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Self-Inflicted Wounds and Sloppy Science

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Should New Zealand lead the world?

Of course, you say. We've done it before.

First country to give women the vote. First country to sign a free trade agreement with China. First up Everest.

Yes, we know what it is to be first. To be the one others want to follow.

But do we know what it is to be out on a limb? To jump the starting gun and be running alone? Well, we are soon about to find out.

New Zealand will be the only country in the world to enact a national all sectors, all gases ETS. Just us.

The US won't be, nor Japan, India, or China. And Australia has just pulled out as well.

You have been told by our climate change Minister that 29 European countries already have an emissions trading scheme. So don't worry, we are not alone.

Not so. The Europeans are well known for their diplomatic skills. As somebody once said, a diplomat is one who can cut his neighbour's throat without having his neighbour notice it.

Sound familiar?

The EU scheme is very far from an all-gases all-sectors ETS.

It doesn't apply to methane, nitrous oxide, fluorocarbons, ozone, etc. It covers carbon dioxide only. It doesn't apply to emissions from the transport sector, households and small business. It doesn't apply to agriculture, construction, waste, etc.

So almost 60% of EU emissions are omitted. It applies only to heavy industry and electricity generation—all other economic sectors are out.

And in the electricity sector the allocations have become so complex, so riddled with exceptions and special cases that, for all practical purposes, the EU ETS has not built any carbon price into electricity during its first five years. So overall, the European ETS covers only 4% of economic output.

Within the European trading and ETS area, over 80% of exports and imports by value are with the other countries under the same minimalist ETS regime. So those businesses are competing largely with other businesses facing the same costs and the same restrictions.

But not us.

Our government is imposing these NZ ETS costs on you. No other government is imposing such costs on their farming sectors. Your competitors get off scot free.

Meat and Wool NZ has calculated that the cost for the average dairy farmer will be \$10,200 per annum. Less than a quarter of this is animal methane and nitrous oxide – which comes into the ETS in 2015. The overwhelming majority is electricity, petrol and the processing costs of dairy factories. This starts on July 1 this year.

"Meat and Wool NZ also confirms that the cost of the ETS to dairy farmers is 7.5 cents per kg of milk solids – the MAF estimate of 2.5 cent is just a fraction of the full true cost.

On 1 July, the tentacles of New Zealand's Emissions Trading Scheme will reach across every sector of our economy. And into everybody's pocket.

The New Zealand government is about to go where no other government has gone, and where it is very likely that none will ever go. The ETS will make energy — both electricity and petrol — more expensive. Treasury forecasts its immediate impact to be a five per cent increase in the price of electricity and a four cents per litre increase in the price of petrol. And the plan is to double it again in 2013.

New Zealand is to be the first and only country in the world to impose a comprehensive and costly ETS on its productive sectors. All our trading partners and all the major world economies are backing away.

Most economies are in big trouble, and there is no way governments are going to further damage the prospects for jobs and growth with a comprehensive ETS. They realise it makes no sense to damage their economies, export jobs and lower the income of their citizens by going it alone.

An ETS, or preferably some form of carbon tax and subsidy scheme, makes sense if two conditions are met.

First, the science must be solid. Second, all or most countries must participate.

Well, we know that we don't have international participation – there is just one small country at the bottom of the South Pacific going down this path.

Let me expand on that second point a little before coming back to the science.

The urge to participate in an international agreement has led us into a truly dreadful position.

Why an ETS?.

Because that is what, for a time, it appeared the international cooperation was going to be based on. Economists have long tended to prefer a carbon tax to an ETS, because of the high compliance and administration costs, lack of transparency, massive lobbying for special treatment, corporate welfare, and market manipulation that an ETS encourages.

Politicians, of course, are attracted to an ETS because it does not look or sound like a tax, although it is. And, for a politician, handing out the associated credits has an obvious appeal.

All the theoretical problems with an ETS are here in spades. We already have the large and growing bureaucracy which will be needed to manage the ETS. Already the process of establishing the ETS is shot through with lobbying, unprincipled deal-making and divergent treatment of different economic activities.

The deal with the Maori Party to pass the legislation was a last minute one. We know they got agreement to include a Treaty of Waitangi clause, to look again at past Treaty settlements, and to allocate carbon credits to iwi fishing interests.

The longer this ETS continues, the more likely it is that the costs and subsidies will get reflected in asset prices, the wealth transfers will become locked in, and over time become more difficult to change.

Already the government is using this as an excuse, in respect of foresters, for not suspending the ETS. The Minister for Climate Change has argued that foresters have planted trees on the promise of securing carbon credits and it would therefore be unfair to change the rules.

This is nonsense. Most of our forests were planted long before an ETS was considered. The number of hectares planted in the years since the ETS was first considered is not large. And much of this planting was motivated by government afforestation programmes, not the prospective ETS.

A temporary suspension would have limited consequences for most foresters since forests are planted on a 30-year plus rotation.

The ACT Party strongly supports the principle of compensation, but claims that the Crown would incur large compensation costs are grossly overblown. To be consistent, the government should also apply the principle to the case of pre-1990 forest owners who are retrospectively penalised if they convert their forests to other land uses.

The delayed entry and a gradual transition for various sectors does little to reduce the damage the ETS will cause. It is the direction of policy that is the crucial signal to investors. As far as jobs and investment are concerned, it is the destination that is the problem.

As farmers you know that there are huge costs not that far down the line for you. And you know your international competitors will not face those costs. The signal to business is loud and clear. Invest elsewhere. That is why the ETS will export jobs.

For a country producing only 0.2% of global emissions to try to lead the world is absurd. We will damage our economy, our jobs, our incomes. This will have no detectable influence on the global climate, whether warmer or colder.

To summarise, we have chosen a costly, bureaucratic mechanism to change the price of emissions in our economy. We are the only country to even contemplate an all-sectors, all-gases ETS, let alone actually implement it.

We have inflicted upon ourselves the third most ambitious emissions reduction targets for 2020; and unlike most countries, we appear to be taking our targets seriously.

So there we were, late last year, the deal done with the Maori Party, the legislation passed. We were off to Copenhagen, first up, best dressed, ready to go.

Our Ministers turned up to the Copenhagen conference tarted up in the best, most comprehensive ETS they could imagine. But the conference was an abject, humiliating failure.

A deep global recession and major scientific scandals surrounding the science of climate change have shifted the landscape. No legal treaty after 2012 is in sight.

Kyoto obligations won't be enforced, because this would deter countries from making future commitments. And there are no effective sanctions for non-compliance.

The argument that if we do nothing the taxpayer will have to pay is bogus. And in any case there is no liability, on current projections New Zealand will meet its Kyoto obligations in the first commitment period.

So, there is no good reason to be involved in all of this by virtue of doing our bit internationally. Nobody else is doing theirs.

What then about the science?

This is the other necessary condition for us staying fully involved in the Kyoto process.

Is the science unassailable, is the matter settled?

Well no, it never was. I am not suggesting that there is not a respectable body of science suggesting we should be concerned about the potential for global warming from the activities of mankind. Because there is.

But there is also a respectable body of science suggesting that the risks have been greatly exaggerated, that our level of understanding of global climate is weak. What we have known for some time is that the institution of the IPCC has become driven by political agendas, rather than by science.

We know of the notorious hockey stick graph, of data manipulation to eliminate the Medieval warm period and produce a sudden dramatic spike in temperatures in the past century.

We have heard of the numerous projections of imminent disaster that had no basis in established science. In short, the credibility of IPCC process has been destroyed by the political agendas that have infiltrated it.

Now Climategate has left the science looking even more suspect than it already was – and it was by no means secure before Climategate. The hacked emails, documents and computer codes from the University of East Anglia Climate Research Unit (CRU) are now in the public domain.

They reveal a systematic attempt to manipulate the historical time series data, together with arbitrary adjustments to the computer codes which produce the averaged and smoothed temperature data.

CRU officials, from the top down, have conspired to block official information requests, influence and control the peer review process, and avoid accountability. They claim to have lost the original, unadjusted data, which means it cannot be cross-checked in the usual mode of scientific peer review.

And independent reviews of their methods confirm that the CRU was disorganised and lacking in competence in statistical methods. Given that most of what they do is database management and statistical analysis, this is an astonishing revelation.

Their data is the crucial input to the computer models on which projections of rising global temperatures are based. Those projections have led the global community to consider introducing globally binding ETS systems to reduce emissions.

You know the old saying about computer models: garbage in, garbage out.

These global emission targets, if met, will have a substantial negative impact on world economic growth and incomes, and thus on global poverty. These are issues, therefore, of the utmost importance.

Climategate has massively damaged confidence in the methods, processes, and basic data on which all the analysis is based.

Well, you might say, at least it couldn't happen here. Well here's a curious thing.

New Zealand's National Institute of Water and Atmospheric Research (NIWA) is responsible for maintaining our climate records, having taken over from the NZ Meteorological Service in 1992 when NIWA was established.

In the early to mid 2000s NIWA produced a graph showing New Zealand was warming even faster than global averages.

Around that time the government started exploring options for reducing emissions – carbon taxes and ETS arrangements. Helen Clark, then PM, later announced her Party's intention that New Zealand should lead the world in fighting climate change.

The NIWA graph was most helpful.

This new official NZ temperature series – which was based on only seven measuring sites – showed a warming trend of 0.9 degrees centigrade per century. The Climate Conversation Group (CCG) and the NZ Climate Science Coalition (CSC) combined to investigate the New Zealand temperature record.

They started with the official graph and the raw temperature readings, both published on NIWA's web site. There are big differences between them. The raw data shows basically no trend since the 1850s, whereas the adjusted series shows the 0.9 degree rising trend per century.

But there was no explanation for the differences on the web site.

Most of us know there are many good reasons to adjust a series of temperature readings: there may be gaps in the series, the site for the temperature readings may

change, the environment around the site may change (eg trees or roads or parking lots), or what was once a rural area becomes urban over time.

These can all be valid reasons for making adjustments. The technical term for the documentation of these adjustments to raw data is a Schedule of Adjustments (SOA). It's quite normal to have an SOA.

In fact it is essential – that's how you keep track of the reasoning behind the adjustments, and this is what allows other scientists to cross-check the quality of the work. Replication of results is an essential part of good science.

And here is where it gets interesting.

NIWA started to get evasive when asked for the SOA. In answer to requests they talked about the standard reasons for making adjustments, and they referred to numerous papers which describe different methodologies for doing so. They said the information could be found in obscure papers from 20 and 30 years ago.

The one thing they did not do was simply hand over a schedule of adjustments. It wasn't a state secret. The climate science coalition duly followed up the references. But there was no SOA in any of them.

In frustration they contacted me, and we started asking questions of the Climate Change Minister, and then the Minister for Research, Science and Technology.

We tried oral questions in Parliament. We got evasive answers. So we peppered them with written questions. Again, evasion.

We got the usual references to academic papers scattered around the internet, and one on restricted access at a university library. We managed to get that one on interloan, electronic access only, but were only allowed access for a limited time.

It was like trying to get information out of the Kremlin, but not as cooperative. Coming after the scandalous behaviour and sloppy processes revealed in the United Kingdom at the climate research unit, we started to think the unthinkable.

Are they trying to hide something?

Maybe we have our own CRU scandal?

All we wanted was a schedule of adjustments for the official climate series, so that scientists – not politicians, not political parties – could check the analysis.

All we wanted was some basic science. As scientists, NIWA should have been welcoming scrutiny of their data and methods. Instead they were blocking us at every step.

It eventually became clear that NIWA simply did not have a well-organised database, with an accessible or up-to-date, or defensible schedule of adjustments.

One of the reasons for the embarrassment and defensiveness - apart from hiding sloppy and inadequate scientific procedures - is probably that NIWA along the way

realised that it actually has a statutory duty under the Public Records Act to maintain full and accurate records.

They are in breach of their statutory obligations.

The Seven Station Series seems to have been introduced into NIWA's records, without formality, on some date in the early 2000's when James Salinger was Principal Scientist of the Climate Group. There does not seem to be any supporting documentation, it appears not to have been checked or assessed or peer-reviewed.

Was it approved by the Chief Scientist, and on what basis? If so, show us the documentation.

What we know is that the raw data show no rising or falling temperature trend. The rising trend in the official Seven Station Series is a result entirely of adjustments to the data.

You might say the warming was man-made. Analysis of the data shows that 90% of the adjustments favoured a rising temperature trend.

A sceptic would naturally be getting suspicious at this point.

Conceivably these adjustments might be entirely reasonable. But we won't know, and can't know, until NIWA is able to publish an authoritative schedule of adjustments, and until independent scientists are able to check that work.

As the pressure was building from the Climate Science Coalition (CSC) on the Seven Station Series (SSS), NIWA released in December last year a new Eleven Station Series (ESS) which showed a similar rising temperature trend to the Seven Station Series.

The CSC analysed this data, and visited a number of the measurement sites. There have been site re-locations for these instruments; some have multiple and lengthy gaps in the data; some are "class 4" stations which have an error potential as high as 2 degrees. The CSC has grave doubts over the consistency of the series, as new stations are added from quite disparate locations.

When the 7 and 11 series data are overlaid, the differences are more pronounced than the similarities. Warming periods do not coincide.

There is a happy ending, or at least the prospect of one. After all the blocking, the defensiveness, the evasion, NIWA has – to its credit at last - now announced that it will have a fresh start.

Essentially NIWA has conceded it does not have a schedule of adjustments. It is conducting a full review of the temperature series, and has committed to publishing a complete set of data and documented adjustments – in short, a schedule of adjustments.

At last.

Why does all this matter?

Well, it doesn't much matter what New Zealand's temperature trend is in respect of whether or not global temperatures are rising or falling. Our data doesn't strengthen or weaken the case for emissions control policies.

But the science does matter in respect of the politics of global warming. The science is used to motivate political agendas, to scare people into accepting changes that they would otherwise resist.

And how come our climate scientists didn't notice any of the problems with the IPCC reports? Were they asleep at the wheel or did they just decide to keep quiet about it?

All of this matters greatly for the integrity of science in New Zealand. It matters whether or not our taxpayer funded scientific institutions behave with some integrity, as well as doing good scientific work.

It matters when they consider themselves some sort of secret society, not open, not accountable.

And it matters if they disregard their statutory obligations to maintain adequate records.

There are heads that should roll in NIWA.

They have misled Ministers.

They have performed with reckless disregard for basic scientific standards and for their statutory obligations.

They have blocked perfectly reasonable requests for information.

And they have covered up the inadequacies of their own performance.

In conclusion, let me say this.

ACT has neither an alarmist nor a denier position on climate change. But we are certainly sceptics.

Nor is ACT opposed to New Zealand adopting responsible climate change policies. Our minority report to the ETS review committee concluded that New Zealand should be seen to be willing to play a part in any fully international agreement – but there is no such agreement.

What ACT does oppose is premature action to proceed with the next phase of the ETS on the basis of flimsy arguments about liabilities to taxpayers and unfairness to foresters.

We think it is foolish to rush ahead of our trading partners at a time when the economy is weak, many households are struggling, GST and electricity prices may increase, and Australia has deferred any action.

A decision to suspend the ETS temporarily – say until Australia adopts a similar scheme – would not prejudice New Zealand's diplomatic relations or its commercial interests.

New Zealand should continue to participate as a responsible international citizen in climate change discussions. And we should promote our initiative on agricultural research.

But we should not put our economy at a competitive disadvantage with Australia and the rest of the world at a time when the government's top priority objective is to boost productivity and catch up to Australian income levels.

We should suspend the ETS forthwith.

Thank you.