Submission to

MINISTRY FOR THE ENVIRONMENT

on

ZERO CARBON BILL
‘Our Climate Your Say’ Discussion Document

19 July 2018
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Ministry for the Environment
PO Box 10362
The Terrace
WELLINGTON 6143

By Email: ZCB.Submission@mfe.govt.nz

Dear Sir/Madam

ZERO CARBON BILL

Concrete New Zealand (NZ) represents a membership of more than 700 corporates and individuals who collectively account for a significant proportion of the building and construction sector in New Zealand.

Concrete NZ replaces the Cement and Concrete Association of New Zealand (CCANZ) and speaks with a unified voice on behalf of the cement and concrete industry.

The cement and concrete industry annually supplies and uses about one and a half million tonnes of cement in New Zealand, which equates to around 4 million cubic metres of concrete for new residential, commercial and infrastructure construction.

In total, the direct, indirect and induced economic impact of the cement and concrete industry contributes approximately $7.5 billion of output across the economy. This activity supports more than 24,000 jobs and creates a value add of about $2.8 billion.

Concrete NZ welcomes the opportunity to provide feedback on the Discussion Document Zero Carbon Bill Our Climate Your Say.

For background, the cement industry has, in recent years, moved from being almost entirely dependent on domestic production to an industry based on both imports and domestic production.

General Comments

Concrete NZ acknowledges the discussion document Zero Carbon Bill Our Climate Your Say with respect to the following:
• The need for stable and credible climate policy for New Zealand, which is fair and equitable.

• That all sectors have a key role to play in the transition to a carbon zero economy.

• A planned transition over time gives the best chance of minimising the negative social and economic impacts of change so it is just and fair.

• We note the Government’s commitment to a fair and inclusive transition.

The rationale for a transition to a low emissions economy should be pragmatic utilising existing and commercially available technologies and processes. It should consider the availability of raw materials and market demands on quality.

We have included your completed submission template at the end of this submission for completeness.

Specific Comments

1. The modelling presented in the discussion document (i.e. Vivid Economics\(^1\) and NZIER\(^2\)) does not make a compelling case for zero emissions by 2050. Indeed, the two models have presented vastly differing results (this is perhaps unsurprising as the two firms took different approaches). The discussion document places a number of caveats around the modelling and takes the middle ground between the two, i.e. ".... the relative costs and benefits of transition may fall somewhere in between the Vivid and NZIER results". It would be inappropriate to justify a target based on this approach.

2. We note that Vivid Economics in their report for GLOBE NZ\(^3\) posit that to:

   "meet the 2°C target of the Agreement with 50–66 per cent probability at least cost and taking into account the current commitments made by countries in the period to 2030, modelling suggests that carbon dioxide emissions will need to reach net zero by 2060–80s, and that total GHG emissions would have to reach net zero between 2080 and 2100".

Furthermore, we note that Article 4 of the Paris Agreement identifies a timeframe of the second half of this century and a target of net zero emissions by 2050 does not align with this. We also note that only three countries, i.e. Norway, Portugal and Sweden are pursuing neutrality or near neutrality by 2050.

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\(^1\) Vivid Economics Report cited in MfE Discussion Document Our Climate: Your Say ME 1371 June 2018
\(^2\) NZIER Report referenced in MfE Discussion Document Our Climate: Your Say ME 1371 June 2018
3. We agree that a 2050 target could change over time. However, ‘flip-flopping’ around the target will erode business certainty and confidence to enable large investment decisions. The Zero Carbon Bill should therefore allow the 2050 target to be revised if circumstances change but only under exceptional circumstances.

4. Meeting the Paris Agreement requires reductions in all GHG emissions. The emphasis should be net zero on a national basis, and different gases should be treated in terms of actual impacts on climate change.

5. New Zealand should meet its targets through domestic emissions reductions (including from new forest planting) and using some emissions reductions from overseas (international carbon units) that have strong environmental safeguards.

   There must be a mechanism so that there is parity between domestic producers and importers. We note that Sense Partners report (2018)\(^4\) highlights the possibility of ‘leakage’ where countervailing mechanisms are not in place and references the cement industry directly.

6. In some industries it will not be possible to introduce radical technologies over a thirty-year time horizon. Taking cement production as a case in point, around two-thirds of the emissions come from calcination (i.e. a chemical process) and one third from energy consumption. Best practice will see a reduction in energy related emissions but process related emissions are not addressable with any current proven technology in the short to medium term.

7. Concrete NZ agrees with the Government proposal for three emissions budgets of five years each (i.e., covering the next 15 years) to be in place at any given time. Furthermore, the Government should be able to alter the last emissions budget (i.e., furthest into the future). This is far enough into the future to minimise any loss of business confidence.

8. The Government should have the ability to review and adjust the second emissions budget but only in exceptional circumstances and only with narrow parameters. Volatility in budget setting in the context of a shortened time horizon will lead to a reduction in business confidence.

9. We agree with the considerations that the Government and the Climate Change Commission take into account when advising on and setting budgets.

   The Zero Carbon Bill should require Government to set out plans within a certain timeframe to achieve the emissions budgets.

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\(^4\) Climate targets and implications for competitiveness, leakage and innovation April 2018, Sense Partners cited in MfE Discussion Document Our Climate: Your Say ME 1371 June 2018
In setting plans to meet budgets Government should work with relevant sectors and industry groups (such as the Climate Leaders Association, the Engineering Leadership Forum). Also, industry associations representing relevant industries should be consulted.

The Climate Change Commission should be non-political, semi-independent and a framework for future governments for advice and monitoring on climate change. Mechanisms should be built in to hold Government to account. Consultation with industry should also be built into the Commission’s mandate.

The Climate Change Commission should advise the Government on policy settings in the NZ ETS. Government should, however retain control of the ETS.

We largely agree with the proposed range of expertise for the Climate Change Commissioners. However, business competitiveness and knowledge of the public and private technology development system are essential not desirous to enable optimal decisions for New Zealand.

We believe it is important that the Zero Carbon Bill should cover adapting to climate change. Adapting to climate change is inextricably linked with the Bill and indeed the Paris Agreement.

We note the need for resilient building materials, such as concrete will be more important moving forward.

We agree with functions that the Government has proposed to help adapt to climate change. The Bill should include a national climate change risk assessment and adaptation plan, which will lay out how the nation will be supported to adapt.

Government should explore setting up a targeted adaptation reporting power that could see some organisations share information on their exposure to climate change risks. In particular, organisations which own public infrastructure or deliver public services.

Summary

In summary, Concrete NZ considers the New Zealand Bill is important and constructive legislation that should deliver meaningful emissions reduction in the coming decades.

However, careful thought and consultation with industry is vital in the setting of targets.

Concrete NZ supports a practical and achievable reduction of greenhouse gases by 2050 and net zero emissions by the turn of the Century.
Concrete NZ appreciates the opportunity to provide feedback on the discussion document.

Yours faithfully

[Signature]

Rob Gaimster
CHIEF EXECUTIVE OFFICER
Submissions Form

We seek your feedback on the specific proposals in the Zero Carbon Bill.

Either email this submission to ZCB/Submissions@mfe.govt.nz (Microsoft Word document (2003 or later) or PDF) or post to Ministry for the Environment, PO Box 10362, Wellington, 6143.

Publishing and releasing submissions

All or part of any written submission (including names of submitters) may be published on the Ministry for the Environment’s website, www.mfe.govt.nz. Unless you clearly specify otherwise in your submission, the Ministry will consider that you have consented to website posting of both your submission and your name.

Contents of submissions may be released to the public under the Official Information Act 1982 following requests to the Ministry for the Environment (including via email). Please advise if you have any objection to the release of any information contained in a submission, including commercially sensitive information, and in particular which part(s) you consider should be withheld, together with the reason(s) for withholding the information. We will take into account all such objections when responding to requests for copies of, and information on, submissions to this document under the Official Information Act.

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Personal / organisation details

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

Company name Concrete NZ Inc.

Given names

Surname

Contact person Rob Gaimster
2050 target

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

   Optional comment
   To ensure business certainty, confidence to enable large investment decisions. Targets should be science based.

2. If the Government sets a 2050 target now, which is the best target for New Zealand?
   Pick one:
   ☑ Net zero long-lived gases and stabilised short-lived gases: Long-lived gases to net zero by 2050, while also stabilising short-lived gases

   Optional comment
   Gases should be treated in terms of their actual impact on climate change.

3. How should New Zealand meet its targets?
   Pick one:
   ☑ Domestic emissions reductions (including from new forest planting) and using some emissions reductions from overseas (international carbon units) that have strong environmental safeguards.

   Optional comment
   There has to be a mechanism so that there is parity between domestic producers and importers. In terms of domestic cement production there is potential for ‘leakage’ in the cement industry where weak emissions reductions are in place overseas (indeed this was identified in the Countervailing Forces study by Sense Partners (2018)).
4. Should the Zero Carbon Bill allow the 2050 target to be revised if circumstances change?

Pick one:
☑ Yes

**Optional comment**

But only if the change is significant. There must be criteria in the Bill around the circumstances which could lead to a change.

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**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:
☑ Yes

**Optional comment**

This will provide a reasonable time-frame for business certainty.

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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

**Optional comment**

This is far enough into the future to minimise any loss of business confidence.

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

Pick one:
☑ Yes.

**Optional comment**

Volatility in budget setting in the context of a shortened time horizon could lead to a reduction in business confidence. Any revision at this stage should be limited to within a narrow range.
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:

☑ Yes.

Optional comment

The Commission should take account of industry views through open and timely consultation.

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:

☑ Yes

Optional comment

This will enable business/industry time to plan for implementation.

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?

Comment

Relevant sectors and industry groups (such as the Climate Leaders Association, the Engineering Leadership Forum). Also industry associations representing relevant industries affected.

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:

☑ Yes

Optional comment

The Climate Change Commission should be non-political, semi-independent and a framework for future governments for advice and monitoring on climate change. With mechanisms built in to hold Government to account, the Commission should also formally consult with all sectors throughout all 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:
☑ Advising the Government on policy settings in the NZ ETS

**Optional comment**
Government should retain control of the ETS.

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

**Optional comment**
Business competitiveness and knowledge of the public and private technology development system are essential not desirable to enable optimal decisions for New Zealand.

**Adapting to the impacts of climate change**

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

Pick one:
☑ Yes

**Optional comment**
Adapting to climate change and the Bill are inextricably linked. We note the need for resilient building materials, such as concrete will be more important moving forward.

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

**Optional comment**
In particular, a national climate change risk assessment and national adaptation plan are important.
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

Optional comment

In particular, organisations which own public infrastructure or deliver public services.