

New Zealand First To Levy Carbon Tax

New Zealanders will pay an extra NZ\$2.90 a week for electricity, petrol and gas when the country becomes the first in the world to introduce a carbon tax to address global warming.

The carbon taxes are expected to add approximately 6% to household energy prices and 9% for most businesses but will help the economy in the long-term, according to New Zealand minister for climate-change policy, Pete Hodgson.

Mr Hodgson set the tax yesterday at NZ\$11 for each metric tonne of carbon emitted. It will come into effect in two years. "If we are going to tackle climate change, we need to start taking environmental costs into account in the economic choices we make," Mr Hodgson said.

Planned after New Zealand signed on to the Kyoto protocol, the tax is expected to make energy sources such as coal and oil, which are highly polluting, more expensive than cleaner options like hydro, wind and solar. The experiment will be closely watched by

countries that are also committed to reducing carbon emissions but are failing to reduce energy demand.

The government estimates approximately NZ\$360m a year will be raised from the tax, but said it would not increase revenues.

"It will be balanced by other tax changes so there is no net increase in government revenue," a government spokesman said yesterday.

Energy-intensive businesses will be exempt from the tax to ensure that the businesses are not forced to close-down or relocate. In return, companies like Comalco, which uses 15% of the country's power, and Carter Holt Harvey, the country's biggest sawmill, must commit to reducing carbon emissions.

New Zealand, which produces about 29% of its electricity from gas- or coal-fired power stations, has previously introduced the green taxes idea but did not implement it. In 2003 the government planned to impose a methane tax on farmers because cow and sheep flatulence was responsible for more than half of New

Zealand's total greenhouse gas emissions. But the tax was abandoned after criticism from farmers, who labelled it a "fart tax".

Reactions to the carbon tax were mixed yesterday.

"It's good to see there are no surprises," said Tom Campbell, the managing director of Comalco's aluminium smelting operations.

A government spokesman said the tax would have long term benefits for the economy, "If New Zealand does nothing, our emissions will continue to rise as will the future cost of reducing it. If we can curb our growth in greenhouse gas emissions now, we will be better placed to make a smooth transition to more challenging commitments after 2012."

Other countries, especially in Europe have energy taxes that are weighted against producers but New Zealand is believed to be the first to ask the public to pay directly for the costs of reducing global warming. Proposals for a carbon tax to be applied throughout Europe were abandoned in the 1990s. ■