

New Zealand Climate Change Target Submission June 2015

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Summary

- ❖ New Zealand should set a provisional economy-wide 2030 target before 1 October 2015
- ❖ It should be consistent with the “no backsliding” rule, the existing 50/2050 economy-wide target and a long-term objective of decarbonisation of the NZ economy aligned with the latest science (c2100)
- ❖ A sector by sector analysis of mitigation potential should be undertaken, with full transparency
- ❖ A more sophisticated analysis of costs and benefits of different speeds and pathways of the transition to low carbon is needed
 - In particular a fresh approach to agriculture is needed as part of an integrated approach to the land sector, and to the wider economy
 - Full disclosure of modelling and other information should become routine
- ❖ The 2030 target should be revisited in the light of both the recommended domestic policy work and the state of play in the international negotiations
- ❖ A carve-out of agriculture from NZ’s 2030 target is unnecessary, and would be counterproductive: damaging abroad and divisive at home

Comment

The **consultation** was deficient in most respects. The discussion paper was internally inconsistent, did not ask the right questions and it did not contain the information needed to reach soundly-based conclusions. And whether by choice or by direction, officials were unable to engage in frank discussions.

New Zealand gives the impression of being caught short, and having to rush through a decision on the target¹. But **any internationally tabled target needs to be anchored in domestic policies, including the ETS**. A thorough analytical and consultation exercise is needed, focused on New Zealand’s transition to a low carbon economy. This should have broad involvement of stakeholders and a commitment to full transparency by government. The spectacle of having almost no information at the start of the consultations then some being drip-fed out as official information requests started to come in – and much of it still only to appear after the close-off date for submissions - damaged the government’s credibility.

At the political level, there should be an attempt to broker at least a **bipartisan core of policy orientations for the medium and long term**.

The well-worn, two decades-old list of constraints and uncertainties - explaining what NZ *can’t* do - should be ditched in favour of a more positive narrative of what NZ *can* do. We should not have to apologise for having 80% and growing renewable electricity, for example.

¹ New Zealand has already tabled a conditional economy-wide target of 10-20% below 1990 by 2020, but in reality the 2020 target will be -5%, so there is room to present a ‘no backsliding’ provisional 2030 (or 2025) target within this range to meet the international deadline, with the final target to come later..

Such an approach does not exclude conditionality. Where there is uncertainty, median assumptions or a range of scenarios can be used. For forestry a sensible assumption might be that the post-2020 rules are similar to the Kyoto 2 rules negotiated by NZ. For carbon markets, a range of scenarios could be run (no international markets, bilateral and regional linked markets and full international markets) and a policy drawn up against each one. This exercise would also help decide on the right target.

The 50/2050 target “gives taxpayers, business, industries and farmers clear, long-term certainty about where domestic climate change policy is headed so that they can plan and invest accordingly”² Quite. But this target has disappeared from government discourse. So something needs to be said about it.

The logic used for the **‘fair share’ assessment**, so far as can be judged by the sketchy, unsubstantiated information released so far, appears flawed. What most other countries are comparing is their mitigation potential. New Zealand is hoist with its own petard by its unique policy of unlimited use of international trading when it assumes markets in its calculations. In the scenario in the discussion paper, 80% of the mitigation would be purchased from abroad. This is a high level of altruism indeed.

The key to a better fair share approach is an initial analysis based on domestic mitigation potential alone. This could also generate an approximate ‘no regrets’ set of policies. It might well show that mitigation is more costly in New Zealand than for most other OECD countries. That can only be helpful. Then a second calculation could be done assuming carbon markets. There is a balance to be found between the two. Other factors could be added in, including co-benefits and the costs of inaction.

Agriculture needs a fresh look and some clear thinking. It has had neither for some time. Transparency has been particularly lacking. Livestock agriculture should be viewed in an integrated manner with the land sector, other sectors, and the economy as a whole. The “it’s food, stupid” slogan and variants should be ditched, as should poorly-supported ‘carbon leakage’ arguments. If necessary elements of the internationally respectable “climate-smart agriculture” approach could be invoked.

There is wide scope to work out a treatment of agriculture through domestic policy settings that ensures the continued international competitiveness and prosperity of the sector. . Some **separate treatment of gases could be implemented under the ETS.** The metric for **methane** for domestic accounting purposes could be GTP, and even under GTP full pricing could be introduced only as technological solutions became available. A long-term decarbonisation objective (getting to net zero CO₂) for New Zealand would exclude methane. Pricing of **nitrous oxide** emissions (a cumulative gas like CO₂) would bring co-benefits, including water quality, and would be consistent with the long-term decarbonisation objective. This is all compatible with retaining the existing rules for reporting emissions to the UNFCCC, and with an economy-wide international target. **Bringing agriculture into the ETS, with its own sub-regime to the extent necessary, would have many co-benefits – including for forestry, but also for resource allocation in the economy.**

² Minister’s Position Paper , Gazetting New Zealand’s 2050 Emissions Target, Ministry for the Environment, January 2011

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