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Submission on Implementing the Carbon Tax

Submission to Inland Revenue Department – July 2005

Introduction

The IPENZ Transportation Group ("IPENZ TG") is pleased to present this submission on implementing the carbon tax. IPENZ TG consists of approximately 700 transportation and traffic engineering professionals working in central government, local government, academia and the private sector. We represent a segment of considerable expertise in the fields of traffic and transportation and have a significant interest in managing the effects of transportation on society and in managing travel mode choice. We support the implementation of a carbon tax as a valuable tool for the government to help New Zealand move towards a more sustainable future. Our submission focuses on carbon taxes in the context of the transportation sector.

We do not wish to present this submission in person.

Support in Principle for Carbon Tax

The discussion paper on implementing the carbon tax notes that: "Most New Zealand consumers and businesses will not pay the tax directly. Rather, they will see changes in the relative prices of different sources of energy, transport options, and other products." The carbon tax is thus relevant to the transportation industry, where "travel mode shift" has been on the agenda for many years. At all levels of government, since adoption of the New Zealand Transport Strategy (2002) and enactment of the Land Transport Management Act 2003 we have been attempting to reduce our car dependence and increase travel choices for those who wish to use public transport, or to walk or cycle.

We support the need for a suite of practical methods for managing the demand for motor vehicle travel, with a carbon tax being a potentially useful tool. Given the anticipated future need for New Zealand to purchase carbon credits, due largely to our increasing levels of greenhouse gas (GHG) emissions from the transport sector, introducing a carbon tax will help send correct pricing signals to energy consumers. More fuel-efficient cars and more travel by foot and by cycle (as intended under *Getting there – on foot, by cycle*[1]), would be expected outcomes of this measure. In addition, we support the introduction of carbon taxes for domestic use of aviation fuel as proposed, as air travel generates high levels of GHG emissions on a per capita, per trip basis.

The discussion paper does not propose to tax fuels made from biomass. We are not convinced that this is the correct approach. While we are not experts in this area, we are advised that if biofuel is grown as a fuel crop, then the CO_2 emissions from inputs (fertiliser, pumping water, farm vehicles, transport, processing) are nearly as high as if the fossil fuel were just burnt for transport.

[1] New Zealand Walking and Cycling Strategy, Ministry of Transport 2005

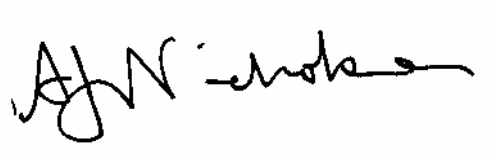
If the biofuel is processed from solid wastes, then the methane that was not produced and released to the atmosphere can be considered as a benefit. In our view most biological wastes should go back into agricultural soils so that there is not a net loss of soil condition. This is being mitigated at present by fossil fuel fertilisers, but will be unsustainable in the future.

Accordingly, we believe that carbon taxes should be collected on all CO_2-emitting fuels. In transport this would include biofuels, and in domestic heating or electricity generation, for example, would include wood.

Whilst action should be taken now to reflect the true costs on the environment of creating GHG emissions, the assessment of these costs must be kept under continual review. The ability to adjust the carbon tax easily will need to be built into the system, while ensuring a degree of certainty with the tax regime for business. Any adjustments to carbon tax rates would need to be consulted on early or phased in gradually to assist individuals and businesses to consider ways to vary their operations to mitigate the effects of the new tax rates.

In summary, we strongly support the initiative to implement a carbon tax as we feel it will encourage good transport decision making at the individual, local council and national levels.

For further clarification of the points raised in this submission, please contact the undersigned.



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