

NZ carbon price system hikes household costs

New carbon-trading laws intended to reduce climate-changing pollution emissions took effect Thursday in New Zealand, immediately sending gas prices higher.

Under the scheme, companies are given a pollution allowance, an amount of greenhouse gases they can emit without penalty. If they emit more than allowed, they must buy credits from a company that emits less than permitted and has a surplus to sell.

The scheme is an attempt to price carbon dioxide and other greenhouse gas emissions in the economy in a bid to cut the output of pollutants that cause global warming. It is projected to cut 19 million tons of carbon from New Zealand's greenhouse gas emissions over two years.

The system is one of the first of its kind outside Europe, though conservative Prime Minister John Key, heavily lobbied by big business and farmers, weakened earlier plans to impose greater costs on industry. He also delayed the entry of agriculture - New Zealand's biggest polluter, responsible for 49 percent of the country's greenhouse gas output - until 2015.

New Zealand's forestry sector was the first to enter the scheme in mid-2008. Transportation, industrial processing and energy sectors entered the scheme on Thursday.

Most transport fuel suppliers increased prices by New Zealand dollars 0.03 a liter (\$0.12 cents a gallon) Thursday, taking the cost of standard gas for vehicles to NZ\$6.80 (\$4.67) a gallon. Electric power prices also began rising, as producers using carbon-based fuels passed their carbon costs onto consumers.

"It brings us no pleasure in putting that sort of price impact on New Zealanders, but that's what we have to do if we are going to do our fair share around this huge challenge of climate change," Climate Change Minister Nick Smith said.

He said households on average will pay an extra NZ\$3.00 (\$2.10) a week for vehicle fuel and electricity.

New Zealand trades heavily on a "clean, green" image for its key agriculture and tourism industries, though greenhouse gas emissions have grown 22 percent over the last 20 years.

The European Union has had a so-called cap-and-trade system since 2005. Other nations, including the United States and Australia, have plans for similar systems that haven't materialized in the face of strong political opposition.

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Published on Electronic Component News (<http://www.ecnmag.com>)

Source URL (retrieved on 03/10/2014 - 3:04pm):

<http://www.ecnmag.com/products/2010/07/nz-carbon-price-system-hikes-household-costs>