19 July 2018

Submissions
Ministry for the Environment
By email: ZCB.Submissions@mfe.govt.nz

Our Climate Your Say: Consultation on the Zero Carbon Bill

Meridian appreciates the opportunity to provide feedback to the Ministry for the Environment on the Zero Carbon Bill consultation. Meridian is a 100 percent renewable electricity generator. We are committed to meeting current and future energy needs with renewable energy and taking action on climate change.

Meridian has consistently been a strong advocate for a Zero Carbon Bill. On 6 June 2018 we hosted an event at Meridian’s Wellington office to deliver an open letter of support for zero carbon legislation to Hon James Shaw, the Minister for Climate Change. Our Chief Executive, Neal Barclay was one of 200 signatories to the open letter and said at the event:

“Meridian is one of many businesses supporting the need for a Zero Carbon Act. Showing Meridian’s support means we believe we can and must act on the opportunity to create a prosperous future for our customers, communities, our country, and the planet.”

Meridian also strongly supported Dr Jan Wright’s final report as Parliamentary Commissioner for the Environment, in which she recommended that New Zealand follow in the footsteps of the United Kingdom and legislate for emissions targets and budgets as well as an independent institution to advise on and monitor those goals.¹ We again expressed


Meridian Energy Limited
our support for a Zero Carbon Bill in submissions to the Productivity Commission during their Low-emissions economy inquiry.²

Meridian believes that the framework proposed by a Zero Carbon Bill will enable the transition to a net zero-emissions future. Businesses like Meridian will be a key part of the transition. It is critical for business that the legislative and regulatory framework provides long-term independence, stability, and clear targets so that businesses and individuals can invest with confidence and competition and innovation will flourish.

Meridian supports legislation that include three key components:

1. long-term emissions-reduction targets, informed by science, that will meet our Paris commitments;
2. a system of successive emissions budgets that translate long-term targets into clear short-to-medium-term stepping stones and help to reinforce steady action; and
3. a fully independent Climate Change Commission to provide objective, depoliticised analysis and recommendations and monitor progress.

According to the Minister for Climate Change, James Shaw “The Zero Carbon Bill is designed to create certainty. It is intended to provide a long-term and stable policy environment, with a clear emissions target and a guided pathway to get us there.” Meridian believes that to deliver on this intention, politicians, both now and in the future, must seek to deliver bipartisan outcomes. The challenge for the current Parliament is to set us on a path that is as ambitious as possible while maintaining the cross-party support that will see the framework endure into the future.

The independence of the proposed Climate Change Commission is of utmost importance, to ensure the objectivity of the advice it provides and of its monitoring role. A fully independent Climate Change Commission would also help to depoliticise climate policy decisions. The institutional form of the Commission is not mentioned in the discussion document, yet this seems to be a critical design choice. To be independent from the Government of the day the Climate Change Commission should be accountable to Parliament rather than a Minister. If the Commissioners were Officers of Parliament, like the Parliamentary Commissioner for the Environment or Ombudsman, it would ensure that:

- Ministers do not direct the Commission towards certain outcomes or investigations;
- Ministers do not set annual expectations;

² Submissions available at: https://www.productivity.govt.nz/view/submissions/3254
• a cross-party approach is taken to appoint and remove Commissioners;
• a cross-party approach is taken to fund the Commission; and
• the Commissioners’ salaries are decided by the independent Remunerations Authority.

Meridian congratulates the Minister and Ministry for the inclusive approach taken with the consultation to date. We look forward to working together as the proposed Zero Carbon Bill is developed and refined.

Appendix A provides Meridian’s responses to the questions in the discussion document.

Please contact me if you have any queries regarding this submission.

Yours sincerely

Sam Fleming
Regulatory Analyst
## A. Responses to consultation questions

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<th>Question</th>
<th>Response</th>
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| **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  
• 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. | Meridian would like to see a 2050 target set in legislation now.  
Cross-party support for a target will promote the long-term stability of the legislative framework. |
| **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  
• 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. | Meridian supports a target of net zero emissions across all greenhouse gases by 2050.  
As noted above, a legislative target with cross-party support will increase the likelihood of a stable and enduring framework. While we cannot comment on the political trade-offs that might be required to achieve cross-party support for a target, we would encourage a net zero target across all greenhouse gases. If required, independent advice from the Climate Change Commission could be called on to help build such consensus. |
| **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. | New Zealand should meet its domestic emissions reductions using some international units. Cross-jurisdiction trading allows for the discovery of least cost mitigation across economies.  
The use of international units should be subject to strict conditions regarding the volume of international units available and the quality assurances needed for international units. The mix of units should ensure a balance of:  
• real domestic action so that New Zealand businesses continue to be |
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<td>competitive in terms of emissions; and</td>
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<td>• a global approach to enable least cost mitigation (thereby avoiding emissions intensive industries moving from New Zealand to other countries, which would both harm the New Zealand economy and deliver no net global emissions reduction).</td>
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<td>The Climate Change Commission could provide advice on the quantity and quality of international units that may contribute to New Zealand emissions reduction.</td>
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<td>We would expect to see further consultation on this question given the changes to the Climate Change Response Act 2002 that are needed to give effect to the in-principle decision to limit participants’ use of international units when the New Zealand Emissions Trading Scheme (NZ ETS) reopens to international carbon markets.</td>
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<td>4.</td>
<td>Should the Zero Carbon Bill allow the target to be revised if circumstances change?</td>
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<td>Legislation could set out guidance on revisiting the target (for example to reflect developments in climate science) and offer a process for a transparent and well-signalled review ahead of any such change. We note that Parliament will always be able to amend legislation.</td>
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<td>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?</td>
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<td>Yes.</td>
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<td>6.</td>
<td>Should the Government be able to alter the last emissions budget (ie, furthest into the future)? Pick one:</td>
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<td>• yes, each incoming Government should have the option to review the third budget in the sequence</td>
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<td>• yes, the third emissions budget should be able to be changed, but</td>
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<td>Yes, each incoming Government should have the option to review the third budget in the sequence.</td>
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<td>Such flexibility is likely to encourage a more politically stable framework while still providing ten years of relative certainty.</td>
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| only when the subsequent budget is set  
- no, emissions budgets should not be able to be changed. | If the regulation-making power for budgets is too constrained there may be an increased likelihood of legislative change and long-term instability of the framework as a whole.  
If the third emissions budget could only be changed when a subsequent budget is set, this could risk governments delaying a decision until that time, regardless of whether they had already decided to make the change. We consider it better to allow any changes to the third emissions budget sooner rather than later to give businesses greater lead-in time and predictability. |   |
| 7. Should the Government have the ability to review and adjust the second emissions budget within a specific range under exceptional circumstances? | Yes, but the allowable circumstances should be narrowly defined, for example in the event of a national disaster. |   |
| 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? | Yes. |   |
| 9. Should the Zero Carbon Bill require Governments to set out plans within a certain timeframe to achieve the emissions budgets? | Yes, within approximately a year or two of each new emissions budget would be reasonable. The timeframe should allow for appropriate consultation.  
The plans should be refreshed and published following every new emissions budget (every five years), and understandable to a broad audience with further details available to those that wish to engage with it.  
Meridian would support the publication of a 10 to 15 year outlook for each transition plan. The key elements would be:  
- the settings, including unit volumes and estimated prices in the NZ ETS, year-on-year; and |   |
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<td><strong>10.</strong></td>
<td>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?</td>
<td>We would expect the key policy response to be the policy settings of the NZ ETS, in particular the alignment of emissions budgets with the volume of units available under the NZ ETS. Meridian encourages a broad, cross-government approach to making plans to meet a budget. Plans should be developed through public consultation.</td>
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| **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 proposed functions? | Yes. We would expect the monitoring function to track emissions over time against budgets but to also include the ability to comment on:  
• the likelihood of meeting a budget (given the trajectory and policy settings proposed); and  
• whether there are more efficient ways to meet a budget. Independent commentary of this kind is similar to the role of the Parliamentary Commissioner for the Environment. However, in this case we would expect the Climate Change Commission to be best placed to perform such a role, assuming they have the same or similar degree of independence. A memorandum of understanding between the two organisations could be used to manage any potential duplication of roles. |
| **12.** | What role do you think the Climate Change Commission could have in relation to the New Zealand Emissions Trading Scheme (NZ ETS)? Pick one:  
• advising the Government on policy settings in the NZ ETS | Meridian considers emission pricing signals to be the best policy tool to drive the transition to a net zero-emissions economy. A strong link is therefore needed between emissions budgets and the volume of units in the NZ ETS. Well-signalled emissions pricing enables businesses to adapt as they see fit and ensures the most efficient, |
Meridian is of the view that, in addition to the expertise proposed, the Climate Change Commission should also have essential expertise in:

- energy security and reliability;
- economics generally (“behavioural economics” or “resource economics” as proposed could be given as examples); and
- business competitiveness (or more simply business or commercial expertise, which should be essential

Ideally there would be a direct relationship between budgets and the number of units available in the NZ ETS. Legislation could set out this expectation.

In terms of who should decide the policy settings of the NZ ETS, the power to set unit volumes or other NZ ETS policy settings, should necessarily be linked to the power to set budgets, otherwise inconsistent decisions could be made by different decision-makers.

It therefore seems to us that the Climate Change Commission needs to have an advisory role, as proposed, and that it will be difficult to carve off discrete decision-making functions for the Commission.

Empowering unelected officials to make important NZ ETS decisions that will have wide ranging economic and social impacts on New Zealand increases the risk of political intervention to overrule a decision of the Commission and as a result destabilise the legislative framework.

Meridian therefore thinks that the Climate Change Commission should have an advisory role and the Government should retain decision-making in respect of the NZ ETS.

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?
| 14. | Do you think the Zero Carbon Bill should cover adapting to climate change? | Given that it is businesses that will largely be responsible for emissions reductions and be recipients of emissions pricing signals).

In addition, we do not think that the Climate Change Commission needs to have experience in addressing adaptation challenges like planning, insurance and local government or in risk management. This is because, as proposed in the discussion document, adaptation functions should sit with the Government and not the Climate Change Commission. If the Commissioners do not have these expertise, they can always seek advice as required.

While we agree there is a place for the adaptation functions proposed, there may be merit in focusing the Zero Carbon Bill on climate change mitigation and the three critical elements of the framework:

- an emissions target;
- emissions budgets; and
- an independent Climate Change Commission.

This would have the benefit of making the Zero Carbon Bill simpler, more understandable, and more transparent for interested persons.

Given that changes to the Climate Change Response Act 2002 have been signalled in the not too distant future, that may present another opportunity to make any necessary legislative changes in relation to adaptation. Although in all likelihood, the proposed adaptation functions can be carried out by Government now, without any legislative changes.

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

- a national climate change risk assessment;
- a national adaptation plan; and
- regular (5 yearly) reviews of progress towards implementing the national adaptation plan.

However, we do not support an adaptation reporting obligation or power to compel such reporting. We believe that sufficient information can be obtained on a voluntary basis.

Many infrastructure providers are state owned and there are existing powers to require information. Similarly, local and regional authorities can be compelled to provide information.

Large businesses should already be considering how climate change will affect them and what, if anything, they will need to do to adapt. Meridian would be very willing to share our adaptation planning and we imagine that other businesses would be similarly receptive. We have already shared details of how our electricity generation is likely to be affected by climate change.3

Meridian’s annual reporting uses the International Integrated Reporting Council’s Framework to review our financial, economic, social and environmental performance and our non-financial reporting is prepared in accordance with the core requirements of the Global Reporting Initiative’s G4 Sustainability Reporting Guidelines. Our annual reporting includes climate disclosures similar to those recommended by the Task Force on Climate-related Financial Disclosures and recently endorsed in the Productivity Commission’s draft Low-emissions economy report. We note that there is increasing alignment internationally about the key elements required for climate-related disclosures and reporting.

If any organisation is unwilling to assist with adaptation reporting, the threat alone of

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regulation to compel reporting would likely be sufficiently persuasive.

If the proposal to create a regulatory reporting obligation progresses any further we would expect to see further consultation on:

- the specifics of the reporting power or obligation;
- what would need to be reported;
- the costs that businesses might expect to be imposed;
- and the organisations to which reporting obligations might apply, noting that many small and medium sized New Zealand businesses could easily be overwhelmed by additional reporting requirements.

| 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? | See the response to question 15 above. |