

# Zero Carbon Bill: Submission

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19<sup>th</sup> July 2018

## Personal / organisation details

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

Company name

Given names        Tim

Surname            Denne

Contact person

Submitter type, pick one:

- Individual
- NGO
- 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
- 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

This is probably more of a political than a technical question.

The value of including the target in legislation is the clear signal it provides to domestic and international audiences of the seriousness with which reducing GHGs is being treated in NZ.

But this is a very broad signal and means little in the absence of the clear pathway to get there: budgets and policy instruments.

The discussion document has emphasised the need for the target to provide certainty to industry and others affected. However, certainty is not so much achieved by legislating the target (Parliament is sovereign and can always change legislation) but by the target having credibility from its basis in sound analysis. The target (and the associated path to it) needs to be understood as a logical response to the problem, taking account of the costs and benefits.

Setting the target in legislation does not remove the need for analysis of how it is to be achieved and the costs (and benefits) of doing so. And, in response, the Government can still change the target in the future, either via a change in legislation or via regulation (Q4).

But the signalling effect is useful and, arguably sufficiently important to tip the balance towards legislating the target.

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.

### Optional comment

This is a difficult question and we are only likely to know in retrospect, what is the best option, as any international consensus on the separate treatment of short-lived gases develops and levels of technological progress in individual sectors become clear. In the meantime, the best approach depends on a mixture of the objective (eg positive net benefits of early action, principled position, global leadership etc), costs and policy implications.

The economic analysis suggests “CO<sub>2</sub> only” has lower costs, although the additional costs of including other gases depend significantly on rates of technological progress. In the early years the cost impacts are small, and given this profile, an approach which minimises regrets by leaving future options open would be the best option.

Net zero all GHGs is likely to provide the best basis for policy to reduce all gases, while further information is gained about rates of technological progress and the science of short-lived gases is further developed and debated.

- **Net zero CO<sub>2</sub>** is consistent with the challenge faced by other developed countries, so (arguably) might provide a global leadership position, despite excluding a large percentage of emissions. It also does not prejudge the outcomes of ongoing discussions over short- vs long-lived gases. However, it represents a significant shift in NZ’s policy position and may be used as an argument for delayed entry of agriculture to the ETS (or for any action on short-lived emissions).
- **Net zero long-lived/stabilised short-lived** somewhat prejudices the discussions on treatment of short-lived gases. It also complicates the ETS, eg is there a single type of unit and can stabilisation be breached if CO<sub>2</sub> emissions fall? Or is there a need for separate ETSs for short-lived gases?
- **Net zero GHGs** is conceptually simplest, and most compatible with the ETS design, but is highest cost and requires a future change if the short/long-lived split is accepted internationally. However, pursuing it now does not preclude changing later.

### 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.

#### **Optional comment**

The decision to use international units needs to weigh up the lower costs that can result, against the implications for innovation (or early technology adoption) in NZ and the objective of global leadership. However, in general, access to international markets will enable NZ to more easily set more stringent targets and can be used during the transition period while technological development occurs. This is particularly relevant for NZ because it tends to be a technology taker (with the broad exception of agriculture) and may benefit from delayed domestic action in some sectors.

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

Pick one:

- yes  
 no.

**Optional comment**

The target is not made more certain by being legislated but by being designed on the basis of sound analysis. If the analysis suggests a different target is preferred the legislation should enable this.

### 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  
 no

**Optional comment**

The length of the emission budgets is somewhat arbitrary, but five years is probably a reasonable time.

With respect to the three budgets: industry likes certainty, but its appetite is for price certainty, not volume certainty. The budget translates into price via the ETS, and the price implications of the volume of units available will be influenced also by: (1) demand for units domestically and, (2) depending on the extent of access to international markets, international supply and demand. These issues will be uncertain, particularly during periods of rapid technology development. This means the value of the third budget might be limited and it might be subject to change. However, I am broadly supportive because, at its minimum, the third budget is only 10 years away, and by implication the second budget only five years; this is too short.

**Unlimited banking should be allowed.** The optimal emission reduction path is likely to be a smooth reduction, rather than stepped. This is enabled by banking.

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  
 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.

**Optional comment**

There is no reason not to change budgets if analysis suggests they can be improved in NZ's best interests.

The ability to change the budget does not significantly reduce certainty, given the other factors that influence emissions price (see Q5 comments).

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  
 no.

**Optional comment**

There is no reason not to change budgets if analysis suggests they can be improved in NZ's best interests. The setting of future budgets has the objective of providing certainty, but the need (or desire) to change one is most likely to occur because it had been designed under uncertainty. Enabling the Government to change budgets might provide greater certainty, were it to change the future budget to ensure the outcome is more consistent with underlying price path expectations – the ETS experience is pertinent.

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  
 no.

**Optional comment**

The things the Commission considers need to be of a technical (rather than political) nature and be somewhat limited in policy scope. I agree that the Commission should consider:

- science – depending on what is meant by this (ie not the basic science of climate change itself, but yes with respect to, eg scientific aspects of methane mitigation)
- technology
- costs
- energy policy – the Commission should not be constrained by current energy policy settings but should be concerned with many of the issues which energy policy addresses, eg security of electricity supply in a renewables only world.

I think it might analyse and comment on, but not consider the following in making its recommendations:

- wider fiscal impacts – the Government has much wider issues it considers in setting taxation and borrowing policy. The Commission should be concerned with total costs of policy not the fiscal implications.
- social impacts – these can be mitigated via policies that go well beyond the remit of the Commission. The Commission might consider how regressive policy interventions are, and report these. The Government should make the policy choices transparently, taking these effects into account and the broad range of mitigation options available to it.

## 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

no.

### Optional comment

If they mean anything, targets should be demonstrably achievable.

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

- Technology availability
- Costs

## 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

no.

### Optional comment

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

**Optional comment**

This question does not cover the range of options available. The decision on the number of units available to the ETS is intimately linked to the decision on the size of the budget. The discussion document suggests budgets are decided by the Government following advice from the Commission. I agree. However, there are other aspects of the ETS design which could be left to the Commission, such that the option set is not “advice only” and “deciding on units available”. Arguably there are other elements of the design, including the phasing out of free allocation, which have the potential to become politicised rather than remaining technical questions relating only to cost minimisation.

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
- no.

**Optional comment**

### **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.

**Optional comment**

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

no.

**Optional comment**

I agree, with some hesitation. The document suggests the Commission's role with respect to impacts includes undertaking risk assessment. This is a very different role from that on the emissions mitigation side, and delves far more into science and technical risk analysis, including potentially thorny issues relating to multiple risks. This is a potentially huge role, if done well, and could diminish the otherwise clear focus of the Commission.

However, there is a need for some clear-headed thinking and analysis about the difficult issues NZ faces relating to, eg coastal communities and the questions of managed retreat.

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

no.

**Optional comment**

No view