else - to make progress in the least costly way. Most importantly, we need, over time, to make greenhouse gas emissions more and more expensive. That is what the trading of emission permits would achieve - it would create a world price for emissions that would rise as targets deepened.

Trading is the most powerful tool available to us - it must be developed. It will expose every business and every citizen to the costs of their emissions. No other policy or measure can achieve that so simply, so directly or so efficiently. In New Zealand's case alone, tradeability of emission permits within the Annex 1 countries would lower the costs of adjustment by 60% while securing the same environmental benefit.

Forest sinks provide another mechanism that can reduce adjustment costs in the transition to a less fossil fuel dependent world. I won't try your patience with the technical details of the sinks debate but I would ~~make~~^{like} to make one point very clear and it concerns the relationship of sinks to tradable permits:

Properly accounted for, sinks are not a means to delay action. They simply reduce costs. In New Zealand's case, credits generated by our ~~first~~^{forest} sinks would be available to other parties. Similarly, we would expect emission reduction opportunities available in other Annex 1 countries to be open to us. In other words, New Zealand is prepared to face the world price for GHG emissions provided that price is as low as flexible mechanisms like trading can make it.

To be blunt, we cannot comprehend how anyone can advocate solutions that are known to be more costly than is necessary. With this in mind, we welcome the increased negotiating flexibility that Vice President Al Gore has injected into the US negotiating position. We earnestly hope that other key players can show similar flexibility.

Finally, let me say a word about the controversial matter New Zealand raised on Friday concerning the future of emission limitation commitments by developing countries. Developing countries reacted strongly against our comments: we expected no less and, furthermore, understand why there was such feeling. It was, however, necessary for someone to raise an issue that cannot simply be ignored and that is: what happens once Annex 1 countries have delivered on their commitments? What measure of agreement can be reached on the process beyond Kyoto?

New Zealand accepts - and indeed stressed on Friday - that there must first be agreement on reduction commitments by Annex 1 countries. That's why we have come to Kyoto prepared to sign up to a legally binding reduction target. We urge all Annex 1 countries to show good faith by joining us. The Berlin Mandate directs us to do no less. Future, wider progress is dependent on those commitments.