

**Submission to the Ministry for the Environment
on the consultation in setting New Zealand's
post-2020 climate change target**

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1.0 Introduction

I wish to thank the Ministry for the Environment for this opportunity to make a submission on the post-2020 climate change target. I am making this submission as a New Zealand Citizen. I am an Independent Development Consultant, specialising in sustainable development, climate change and international affairs. I work with a wide range of actors, including: business, governments (from developing and developed countries), NGO's, academia and the public on global and local responses to critical development issues such as climate change.

2.0 Response to the consultation

New, opportunistic paradigm urgently needed

“If we do this, then we can solve a lot of our (climate) problems in a practical way – and I find that very inspiring”

Sir David Attenborough commenting on 'Project Apollo', the collaborative project to drive down costs of renewable energy worldwide, launched 2 June 2015

Unlike the global ripple inspired by yesterday's launch of 'Project Apollo'¹, reading the New Zealand Discussion Document was not an inspirational moment. People won't back change or behave differently until the message is positively framed.

- ✓ A paradigm shift in the way our Government thinks and talks about global warming is vital if New Zealand is to play its part in collective action to mitigate extreme climate change and build a thriving low emissions future for our citizens.

The narrative of the Discussion Document lacks a sense of urgency or opportunity. The focus is on obstacles to change rather than offering mitigation proposals and choices towards de-carbonisation of our economy. The Document's strong focus on cost of ambition makes emissions reduction appear too expensive, too difficult, and more costly compared with some other countries – implying that New Zealand should take on a minimal emissions reduction target – which is not my view.

¹ 2 June 2015, Scientists and economists this week proposed a Global *Apollo Program* to drive down costs of *renewable energy* and make it cheaper than coal-fired power stations across the world within ten years. Source: <http://www.theguardian.com/environment/2015/jun/02/apollo-programme-for-clean-energy-needed-to-tackle-climate-change>

In contrast to New Zealand's approach, some countries have used the INDC target setting process to review opportunities and national capabilities modelled in a post-2020 warming world.² Target setting can also be used as a window to direct policies at both low-carbon development and resilience building at the national and community level - improving social development and tackling inequality - at the same time as lowering emissions. See section 3.0 for suggestions to support New Zealand's approach.

Discussing pathways alongside targets is critical

Countries' INDCs coupled with a Low Carbon Development Plan should set in motion a virtuous and reinforcing set of decisions at the national and international level. With the right policies and incentives in place, private and public investment, new technologies, and greater innovation can be unleashed to lower emissions, grow our economies, eradicate poverty, and achieve sustainable development for all.

The Discussion Document discusses the New Zealand context for setting targets - but targets are meaningless without a pathway to achieve these (see Section 3 below for suggestions to support development of a pathway). The timeline dictated by international negotiations is likely to have pre-empted a discussion on pathways before one on targets. However, an earlier consultation process may have helped to ameliorate this situation.

Better, more representative economic modelling a pre-requisite

The economic modelling that has been released with the Discussion Document is complex and inadequate, including treatment of forestry as a sink. The Government has not provided the information necessary to make the calculations that would inform a judgement about what is an appropriate target.

The modelling is also biased due to the baseline that has been chosen. New Zealand has already committed to reducing emissions 5% below 1990 levels by 2020 - effectively setting a new baseline from which New Zealand will be expected to take further action. In contrast, the modelling assumes a baseline where New Zealand has no reduction commitment and takes no action - creating an impression that greater income is foregone.

Over reliance on carbon offsets and under investment in forestry sinks hold back NZ progress

² WRI 2015, Building Climate Equity: Creating a new approach from the ground up. Source: http://www.wri.org/sites/default/files/building_climate_equity.pdf available on 3 June 2015

The model quoted in the Discussion Document, that ignores the existing 5% commitment by 2020, also finds that New Zealand could achieve a 40% emissions reduction target while raising average household incomes from \$73,000 today to \$83,200 by 2027 (based on a \$50 per tonne carbon price). However, it is important to note that three quarters of the target is achieved by purchasing credits on the international carbon market rather than reducing emissions or sequestering carbon on shore. Ultimately, every country will need to pursue a low carbon future and achieve zero net CO₂ emissions by 2070 at the latest.

New Zealand's over reliance on offsetting means we are sending wealth overseas and diverting it away from investing in much needed structural adjustments to a low emissions economy and resilient communities while and gain from co-benefits in areas such as reduced spending on public health. Over-reliance on offsetting is an intergenerational cost that our future generations will have to bare - a strategy that is fiscally irresponsible of the Government. See Section 3 for suggestions on the level of offsetting to achieve a national target.

Absence of cost of doing nothing and co-benefits distort decision making

An analysis of the costs of climate change to the New Zealand economy and social development, such as sea level rise, change in seasonal weather patterns on food production and disruption to our global markets, are not presented in the Discussion Document. In the absence of concerted action to reduce emissions globally, these direct and indirect costs are likely to be significant.

While New Zealand's emissions are a small contribution to the global problem, if a country like New Zealand is unwilling to take significant action and is perceived to be doing as little as possible, it reduces the chances of a meaningful global deal. If we want to avoid these consequences, we need to increase the likelihood of significant action by major emitters, which means committing to take significant action ourselves.

Furthermore, New Zealand Treasury figures, from a climate briefing released by the Sustainability Council of New Zealand in May 2015, show the cost of failing to take action to cut New Zealand's greenhouse gas emissions is between \$3 billion and \$52 billion from 2021 to 2030. The Treasury report identifies the cost of buying credits to cover a target of a 5 percent reduction below 1990 levels for the 2021-2030 period at a price of between \$10 and \$165 a tonne.³

³ Treasury paper OIA

Co-benefits of taking action to reduce emissions, such as improved health arising from increased walking and cycling or reduced water pollution from more riparian tree planting, are not factored into the Discussion Document.

- ✓ *The full, direct and indirect costs and risks of inaction and co-benefits from mitigation should be incorporated in climate discussions and modelling to better inform decision making on New Zealand's INDC and choices about pathways to achieve the target.*

3.0 Shaping New Zealand's Low Emissions Future

To turn targets into reality, countries need to define collaborative pathways that will deliver a zero net emission future while meeting their development needs. This section summarises some mechanisms that could support New Zealand to demonstrate leadership on climate change and to make choices about a transformational pathway that best fit our national context and capabilities:

- Pledge to support a global goal;
- Scale up impact through joint action;
- Set a green, economic development agenda and embed equity in climate policy;
- Build resilient community as we transition;
- Set an ambitious reductions target, with the majority of emissions cut domestically;
- Create a low carbon development plan with a carbon budget to navigate;
- Establish robust governance and democratic access to climate information;
- Catalyse urgent domestic climate action now.

Pledge to support a global goal

- ✓ Pledge to support the two degree global goal by joining global efforts to achieve both zero net annual CO₂ emissions and cumulative net CO₂ emissions (as carbon) below one trillion tonnes by 2100 or earlier.
- ✓ Demonstrate global leadership in supporting the development of an international policy framework that facilitates collaboration, ensures accountability, recognises CBDR RC and global and national development needs, and contributes to the scale-up of climate finance and technology transfer to assist developing countries, including our neighbouring Pacific countries, to cut emissions and adapt to climate impacts.

Scale up impact through joint action

- ✓ Help to scale up global impact by sharing our expertise and pooling research funding through joint emission-reduction ventures with other countries, especially in the areas of renewable energy, agricultural technology, forestry and emission pricing.

Set a green, economic development agenda and embed equity in climate policy

- ✓ Sustainable, low carbon development becomes the fundamental objective of economic development, and substantive steps are taken to de-carbonise New Zealand's economy (rather than modest changes to business-as-usual) by applying bi-partisan policies that clearly signal where accountability and investment should flow.
- ✓ New Zealand integrates the 'capabilities approach' as a means of embedding equity in climate policy and building resilience at community level.

Build resilient community as we transition

- ✓ National and local government enables a just transition to low emission economic opportunities and lifestyles for New Zealanders through: funding for low-emission R&D and community-led behaviour change initiatives; partnerships with Iwi and across the public, private and NGO sectors to test and deploy new technologies and business models; increased education and retraining in low-emission careers; accelerated regulatory support for new technologies and more stringent emission standards; and transitional support for communities disproportionately impacted by emission-reduction measures.

Set an ambitious reductions target

At the global level, if countries want to limit the future temperature rise to no more than two degrees Celsius above pre-industrial levels, then scientists tell us we need to: (i) achieve zero net annual CO₂ emissions globally by 2100, and (ii) global emissions need to peak and decline in order to limit cumulative net CO₂ emissions to no more than one trillion tonnes of CO₂ (as carbon) starting from the pre-industrial period. Under business as usual, we are projected to exceed our cumulative limit before mid-century.

According to scientists, the world's highest priority is to reduce carbon dioxide (CO₂) emissions. This is because, of all of the greenhouse gases, CO₂ has the greatest impact on global warming (because of the scale of emissions and because CO₂ persists in the

atmosphere for hundreds of years). A New Zealand target must therefore prioritise consistently reducing gross CO₂ emissions and result in significant reductions.

At the national level, the Government has asked New Zealand citizens to suggest an appropriate INDC target based on the contextual analysis presented in the Discussion Document. However, the Government has not provided the information necessary to make the calculations that would inform a judgement about what is an appropriate target. Furthermore, the Government has not declared a preferred accounting basis for its INDC assessment - and raw percentage reduction numbers could mean very different things under different assumptions.

Based on the latest IPCC report, New Zealand should aim to de-carbonise its economy by setting a national target of reducing net CO₂ emissions to zero by 2070 at the latest, and should set its own targets for reducing nitrous oxide (which is also a relatively long-lived greenhouse gas - persisting in the atmosphere for over 100 years), stabilising and then reducing methane (a relatively short lived greenhouse gas – persisting in the atmosphere for about 12 years) and reducing other greenhouse gases.

Despite the significant projected increase in New Zealand's net emissions during the 2020s (from tree harvesting and rising emissions from transport and agriculture) the Government has no plan to address these trends and existing policy will result in little or no emissions reduction or sequestration over the next few years. There are significant advantages to taking action now, for example, a bigger target will be necessary with greater consequences and at higher costs, as a result of the delay.

- ✓ New Zealand recognises the urgency and immediately takes concerted action across all sectors to reduce emissions and sequester carbon starting from today.
- ✓ The primary focus is on urgently reducing CO₂ - taking bold steps to de-carbonise the New Zealand economy by setting a national target of reducing net CO₂ emissions to zero by 2070 at the latest
- ✓ New Zealand sets complementary targets to reduce nitrous oxide and stabilising, then reducing, methane and other greenhouse gases (knowing that the window for averting runaway climate change is imminent while the consequences and cost of delay continue to rise and that, although it is a short lived gas, R&D in methane reduction and early adoption must start now because of the long lag between innovation and adoption).

- ✓ New Zealand commits to achieve 100% renewable electricity and zero-net-emission industrial production by 2050, supported by both emission pricing and backstop regulations that deter further fossil fuel investments and enforce the phase-out of fossil-fuelled generation.
- ✓ Deep cuts are made to the majority of New Zealand's emissions by taking domestic action, keeping New Zealand's wealth onshore, improving energy and food security, and producing structural adjustment and commercial benefits for our economy while building resilience at community level. Offsetting (by buying offshore carbon credits that have environmental integrity) is used to meet only a minor part of our carbon budget.

Create a low carbon development plan with a carbon budget to navigate

- ✓ Launch a comprehensive, long term, multi-stakeholder engagement process on re-visioning and upgrading New Zealand's comparative and competitive advantage in a zero net emissions world to develop a broadly accepted national low emission development strategy and plan which continues to evolve over time.
- ✓ Design a Low Carbon Development Plan⁴ that is informed by outcomes from the re-visioning process. The plan demonstrates, sector by sector, how emissions reduction will be achieved and includes key milestones so that progress can be tracked and policies and rules amended if these are not reached. The plan will guide investment and R&D in new low emissions industries, help to re-align training, jobs and technologies across new areas of economic activity and to phase out industries that are currently emissions intensive.
- ✓ Establish a carbon budget to manage New Zealand's emissions reduction with targets set along a trajectory at regular yearly intervals, periodically reviewed to reflect evolving climate science.

Establish robust governance and democratic access to climate information

- ✓ Establish cross-party agreement on climate targets and key elements of a Low Carbon Development Plan
- ✓ Legislate to establish an independent New Zealand Climate Commission to provide advice on climate change science and policy

⁴ In 2010 under the UNFCCC, developed countries agreed to create low carbon development plans, yet New Zealand has not met this commitment. In contrast, other countries including Brazil, Germany, Mexico, Scotland, South Africa and the UK have moved ahead in developing their strategies and plans for achieving low carbon economies.

- ✓ Enact 'climate transparency' legislation, similar to the UK Climate Change Act, to establish transparency in reporting back to Parliament and New Zealand citizens on whether we are on-track to meet emissions reduction targets.

Catalyse urgent domestic action now

Kick start action to urgently reduce carbon emissions now through implementing a portfolio of rules and policies across strategic sectors in the New Zealand economy, including:

- ✓ Establishing a meaningful price on carbon - Overhauling the New Zealand Emissions Trading Scheme to create a higher, more meaningful price on carbon that is clearly linked to achieving the government's emissions reduction targets and has environmentally sound linkages to other systems. For example, by introducing a price floor, removing the two-for-one rule, or reducing free allocations⁵ and including all sectors. In addition, the government factors the full social cost of carbon (i.e. the economic cost of climate impacts from each tonne emitted) into its investment decisions.
- ✓ Expanding renewable electricity - New Zealand commits to achieve 100% renewable electricity and zero-net-emission industrial production by 2050, supported by both emission pricing and backstop regulations that deter further fossil fuel investments and enforce the phase-out of fossil-fuelled generation.
- ✓ Greening the transport system - New Zealand positions itself as a fast adopter of low-emission transport technologies, especially recognising our potential to lead in piloting electric vehicles and biofuels, while reducing personal vehicle use by boosting public and active transport modes and improving urban design and telecommunications capacity. A greened transport system will enhance energy security, improve public health and urban and city lifestyles.
- ✓ Promoting cleaner industry – using a mixture of policies that, for example, encourage R&D in clean technology in key industries such as steel, aluminium and cement and supporting pilot projects with scale up potential.
- ✓ Discouraging fossil fuel extraction - End tax breaks and support for oil and gas exploration in New Zealand and support the global call to remove fossil fuel

⁵ 'Treasury comment on Price on carbon and ETS today', article published by CarbonNews on 2 May 2015 available at: <http://www.carbonnews.co.nz/story.asp?storyID=8740>

subsidies, ensuring safeguards are in place to protect the most vulnerable and poor communities that are disproportionately affected by their removal.

- ✓ Expanding forests and use of forest products - restore market incentives for afforestation and against deforestation by guaranteeing a minimum value for forest carbon through the NZ ETS and complementary forest-sector mechanisms designed to support biodiversity and enable a secure future biofuel supply. Afforestation incentives are needed to establish permanent forests of native trees, which will have biodiversity co-benefits, and expansion of the plantation forest estate. Expand production forest to meet increased demand in a low carbon market, managed according to best practice (i.e. Forest Stewardship Council certification) and incentivise value-added wood processing, biofuel and products in New Zealand.
- ✓ Incentivising ultra-efficient, low emission food production systems - by maintaining emission pricing for agricultural energy use, applying progressive methane efficiency targets to livestock production, limiting nitrogen through water-quality limits, enabling supply-chain performance recognition and rewards, investigating diversification of agricultural production into non-ruminant, low methane alternatives, and continuing to fund agricultural research and new skills and training programmes.
- ✓ Setting standards that actively discourage fossil fuel investment by government and corporate entities eg. New Zealand Superannuation Fund.
- ✓ Adopting better measures for growth – by incorporating indicators of social, environmental and economic wellbeing that holistically underpin sustainable development rather than New Zealand’s growth agenda being driven by GDP alone.
- ✓ Ensuring regulatory flexibility in trade agreements - any new bilateral, regional or multilateral trade deals, such as the Trans Pacific Partnership, should not include investor state dispute settlement clauses (ISDS). ISDS create the potential for big business to challenge changes in policy settings (ie. to decarbonise New Zealand’s economy) but impose additional costs to that business (e.g. resource or pollution taxes) on the grounds of de-facto ‘expropriation’ by the state of their investment.

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