



MANUFACTURERS AND EXPORTERS ASSOCIATION

ETS

- Manufacturers and exporters are under pressure in New Zealand
- Activity levels for both are being eroded, probably permanently
- The cap and trade approach least suits a country that:
 - has an increasing population
 - rejects nuclear generation
 - has a comparatively high level of renewable electricity generation
- Setting out to be “first and best” will exacerbate our trade position
- ETS has the capacity to inflict great damage on trade generally and manufacturing in particular

GHG Transactions

- All merchandise trade carries embedded GHG
- Transferring New Zealand's GHG emissions elsewhere does nothing to reduce global GHG emissions
- Without compensating "GHG tariffs" or "free credits" at all tradeable activity will be disadvantaged in New Zealand
- Imports from countries that are not GHG constrained must attract cost or credit of embedded GHG

No need to rush

- New Zealand's GHG emissions are insignificant on a global scale
- Going it alone will not impact to climate change, but will, if effective increase costs of local GHG emissions, and severely impact trade
- The implications to trade are complex
- New Zealand should have a part in sorting out these issues but should not seek to lead
- Best avoid another burden to exporters, right now it is close to becoming "too hard" for many

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Actions

- We need a “safety valve” to protect competitiveness
- Ensure embedded GHG issues in tradeables are addressed
- Avoid mixing policy objectives such as seeking to be part of a global system but rejecting trade in nuclear carbon credits
- In a few words – **wait until at least 2020 before doing anything**

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