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Climate Change Consultation Contribution,
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SUBMISSION OF THE INSURANCE COUNCIL OF NEW ZEALAND ON NEW ZEALAND'S CLIMATE CHANGE TARGET

1. The Insurance Council of New Zealand (ICNZ) represents the interests of New Zealand's general insurers, that is, we do not represent Life or Health insurers. Our members write cover that protects about \$600 billion of New Zealand's assets including house, contents, motor, commercial, marine, liability, travel and other insurance lines.
2. ICNZ is a signatory to the United Nations Environment Programme's Principles of Sustainable Insurance. As of May 2015, more than 80 organisations had signed up to the principles representing US\$9 trillion of assets under management by the insurance sector.
3. Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance and contribute to environmental, social and economic sustainability. One of the principles requires us to work with governments and other stakeholders to promote widespread action across society on environmental, social and governance issues.
4. New Zealand is a signatory to the Sendai framework on risk reduction and ICNZ is a supporter of that framework. Reducing risks posed by climate change is both a global and New Zealand issue.
5. ICNZ accepts the probabilistic scenarios for climate change as outlined in the reports by the Intergovernmental Panel on Climate Change. These clearly show that even if nothing is done to mitigate climate change, there will be adverse impacts for New

Zealand as a result of sea-level rise combined with high levels of inundation and storm surge in some areas of New Zealand.

6. There is a considerable body of evidence that shows that investment to reduce the economic and social impacts of disasters, including those brought about by extreme weather events is beneficial. It is also important that insurance remains available and accessible to all. If however, risks become too high, insurers may decide either not to accept the risk or to price it so fewer people can afford it. When this occurs, governments invariably become the fall-back provider of support which creates a moral hazard and cost to all tax-payers.
7. If mitigation and adaptation measures to address climate change are not taken, then not only in New Zealand, but globally large aggregations of people and property will be at risk.
8. While ICNZ supports adaptation measures to reduce the risks posed by climate change, it is also important that if at all possible we reduce the likelihood of the more severe impacts of climate change. One way of reducing that risk is for New Zealand, along with other countries, to contribute toward reducing greenhouse gas emissions through mitigation.
9. ICNZ notes that the European Union has set a contribution from its 28 member states to reduce greenhouse gas emissions by at least 40 per cent on 1990 levels by 2030. This is a legal obligation.
10. ICNZ would encourage New Zealand to take ambitious, realistic achievable steps to its contribution to reduce emissions beyond 2020. New Zealand must transition to a low carbon future and do this in a way that it contributes its fair share internationally and that the contribution made domestically is fair too.
11. Fairness of contribution between countries is not a straightforward measure. While some countries have decreased their emissions output/capita, this may well have been as a result of population stasis or even decline. Some countries can more easily abate emissions without impacting on their growth.
12. ICNZ agrees with the objectives in the consultation document. All three are important, but objective one, *it is seen as a fair and ambitious contribution – both by international and domestic audiences*, is most important as it addresses the contribution level directly and identifies that as ambitious.
13. New Zealand is challenged because of the relatively high rate of emissions from agriculture and our heavy dependence on agriculture as a small economy. A cost attaches to achieving ambitious targets, but ICNZ has no expertise to assess the social and economic impacts to promote a particular view on cost reduction. This is a matter for government to determine, but there would be concern if targets were set in such a way that it resulted in higher unemployment and the associated adverse social implications of that and similarly if New Zealand's contribution was not ambitious.
14. Even so, New Zealand's emissions profile and its heavy reliance on agriculture exports suggests more focus is needed on diversifying our export base as we seek to

transition to a low carbon economy. This could include greater diversification within the agriculture sector too. This is an area the consultation was largely silent on, yet absent a mitigation technology for agricultural emissions, it must be part of the discussion.

15. ICNZ supports all five opportunities outlined in the consultation document for reducing emissions. It is somewhat surprising though that none of the opportunities, apart from forest sinks, addresses emissions from agriculture given that is the largest challenge New Zealand faces. There is reference later in the document to investment in research for new agricultural mitigation technologies which we support.
16. However, the use of other policy tools to incentivise diversification of economic output and emissions reductions need to part of the discussion.
17. The final question of the discussion document asks how should New Zealand take into account the future uncertainties of technologies and costs when setting its target? The question suggest an obvious answer, namely that, it would be prudent to take a conservative and balanced approach to setting New Zealand's target on the basis that future uncertainties are simply that, unknown. On the other hand, uncertainty should not be an excuse for minimal response as decisions are made daily without clear sight of the future. What is known though with a high degree of certainty based on a vast array of scientific evidence, is that to avert the worst impacts of climate change, every country will need to make ambitious calls to reduce emissions.

Tim Grafton



Chief Executive

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