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To: NZ ETS Review 2015/2016: Priority Issues
Ministry for the Environment
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Submission on the NZ ETS Review 2015/2016: Priority Issues

Long Term Goal: We need a real climate plan

The priority issue for our Government is to implement a robust Climate Change Framework that will enable New Zealand to transition to a low emissions economy along a pathway that is fair for all New Zealanders, a concept called 'Just Transition', while providing certainty for businesses. Establishment of a Carbon Budgeting process and a Climate Commission are the priority issues to establish this Framework.

In the absence of such a Framework, New Zealand does not have a plan to guide how we transition to zero net emissions, or to meet our 2030 and 2050 emissions target. The Emissions Trading Scheme (ETS) is not the primary mechanism for achieving this transition – despite the New Zealand Government positioning it as though its adoption alone is some guarantee of climate policy rectitude.

Under a robust Framework, the pricing mechanism (an ETS or carbon tax) becomes a tool of the carbon budgeting process and just one entity, amongst a range of other tools and complementary measures, used to direct New Zealand on a pathway towards low emissions. A pathway that scientists tell us is now extremely urgent. Therefore, the ETS Review should be integrated with such a Framework, rather than considered in isolation.

The New Zealand Government has over relied on accessing international carbon credits to meet our emission targets. This approach risks delaying necessary investment in New Zealand by redirecting innovation, research and development into low emissions goods and services, encouraging new forms of collaboration and investment in new skills and education needed to switch out of a fossil fuel dependent economy. Over reliance on offsetting means New Zealand will be left behind while competitors making an early transition, will jeopardise our reputation for a 'clean green' image and expose New Zealand to dirty carbon offsets that lack environmental integrity. As a consequence, the majority of cuts to emissions should be made domestically rather than resorting to access to international carbon markets.

I recommend a Climate Change Framework should be prioritised based on five key components:

- 1) *A bipartisan approach based on the fundamental principle of a Just Transition;*
- 2) *An independent New Zealand Climate Commission;*
- 3) *A Carbon Budgeting process;*
- 4) *Regular review and revision of New Zealand's domestic emissions reduction targets and NDC in line with the latest science;*
- 5) *Cuts made to domestic emissions rather than purchasing offshore carbon credits.*

Phasing Out Protective Settings in the ETS: The rate of transition

As discussed above, the discussion document does not address long term issues, but rather is focused on a number of technical settings of the ETS. They include the two-for-one surrender obligation and the price ceiling of \$25 per carbon unit that are described as 'priority issues' in the discussion document.

Currently, there are no phase out rates or end dates for any of the protective settings in the ETS. These settings were put in place to protect businesses and consumers from paying the full cost of greenhouse gas emissions and allow time for adjustment. The time for 'transition measures' is well and truly overdue. The world is committed to cutting greenhouse gas emissions and New Zealand needs to make up for lost time. The impact on the economy will be very modest and action now will reduce the cost of meeting our 2030 target. The cost of taking action now will increase the longer we delay and many other countries already face stronger carbon prices than New Zealand.

I recommend:

- 1) *The two-for-one surrender obligation is phased out as soon as possible.*
- 2) *A ceiling price for carbon is retained, but is complimented by a price floor, and a commitment made for both to rise over time.*

ENDS//