Submissions form

Personal / organisation details

You must provide either a company name or given name(s)

Company name National Energy Research Institute

Given names

Surname

Contact person Simon Arnold CEO

Address P O Box 16 135, Te Horo 5544

Region

Country NZ

Phone +64 27 248 1753

Email simon@neri.org.nz

Submitter type, pick one:

- ☐ Individual
- X NGO Membership energy research organisations and related industry organisations
- ☐ Business / Industry
- ☐ Local Government
- ☐ Central Government
- ☐ Iwi / Māori
- ☐ University
- ☐ Research Institute
- ☐ School
- ☐ Community Group
- ☐ Unspecified / Other

2050 target

1. What process should the Government use to set a new emissions reduction target in legislation?

   Pick one:

   ☐ the Government sets a 2050 target in legislation now

   x the Government sets a goal to reach net zero emissions by the second half of the century, and the Climate Change Commission advises on the specific target for the Government to set later.

There are a number of outstanding considerations such as the treatment of the external economy and the status of the various different GHGs that need to be resolved before sensible targets can be set. Better to resolve these rather than find that targets set now need to be changed once this consideration has been given. The goal in legislation now will give enough certainty to encourage those changes that are low hanging fruit.

Further even once set the passage of time will change how we see issues. A simple example is the likelihood of international agreements to address emissions from international transport and this could well alter our perception of appropriate targets (e.g. domestic supply of fuels to international transport).

The Commission is being established to help manage that uncertainty and recommend specific targets accordingly that will change over time as circumstances change and better information becomes available. For example, there may well be future international agreements that commit nations to a more rapid transition to zero net carbon (e.g. if the IPCC finds that 2 degrees is a dangerously high upper limit, which seems possible).

2. If the Government sets a 2050 target now, which is the best target for New Zealand?

Pick one:

☐ **net zero carbon dioxide:** Reducing net carbon dioxide emissions to zero by 2050

x **net zero long-lived gases and stabilised short-lived gases:** Long-lived gases to net zero by 2050, while also stabilising short-lived gases

☐ **net zero emissions:** Net zero emissions across all greenhouse gases by 2050.

The discussion document pretty much limits itself in terms of scope to just meeting the Paris Agreement. However the appropriate target needs to consider other issues that are still uncertain and forcing a selection right now is perhaps premature. In particular, as noted above, it begs a number of questions such as scope e.g. are domestic fuels for international transport servicing NZ in or out, are offsets bought or sold internationally in or out etc? There is probably a case for targeting a more limited scope initially and separating targets for long-lived and short-lived gases, but acknowledging the need to keep this under review and if necessary widen this as knowledge and international expectations become clearer.

3. How should New Zealand meet its targets?

Pick one:

☐ domestic emissions reductions only (including from new forest planting)

☐ domestic emissions reductions (including from new forest planting) and using some emissions reductions from overseas (international carbon units) that have strong environmental safeguards.

This begs the question of how the targets are defined.

We are an open economy dependant on trade; emissions reductions are being pursued to achieve international goals. We need to be sure that the design of our domestic policies supports the latter without unnecessarily undermining the former.

The more narrowly we define the scope the more complex the policy design will need to be at the boundary to avoid sub-optimisation/unintended consequences, while equally the wider the scope, interventions at the border become more difficult.

We have manged to develop a GST that is simple because it is derived from some simple principles and giving limited exemptions. Emissions targets have grown out of negotiated international agreements. Before setting targets in detail we should be agreeing some principles on what exactly we in NZ are seeking to do in order to inform the policies.

It isn't clear that this work has been yet done to the detail required to achieve a broad consensus. This is presumably where the Commission comes in. Simply limiting to the Paris Agreement doesn't solve this issue.

In the short-term the focus will be on domestic emissions and any international trading of carbon credits should not be addressed until the treatment of international trade is addressed more generally. In the interim domestic emissions targets can be set in the knowledge of the absence of any market for international offsets.

This approach has some advantages in providing less volatility and certainty during the early period while international practices and markets settle and we review policies for our international trading sectors. A more certain domestic market will encourage investment in early local opportunities in abatement; innovation etc, the risk with volatility is that it will encourage short-term responses. This could lead to NZ being left behind in its capacity to respond as international emissions/abatement prices do rise, and in its ability to be competitive in NZ in meeting market demand for cleaner goods and services.

4. Should the Zero Carbon Bill allow the 2050 target to be revised if circumstances change?

   Pick one:

   X yes

   ☐ no.

The point is that regardless of what might be felt to today, this will happen. GHG emissions reductions is an exercise in adaptive planning, not prescriptive planning because there is significant uncertainty that will require ongoing review, even up to and including the level of Targets.

Rather than worry about "if", the legislation should address the "how" adjustments are made.

Emissions budgets

5. The Government proposes that three emissions budgets of five years each (ie, covering the next 15 years) be in place at any given time. Do you agree with this proposal?

   Pick one:

   X yes

   ☐ no.

No further comment

6. Should the Government be able to alter the last emissions budget (ie, furthest into the future)?

   Pick one:

   ☐ yes, each incoming Government should have the option to review the third budget in the sequence

   X yes, the third emissions budget should be able to be changed, but only when the subsequent budget is set

   ☐ no, emissions budgets should not be able to be changed.

Again we want adaptive planning so we should anticipate the need to make changes. If this isn't done via budgets they will be within the power of Parliament to address and there is ironically greater uncertainty created by having the legislation being regularly reviewed than having reviews occurring within a framework for flexibility established in legislation (see question 7).

7. Should the Government have the ability to review and adjust the second emissions budget within a specific range under exceptional circumstances?

   Pick one:

   X yes

   ☐ no.

Again in practice this will occur if necessary anyway through amending legislation, so, as noted in response to question 6, allowing this within legislation will if anything increase the robustness of the framework by providing for a mechanism to adapt without putting the whole framework into consideration.

8. Do you agree with the considerations we propose that the Government and the Climate Change Commission take into account when advising on and setting budgets?

   Pick one:

   X yes

   ☐ no.

Government response

9. Should the Zero Carbon Bill require Governments to set out plans within a certain timeframe to achieve the emissions budgets?

   Pick one:

   X yes

   ☐ no.

This should be practical for a 15 year period, provided it is acknowledged this should be within an adaptive planning framework, and a significant part of the plan will likely involve identifying areas of uncertainty and work programmes to reduce these, rather than prescriptions for immediate action.

10. What are the most important issues for the Government to consider in setting plans to meet budgets? For example, who do we need to work with, what else needs to be considered?

The priorities need to address the most material issues and within that those that represent the greatest opportunities and/or represent the greatest risks.

For example in energy the most material subsectors are transport, industrial (food) processing and electricity production in that order. Within transport, by way of example, EVs represent a significant opportunity on today's knowledge, and heavy duty cycle transport the greatest risk. These then start to define the priority areas and who needs to be in the process.

These differ significantly from the kinds of issues identified in Table 3 of the discussion document (that are of minor impact) and the macro modelling used by the Ministry may well be useful in giving an overview on certain assumptions, but the real opportunities lie in closer micro consideration of the various subsectors. The national modelling doesn't get to this detail. A particular problem with national scenario modelling is that its use of projections on the basis of limited assumption encourages thinking in terms of prescriptive planning.

Within the energy sector NERI has developed a strategy that provides a framework (*Energy Research Strategy for NZ: The Issues (2017)*), and the Productivity Commission's final report should reinforce this and offer a similar structure to other sectors that dominate the production of GHG emissions (primarily agriculture).

Note this means that the main focus of this work will be with target sectors, less so national activities apart from considering the impact of the ETS and the aggregate impact from subsector initiatives.

Climate Change Commission

11. The Government has proposed that the Climate Change Commission advises on and monitors New Zealand's progress towards its goals. Do you agree with these functions?

    Pick one:

    X yes

    ☐ no.

    This comment relates to the emissions reductions functions. See question 14 et seq. for further comment on the potential adaption functions.

12. What role do you think the Climate Change Commission should have in relation to the New Zealand Emissions Trading Scheme (NZ ETS)?

    Pick one:

    X advising the Government on policy settings in the NZ ETS

    ☐ makes decisions itself, in respect of the number of units available in the NZ ETS.

    Given the high level of uncertainty, limited experience with the markets and other interventions and their lack of maturity, and the much longer time frames being suggested for the interventions, delegation of these powers would be inappropriate. Adding to this (or perhaps reflecting this) the design of the appropriate framework to put around an executive Commission would be a complex task.

    We also endorse the comments of the Productivity Commission and the PCE on this question.

13. The Government has proposed that Climate Change Commissioners need to have a range of essential and desirable expertise. Do you agree with the proposed expertise?

    Pick one:

    ☐ yes

    X no.

    This needs consideration of the core role(s) of the Commission. As it is emerging from this consultation the emphasis is on addressing climate change, not assessing it. Therefore the primary emphasis in its expertise is not on climate science per se but on how to manage its impacts in NZ.

    Within this the intended balance between advice on reducing GHG emissions and on adaption to the direct effects of climate change (presumably predominantly sea level rise[1]) is not yet decided.

    Once this decision is made there will be quite different types of expertise required

[1] E.g. www.mfe.govt.nz/publications/climate-change/adapting-climate-change-new-zealand-stocktake-report-climate-change.

for each of these functions, and the proposed areas of expertise in the discussion document don't meet either requirement well.

First, recommending on and monitoring achievements against emissions targets and advising on complementary policy interventions will require expertise in:

1. The ETS and its potential macro and micro impacts,
    - The former particularly requires experience in international relations etc, macro-economics and public policy;
    - The latter requires sector specific understanding, and it would be reasonable to expect the Commission to include expertise in at least some of impacts in agriculture, energy, particularly renewables, transport, Māori interests and households, particularly those vulnerable to these changes.
2. The primary uncertainties NZ faces and the means to manage these. The uncertainties by and large arise from technologies; behavioural/societal responses; human capabilities and other resource availability. The various interventions will be targeted at the sectors and subsectors identified above. The key resource to address uncertainties will be our research capabilities covering all these domains.

This list has very little overlap with the expertise identified in the discussion paper, having instead a much stronger bias toward business, community and social considerations. In this it has much more in common with the membership of the UK Committee on Climate Change on which the discussion paper says it is basing its proposals.

A Commission dominated by resource management/planning/environmental and climate science/risk management/local government etc would therefore be seen as quite inappropriate.

In our answer to question 14, we raise whether adaption can better be managed through existing institutional arrangements augmented by a separate specialist body because the overlap between the two roles is not strong and a single role would give the Commission a tighter focus.

If the decision is taken for the Commission to have responsibilities for adaption as well as emissions reductions then a more appropriate structure might be to have a Chief Commissioner, with supporting subcommittees dealing with each. While the issues faced in the UK are quite different and therefore we shouldn't just import their structures, they do this by having a separate adaption sub-committee chaired by the deputy Commissioner.

On that basis, and looking at the UK practice, the expertise required for such an adaption subcommittee would still be quite different from that which is proposed in the discussion document. In the UK the adaption subcommittee is dominated by people with academic backgrounds with a strong bias to engineering disciplines (three of the four), along with an environmental economist and a senior corporate solicitor. In the NZ context we consider the impacts on coastal lands means input on social/cultural and Maori interests should be included.

Adapting to the impacts of climate change

14. Do you think the Zero Carbon Bill should cover adapting to climate change?

Pick one:

☐ yes

☐ no

We consider that adaption does require enhancement within the machinery of government, but do not support the approach in the Bill of a single Commission as the appropriate response.

The dominant impacts will be on coastal hazards and other natural resources. There is a well-developed framework for managing these risks through the RMA and the Building Act. There is a steady flow of information coming out on the relevant risks allowing those facing them the ability to adapt within existing frameworks, and various mechanisms whereby more formal direction can be given (e.g. National Policy Statements under the RMA).

It would distract the Commission to have to pick up this function as well. As can be seen from the discussion document's proposed list of expertise the issues of adaption are quite different from those of GHG emission reduction, even if the primary cause is the same. The risk is the Commission will do one well to detriment of the other, or do neither well.

However the introduction of a separate independent body to advise the Government on adaption more closely linked to the RMA/Building Act activities is warranted.

As noted in answer to question 13 if the Commission is to pick up this function it should have a specialist subcommittee overseeing it acting under a separate mandate.

Regardless of which approach is taken the role of the adaption body will need to be carefully defined in relation to the existing machinery of government in this area.

In particular the role should be focused on independent expert advice on adaption rather than on how that information gets used within the existing frameworks. The proposed membership in the discussion document seems not to make this distinction with some of its proposed expertise (local government, insurance industry) being distant from the primary role. See question 13 for further comment on this, particularly how it relates to the UK example.

15. The Government has proposed a number of new functions to help us adapt to climate change. Do you agree with the proposed functions?

Pick one:

☐ yes

x No in part

Better coordinated planning by central government would be helpful; however this needs to be appropriate to the level of risks as assessed.

If the Commission is to have a role in adaption then it could make sense for it to

provide independent reporting on the Government's performance, just as it would report on its plans for emissions reductions.

16. Should we explore setting up a targeted adaptation reporting power that could see some organisations share information on their exposure to climate change risks?

Pick one:

☐ yes

x no.

In the first instance the expectation should be the public and private organisation report the material risks they are exposed to within existing frameworks. Special requirements should only be considered if those are shown not to be working.