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ETS – extending the trade deficit?

The New Zealand Manufacturers and Exporters Association (NZMEA) urge the Government to consider international competitiveness when implementing the Emissions Trading Scheme (ETS). It is likely that it will have a negative affect on our tradeable sector because many of our competitors are exempt from, or are acting slowly, on greenhouse gas issues. Moving first to apply a cost to emissions will come at a significant competitive cost, and have little impact on climate change.

Most of the developed world is progressing slowly, and the developing world is outside Kyoto Protocol obligations. Imposing costs that our competitors will not pay leaves New Zealand exposed to low cost import competition and reduces our competitiveness overseas.

NZMEA Chief Executive John Walley says, "We need to be careful that any legislation we produce doesn't inflict further damage on our tradeable sector. Our July trade deficit was \$781 million, which is unsustainable, so to consider putting the country at a further competitive disadvantage does not make much sense."

"There is also no evidence to suggest that even a widespread adoption of ETS would reduce global emissions. What we are likely to see is more 'embedded' greenhouse gas in imports that come in from low cost countries that remain outside trading schemes, and make no effort to reduce greenhouse gas emissions. The imported goods are likely to carry a similar or bigger greenhouse gas footprint than those made locally," says Mr. Walley.

"There has been a lot of discussion over when agricultural emissions should be phased into the ETS, but it is important that the competitiveness of all sectors is considered. Strangely, there has been talk about how many jobs the new legislation may create to help firms comply with the new law, however, this will create yet another cost weighing down the competitiveness of our wealth creators. Driving activity offshore does not seem like a good idea from any rational standpoint."

"The ongoing trade deficits show that our exporters are already struggling and moving first on the emissions issue will not help. We need to see improvements in the competitiveness of our policy framework, not further detractions from our economic viability."