



# Submissions form

We seek your feedback on the specific proposals in the Zero Carbon Bill.

Either email this submission to [ZCB.Submissions@mfe.govt.nz](mailto:ZCB.Submissions@mfe.govt.nz) (Microsoft Word document (2003 or later) or PDF) or post to Ministry for the Environment, PO Box 10362, Wellington, 6143.

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## Personal / organisation details

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

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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

It would be preferable for the government to set a goal in legislation now to reach net zero emissions by the second half of the century, in line with the Paris Agreement, and request the Climate Change Commission to advise on more specific targets for 2050 and beyond. The target would benefit from further analysis beyond that conducted to this point in time.

This advice should address economic development, policy and emission price pathways associated with different targets for reducing greenhouse gases both to and beyond 2050. How we choose to set and meet our 2050 target will influence how effectively we sustain net zero emissions through 2100 and beyond.

The advice should assess options for creating a dual target that encompasses New Zealand's domestic emission reductions and its broader contribution to global mitigation through purchasing international mitigation and/or otherwise providing technical and financial mitigation support to other countries with less advanced economies.

The advice on New Zealand's domestic emission reduction targets should address scope issues (e.g. clarifying the treatment of emissions from international shipping and aviation, consumption emissions and emissions in exported

products such as coal mined in New Zealand) and key accounting issues for the land-use sector. It should address the potential for “banking” and “borrowing” of mitigation across target and emissions budget periods. It should address the alignment of the target’s scope, accounting methods and flexibility measures with the rules and restrictions applying to New Zealand’s Nationally Determined Contributions under international agreements, the implications of discrepancies. It should also address the domestic consequences for non-compliance with targets.

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

We would support a fourth option: **net zero long-lived gases by 2050 and significantly reduced short-lived gases:** short lived gases should be reduced significantly below current levels and stabilised at a level that could be at or above net zero emissions in 2050. The second formulation above could be interpreted to allow stabilisation of short-lived gases at current or recent emission levels, which is an inadequate level of ambition.

Given the current level of uncertainty around mitigation options and accounting methods (including metrics) for short-lived gases, a 2050 target formulation of net zero long-lived gases and significantly reduced short-lived gases would offer a more adaptable and durable framework for managing New Zealand’s targets over time. The stabilisation target for short-lived gases could be defined as a low-level band with net zero emissions as the floor, and accompanied by criteria and conditions for setting future targets (and emission budgets) within the band.

Based on current and projected technologies and our forest sink potential, New Zealand should have the capacity to achieve net zero domestic emissions of long-lived GHGs by mid-century. Achieving net zero long-lived gases by 2050 should be included in any target, with the flexibility to purchase international mitigation as a safeguard against unforeseen circumstances (e.g. sustained damage to our forestry estate due to pests, natural disasters or disease).

At this time, it is difficult to set an effective long-term target for short-lived GHGs given the considerable uncertainty about future technological, economic and social conditions in relation to those emissions and evolving international conventions for the metrics used to equate different greenhouse gases. The Climate Change Commission should be invited to provide advice on a target band and decision-making criteria for short-lived gases that would guide both government and the private sector in preparing to meet highly ambitious but technically and economically feasible emission reduction targets in the long term.

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**

New Zealand has the capacity contribute to global mitigation by both reducing domestic emissions and supporting emission reductions overseas. Its global contribution should extend beyond its domestic-only contribution, and should not displace its domestic-only contribution.

There is merit to building flexibility into New Zealand's domestic emission reduction targets enabling it to use international mitigation – subject to constraints on both quality and quantity – to compensate for shortfalls in meeting its domestic emission reduction targets and associated emissions budgets. This would give New Zealand some additional flexibility in the timing of reducing its domestic emissions toward net zero, while not diluting the ambition of New Zealand's global contribution overall.

New Zealand's contribution to global mitigation should be framed more broadly than just meeting a marginal portion of its 2050 domestic emission reduction target through purchasing international mitigation. As noted above, the government could consider a dual-target structure encompassing both New Zealand's domestic emission reductions and its further contribution to global mitigation. Even once New Zealand achieves net zero emissions domestically, it could continue to support mitigation overseas. There could be a band of flexibility enabling the government to shift the relative share of its mitigation effort between the domestic and international parts of its target.

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

Pick one:

- yes**
- no.

**Optional comment**

To ensure the 2050 target will remain fit for purpose in the face of significant uncertainty, the Zero Carbon Bill should allow the target to be revised if circumstances change. Any such revision should be subject to approval by Parliament and undertaken using predictable and transparent criteria and processes that are informed by independent advice and signalled well in advance. The process for target revision should align with the process for emissions budget revision.

## 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 proposal to set three emissions budgets of five years each in place at any given time is reasonable. It balances predictability to guide longer-term investment decisions and flexibility to adapt future emission budgets to changing circumstances.

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

The Government should have the power to alter the last emissions budget, subject to approval by Parliament and prescribed processes that are predictable and transparent. It would be most efficient for third-budget revision to happen at the same time as setting the subsequent emissions budget, but it would be sensible to allow for exceptions according to prescribed criteria (e.g. due to *force majeure* events).

The criteria for revising emissions budgets should depend in part on how much flexibility the government has in achieving emissions budgets, particularly with regard to banking and borrowing across budgets as well as purchasing international mitigation, and what the consequences are for non-compliance. If the government has considerable flexibility in achieving emissions budgets, then there is less economic risk involved in making them harder to change.

Regardless, the Zero Carbon Bill should provide predictable and transparent criteria and processes for revising emissions budgets and associated flexibility measures, particularly in response to *force majeure* events. Flexibility will enable emissions budgets to be adjusted when the alternative might otherwise be abandonment.

The proposal published by Motu for reforming the NZ ETS ([“An Effective NZ ETS: Clear Price Signals to Guide Low-Emission Investment”](#)) recommended

that NZ ETS caps should be fixed for five years in advance and extended by one year, each year on a rolling basis. An indicative corridor, or band, for future caps should extend for a further ten years, and be updated by one year, each year on a rolling basis. This would provide a 15-year outlook for NZ ETS caps. NZ ETS caps should be set in relation to agreed emissions budgets, and the cap setting process should be coordinated appropriately with setting emissions budgets.

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**

As soon as the Government changes the third emissions budget, it will affect how businesses and communities respond to all three emissions budgets in place. There is little additional need to allow for revision of the second period. However, to manage risk, the second period could remain open to revision in response to significant *force majeure* events, using predictable and transparent criteria and processes. The criteria for adjusting second-period emissions budgets should be more stringent than those for adjusting third-period emissions budgets.

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 – with additions and modifications**

no.

**Optional comment**

When advising on and setting emissions targets and budgets, the Climate Change Commission should take into account the considerations identified on pages 44-45 of the discussion document as follows, with suggested additions/modifications in italics:

- scientific knowledge about climate change
- *climate change mitigation technologies and strategies*
- *alignment with the goals of the Paris Agreement*
- *the potential to influence mitigation ambition and action by other countries*
- *progress by other countries toward achieving the goals of the Paris Agreement*
- *alignment with desirable pathways for target-consistent domestic emission prices*
- economic circumstances and, in particular, the likely impact of the decision on the economy, the competitiveness of particular sectors of the economy, and *distributional effects across different businesses, communities and regions*

- fiscal circumstances and, in particular, the likely impact of the decision on taxation, public spending and public borrowing
- social *and cultural* circumstances, *including consistency of the decision with creating a just and inclusive society*
- energy policy and, in particular, the likely impact of the decision on energy supplies, *energy security* and the *greenhouse gas* and energy intensity of the economy
- *land-use policy, and in particular the likely impact of the decision on land uses as well as considerations relating to safeguarding water quality, biodiversity, cultural heritage and land-use amenities, and regional development*
- *the potential for supporting policies and measures to ameliorate any negative or disproportionate impacts of the decision (economic, fiscal, social/cultural, and related to energy and land use)*
- obligations under the Treaty of Waitangi.

## 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

The Zero Carbon Bill should require Governments to set out plans within a specified timeframe to achieve the emissions budgets. This timeframe should be reasonably short and prescribed in legislation. The suggestion for the plans to include a 10-15 year outlook on the choices for the transition pathway is a useful one. Emissions budgets by themselves offer little guidance to assist businesses and communities with making efficient investment decisions. What matters more is the policy mix used to deliver the emission budgets, because that mix will drive the distribution of relative emission reduction responsibilities and costs. Whether using forward-looking emissions budgets depoliticises the budget-setting process will ultimately depend on whether they are backed by credible evidence as well as cross-party and public support for the associated plans for achievement. Having plans for achieving emissions budgets can also enable policy makers to track and report progress more effectively.

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

In setting plans to meet emissions budgets, the most important issues for the Government to consider are:

- ensuring enduring cross-party and public support for the plans through effective consultation and engagement at all stages of designing the plans
- the potential for the plans to influence mitigation ambition and action by other countries
- the costs and distributional effects of policies and measures across economic sectors, communities and regions
- alignment of and interactions between regulations, policies and the NZ ETS and other market-based instruments
- alignment of effective emission prices (whether achieved through regulations, policies or market-based instruments) with desirable pathways for target-consistent domestic emission prices
- New Zealand's ability to sustain net zero or net negative domestic emissions beyond 2050
- opportunities to generate environmental, economic and social co-benefits from reducing emissions
- identification and mitigation of risks, uncertainties and disproportionate or unjust impacts
- opportunities to leverage private-sector investment, innovation and action
- processes for periodic review and evaluation, including identification, monitoring and reporting of performance indicators
- collaboration with Territorial and Local Authorities on the design and delivery of plans.

## 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 – with additions and modifications**

no.

### Optional comment

It is desirable for the Climate Change Commission to advise on and monitor New Zealand's progress towards its climate change goals, and not to hold decision-making authority delegated by the Government. Decisions on emission reduction targets, emissions budgets and the selection and design of policies and regulations involve both technical and political judgements with significant implications for the environment, economy and society as well as New Zealand's international relations.

Such decisions should rest with government and remain subject to democratic accountability.

The advisory and monitoring functions identified on page 42 of the discussion document are appropriate. However, additional functions would be valuable as follows:

- *advising on desirable pathways for target-consistent domestic emission prices as well as the social cost of carbon in the New Zealand context.* The Commission's advice on emission price pathways could be applied by central and local government when making investment decisions in technology and infrastructure and when designing policies and regulations that impose an effective emission price. It could be used to guide government decisions on unit supply, price management and cost exposure (free allocation) under the NZ ETS as well as designing its purchasing strategy for international mitigation. It could also be applied by the private sector to complement emission price signals under the NZ ETS.
- *advising on criteria for the quality of international mitigation purchased by the government to help meet targets and emissions budgets, in addition to advising on quantity limits for the use of such mitigation.*
- *advising on post-2050 emissions targets and budgets and their implications for near-term decisions.* The choice of emission reduction targets and policies implemented pre-2050 will affect New Zealand's ability to sustain net zero or net negative domestic emissions in the long term. For example, deferring mitigation investment and relying too heavily on forestry to offset emissions pre-2050 could make it more difficult and costly for New Zealand to achieve and sustain net zero domestic emissions post-2050. Similarly, New Zealand might want to reserve some of its finite forest sinks potential to enable offsetting of residual emissions later in the century.
- *advising on the distribution of impacts from targets, emissions budgets and plans across the economy, and on measures for addressing disproportionate or unjust impacts.*

In addition, it would be useful for the Climate Change Commission to have the powers to:

- undertake or commission independent studies, research and modelling supported by long-term funding, instead of being limited to the Government's terms of reference and year-to-year budget allocations
- publicly release all of its recommendations and reports.

We strongly support the Government's proposal that the Zero Carbon Bill should compel the Government to respond to the reports of the Climate Change Commission. The Government should be required to report to the Commission and the general public on why and how the Commission's recommendations have or have not been taken into consideration and reflected in government decisions.

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**

In relation to the New Zealand Emissions Trading Scheme, the Climate Change Commission should play an important role in advising the Government on policy settings. It should not make decisions itself on unit supply or price management in the NZ ETS. Such decisions are political as well as technical and can have significant national and international implications, and therefore should remain with Government.

With regard to the NZ ETS, the Commission should advise Government on:

- setting unit supply in the NZ ETS (the cap) in alignment with the target and emissions budgets
- setting key price management parameters, such as the level of any price floor or price ceiling
- revising penalties for non-compliance as emission prices rise over time
- the level and rate of phase-out of free allocation
- changes to accounting methodologies, particularly regarding the land sector and choice of metrics for equating different greenhouse gases
- matters relating to effective market oversight and functioning
- limits on the quality and quantity of international emission reductions that may be purchased and used by NZ ETS participants to meet their obligations, if such activity becomes possible in the future.

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 – with additions**

no.

**Optional comment**

The areas of expertise identified on page 45 of the discussion document are appropriate. However, it would be desirable to include direct expertise, or access to expertise, on the social sciences and behaviour change.

The people appointed to the Climate Change Commission should be good thinkers and good listeners who can synthesise and apply technical information strategically to provide sound evidence-based policy advice to government. It is less essential for the members of the Climate Change Commission to hold all of

the technical expertise themselves than for them to know how and where to access it and how to apply it well.

## 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

No 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

No comment

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 comment