Submission to Ministry for the Environment on the Zero Carbon Bill

19 July 2018
Dear Sir / Madam

Submission: Zero Carbon Bill

This submission is from:
Motor Trade Association (Inc)

The contact person in respect of this submission is:

Name: Greig Epps
Title: Industry Relationship Manager

Thank you for the opportunity for MTA to provide comment on the Zero Carbon Bill regarding the views of and its effect on the automotive industry.

Yours sincerely,

Greig Epps
Industry Relationship Manager
Introduction
The Motor Trade Association (Inc) (MTA) was founded in 1917 and last year celebrated 100 years of trust with the NZ motoring community. MTA currently represents approximately 3,700 businesses within the New Zealand automotive industry and its allied services. Members of our Association also operate businesses including automotive repairers (both heavy and light vehicle), collision repair, service stations, vehicle importers and distributors and vehicle sales. The automotive industry employs 57,000 New Zealanders and contributes around $3.7 billion to the New Zealand economy.

General Comment
MTA acknowledges the threat to New Zealand of anthropogenic climate change, and we appreciate the opportunity to comment on the Zero Carbon Bill. Our focus is on the consequences – intended or unintended – impacting the automotive services sectors arising from a move to a “zero carbon” economy.

We have had the benefit of reading a draft of the Business NZ submission and we share the concerns expressed in that submission with respect to the timing of actions, the basis on which targets are set, and the need for clarity on how and when action plans are developed to implement targets.

Timing
There is no disagreement that we must act now. However, it is unclear why new targets for 2050 are required. What international obligation or local imperative is driving us towards that date? MTA understands that the Paris Agreement requires countries to work towards reaching net zero targets in the second half of this century (ie between 2050 and 2100). This would appear to suggest that New Zealand’s immediate goal is to position itself by 2050 in the best way possible to implement actions that achieve net zero in the subsequent 50-year time frame.

As noted in the consultation document, countries of the world are seeking to roll back the damage of 200 years of industrialisation. New Zealand will be hard-pressed to do its part in less than 32 years. While it is admirable in many areas of life to set stretch targets, care must be taken not to set targets that stretch people and resources so far that the system breaks and all progress is halted.

As noted in the consultation document, there is already a 2050 target set and agreed to by New Zealand – 50% reduction from 1990 levels (along with the other targets also described). Why reinvent the wheel now? Should not this existing target be the starting point for the Zero Carbon Bill, with the focus of continuing discussions then on how net zero targets can be met through the second half of this century.

Setting level of targets
MTA does not have capability to assess the economic and environmental modelling used to determine the effect of various target scenarios. In this space, MTA and many other stakeholders must rely on the robustness of the analysis and evidence presented by the Ministry. MTA notes that the Business NZ submission casts doubt on some of the modelling presented in support of the Zero Carbon Bill, especially a heavy reliance on assumptions. We cannot comment on either set of arguments. But we encourage the Ministry to respond to the concerns raised by Business NZ, especially with respect to what is the baseline being used in the modelling and the extent to which the models are based more on assumptions than facts.
Developing action plans

The signing of the Paris Agreement has raised awareness within the business community, especially among smaller businesses, of the need to consider the environmental impact of business activities. As such, many businesses have taken steps to review and better manage areas of operations such as energy use and waste disposal. The automotive sector is very cognisant of waste issues, with oil and tyre disposal a daily concern, along with the replacement of parts and panels and scrapping of whole vehicles.

With the goal proposed above, a more measured pace can be taken to ensure comprehensive consultation with affected industries and a clear pathway established for achieving the necessary changes. There is vast scope for the development of technologies to assist with meeting targets, but this must be done in consultation with industry and considering the effect of other government policies. For example, in the automotive sector, changes in transport policy, and changes in consumer transport behaviour, might well compound the impact on the sector. In terms of a “just transition”, business owners and employees in affected industries must have time to assess and react to such changes. Upskilling of employees may take years and so the pace of change and transition must accommodate these requirements.

The consultation document has described the problem and it has suggested a range of goals. There remain, however, many uncertainties that further consultation should clarify before any legislation is submitted for consideration. To use a sporting analogy, we are engaged with the equivalent of the Winter Olympics biathlon – a contest of skiing and shooting skills. Participants must race along a path and stop intermittently to fire at targets. For New Zealand, we know that we need to set a path and arrange targets along that path, but there is still uncertainty about:

- the length of that path (5km, 10km, more/less?),
- what goals have we set ourselves (are we aiming for gold, silver, a good ranking?),
- do we have the right equipment?
- is this even a sport at which we are expert (how much training have we done, how much more is needed, do we have the right coaches?).

MTA supports the move towards net zero goals, but we caution the speed with which we try to move and the achievability of the goals we are setting ourselves.

Submission

We have the following comments to make on behalf of the automotive industry. We have answered questions in the order they were presented in the Discussion Document.

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

MTA recommends that the Government set 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.
This allows a target to be signalled quickly and then the Climate Change Commission, in consultation with industry and the community, could input on the specific actions required to establish a more detailed target later along with steps to get there.

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

As noted in our opening comments, MTA considers that the existing targets should suffice for our 2050 target.

However, if the Government moves forward with the options in the consultation paper, MTA suggests Option 2, net zero long-lived gases and stabilised short-lived gases: Long-lived gases to net zero by 2050, while also stabilising short-lived gases.

The Climate Change Commission needs time to consider the various impacts on the New Zealand economy in practical terms and this option provides action on addressing the output of long lived gases (CO2) as well as stabilising the short lived but more immediately damaging heat trapping gases like methane. This will hopefully allow high-emissions sectors (including automotive) enough time to introduce production changes, technologies and practices without damaging this sector too much.

The burden of addressing emissions needs to be spread across industries.

As noted above, MTA questions whether the time frame is too short. While we support Option 2 (as it spreads responsibility), we have concerns about whether it will be possible to counteract over 100 years of industrialisation in just 30 years.

**Question 3: How should New Zealand meet its targets?**

MTA suggests Option 2, domestic emissions reductions (including from new forest planting) and using some emissions reductions from overseas (international carbon units) that have strong environmental safeguards.

With NZ’s heavy reliance on international trading partners, along with our relative isolation, this option will allow NZ to take a lead on ambitious domestic reduction targets as well as both influence and take advantage of international emission reductions through our trading partners.

The plans we set in place to meet our targets should be about having available to us all the tools in the toolbox to do what we can to help.

We recommend that New Zealand prioritise purchasing from other small nations (eg Pacific neighbours and African Union) who, while they have vastly different emissions profiles, are united by the fact that together small countries make up 30% of total worldwide emissions. Countries which contribute similar amounts to climate change (we note that New Zealand only emits 0.17% of global emissions) yet collectively contribute to a good chunk of the issue are in a good position to work together and buy and sell carbon units from each other.
Question 4: Should the Zero Carbon Bill allow the 2050 target to be revised if circumstances change?

MTA suggests Option 1, yes.

There will be a lot of unknowns, particularly in the technology space. A changeable target will allow us to take advantage of technology breakthroughs that may result in achieving targets quicker.

The sovereignty of Parliament must be respected; it is rare for one parliament to bind later sessions. However, provisions within the legislation could be “entrenched” and require a supermajority of parliament to change. This would mean that cross party support would be required to make a change.

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

MTA agrees with Option 1, yes.

What is most important for businesses when transitioning to a low carbon economy is certainty and predictability. Emissions budget timeframes should cross over electoral cycles.

Question 6: Should the Government be able to alter the last emissions budget (ie furthest into the future)

MTA suggests Option 1, yes each incoming Government should have the option to review the third budget in the sequence.

Protocols would need to be in place to allow these changes only under specific conditions and subject to recommendation or advice from the Climate Change Commission.

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

MTA agrees with Option 1, yes

The second emissions budget should be hard to change so that certainty and predictability is upheld. The second budget should only be changed in exceptional circumstances, and through a process that requires the approval of experts. For example, if there were to be an obvious exceptional circumstance (natural disaster) then the Commission should be in a position to recommend (either at the request of Government, or of their own volition) the review and adjustment of the second emissions budget.

Question 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?

MTA recommends Option 1, yes.
Question 9: Should the Zero Carbon Bill require Governments to set out plans within a certain timeframe to achieve the emissions budgets?

MTA recommends Option 1, yes.

It is important to not only have a target but a road map to get to the target.

Question 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?

Government needs to allow sufficient time for affected industries or communities to adapt to proposed changes. Early signals of changes and impacts presented alongside clear policy will allow affected industries time to adjust.

Consultation with the affected industries and communities should occur, adhering to concept of just transition that allows business owners to diversify and modify the goal of their business, providing for employees to take up new skills.

It will be important for a business in a small community to adapt itself to new ways of doing business and retain the workforce that can often be like family. Business owners should be in a position where they are able to innovate and create a new organisation that those people can stay with. Not everyone is interested in taking on the risks of being a business owner themselves, not everyone has the entrepreneurial spirit.

Question 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?

MTA recommends Option 1, yes.

Government should also be obliged to actively consider the advice given by the Climate Change Commission. Government should have to present clear reasons if ignoring/not entirely following the Commission’s advice. This should be in the form of an official Government report.

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

MTA suggests Option 1, advising the Government on policy settings in the NZ ETS.

Government should also be obliged to actively consider on the advice given by the Climate Change Commission.

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?

MTA agrees with Option 1, yes.
The Climate Change Commission should also regularly interact with international bodies to ensure sharing of experiences.

**Question 14:** Do you think the Zero Carbon Bill should cover adapting to climate change?

MTA agrees with Option 1, yes.

Budgets for adapting to climate change should be separate or at least have separate reporting and monitoring processes.

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

MTA recommends Option 1, yes.

These functions promote collaboration and coordination.

**Question 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?

MTA suggests Option 1, yes.

Adapting to climate change should not be done in isolation (both when thinking domestically and internationally). There are huge opportunities to take advantage of what others have done so we need to collaborate.

*MTA appreciates the opportunity to submit on the Zero Carbon Bill.*
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