



19 July 2018

Ministry for the Environment  
PO Box 10362  
Wellington  
By email: [ZCB.Submission.@mfe.govt.nz](mailto:ZCB.Submission.@mfe.govt.nz)

### **LETTER OF SUPPORT: ZERO CARBON BILL DISCUSSION DOCUMENT**

Business Central writes to express our support for BusinessNZ's, and ExportNZ's submissions on the Ministry for the Environment's 'Our Climate, Your Say!': Zero Carbon Bill Discussion Document (The Document). Business Central welcomes the opportunity to provide a submission on the document.

Business Central represents business interests throughout central New Zealand from Taranaki across to Gisborne and down to Nelson. Business Central is one of the four regional organisations comprising New Zealand's peak business advocacy group, BusinessNZ. In Wellington, our organisation operates the Wellington Chamber of Commerce, accredited to the New Zealand Chamber of Commerce network. Our organisation also delivers ExportNZ to Wellington and the Hawke's Bay.

Business Central supports BusinessNZ's and ExportNZ's submissions to the Ministry for the Environment and wholly endorses these organisations' comments.

This letter of support does not seek to necessarily comment specifically on each question asked in the discussion document. However, we do wish to raise issues we know businesses are particularly concerned with.

#### **Comments**

##### **The Path to Transition**

Business Central wholly agrees that climate change is an important global issue that we need to address, while we still can. We also agree with the Minister that the lack of clarity over New Zealand's position on climate change is holding back investment and creates an air of uncertainty.

However, Business Central questions whether the current intent of the Zero Carbon Bill will actually create a clear pathway to achieve the country's carbon zero goals, given the framing of the discussion document. Like BusinessNZ and ExportNZ, our organisation is concerned that there is not a clear path of transition articulated to effect the change needed from our current economy to a carbon zero economy.

Businesses, like informed individuals, rarely act without a clear understanding of costs, risks, and benefits. If there are significant uncertainties in the market, it is difficult for these businesses to justify major investments. While business does understand that one-hundred percent certainty is not realistic even under the best of circumstances, market predictability is a reasonable expectation.

Business Central believes that the discussion document provides few indications around policy the Government would put in place to achieve its carbon zero goals, outside of comments on setting up a Climate Change Commission and setting emissions budgets. Without seeing real policy options and their tangible impacts regarding the Government's approach to reaching carbon zero status, we would follow ExportNZ and BusinessNZ in advising caution. There is much discussion still to be had. Our organisation believes that the policy around this issue needs to be clear in what it is and how it will help achieve the goals outlined in the document. Rushing into changes could be disastrous for the economy and businesses need time to adapt to any changes.

### **Incentives Programme**

In the discussion document, we note a heavy reliance on the emergence of new technology to aid economic growth while other sectors make the changes necessary to comply with the proposed targets. However, we believe the ability of the economy to outweigh the current bearing agriculture has on national GDP through new technology has been overestimated. We believe that the agricultural sector needs to be incentivised to make changes or help themselves become carbon neutral.

We would support a conversation around incentives and support for business and households to ensure a meaningful and practical transition to a carbon neutral economy. Going forward, Business Central would be committed to continuing the discussion around this matter.

### **Target Date**

While we applaud the ambition shown by the Government to aim for 2050, our organisation questions why and seeks to understand the policy rationale behind selecting this date as the end year for the proposed targets. In Article 4.1 of the Paris Agreement, parties to the agreement agree that;

“In order to achieve the long-term temperature goal set out in Article 2, Parities aim to reach global peaking of greenhouse gas emissions as soon as possible ... so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century.”

Given the shift that would be required in the New Zealand economy that would be required to achieve carbon neutrality, we would support BusinessNZ’s proposal to effectively ‘bookend’ our carbon zero targets. We believe that we should have a target set in the Bill, however not the targets suggested in the discussion document. Along with ExportNZ and BusinessNZ, we propose a hybrid format that involves:

- legislating a pair of ‘bookend’ targets, being the current target of a 50% reduction by 2050 and an ‘anchor’ net zero all gases target by 2100; and
- requesting the Climate Commission to advise on the target pathway between the two bookends.

We propose this formulation believing that it will:

- give time for the fuller suite of low emissions policies to emerge, and be tested in terms of their likely contribution towards an increase in the 50% reduction target;
- signal the seriousness of the challenge and provide for the Climate Commission to advise on the target pathway between the two points (leaving, for example, it to the Commission to advise as to whether the end date of 2100 can be achieved by an earlier date, but not to reduce the 50% reduction target or make the ‘anchor’ target later);
- provide for greater political durability – by avoiding the prospect that a future government walks away from an over-ambitious, unachievable target, and minimise the prospect of unpredictable outcomes from ad-hoc politically motivated reviews;
- assist in providing business with greater predictability and underpin a smoother more effective long-term transition; and
- work in concert with the international negotiations over time regarding the expectation of progressively more stringent targets.

In summary, we believe that there is real support across the business community for greater action on climate change. Having a long-term emissions reduction target is beneficial for certainty and predictability within the business environment. However, poorly thought-out policy and targets would either mean worthless regulation or an unfair constraint on business.

Business Central applauds the Ministry’s ambition presented in the discussion document, but request clarification over the 2050 timeline, pathway to transition, and possibility for an incentives programme. Therefore, our organisation supports the submissions made by BusinessNZ, and ExportsNZ and agrees with their comments on the discussion document, with a particular focus on the issues raised above.

Thank you for the opportunity to submit on the Zero Carbon Bill Discussion Document.

Business Central looks forward to the opportunity to continue the conversation around the Zero Carbon Bill and working with the Ministry for the Environment.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Milford". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

John Milford, Chief Executive, Business Central