

Submission on the Climate Change Response (Zero Carbon) Amendment Bill

Introduction

1. The Wellington Chamber of Commerce (the Chamber) has been the voice of business in the Wellington region for 160 years since 1856 and advocates for policies that reflect the interest of Wellington's business community, in both the city and region and the development of the Wellington economy as a whole. The Chamber is accredited through the New Zealand Chamber of Commerce network.
2. 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.
3. As a member of Business NZ, and also Export NZ, we support their submissions to the select committee. This submission reinforces some of their key points and provides further detail on aspects relevant to our members.

Overview

4. Business Central supports the overall objective of the Bill for New Zealand to play its part in the international effort to reduce greenhouse gas emissions. We welcome the Bill's framework of defined 2050 targets and the establishment of an independent Climate Change Commission because they will contribute significantly to fulfilling New Zealand's obligations under the Paris Agreement.
5. As an organisation, Business Central has been Carbon Zero certified since 2016. We take our efforts to reduce our carbon footprint seriously and actively encourage our members to do the same.
6. We endorse the Bill's general policy statement, mainly the overarching purpose to have "a productive, sustainable, and climate-resilient economy". It is only through strong

economic growth that New Zealand will be able to afford the trade-offs and technology required to transition to a low-carbon economy.

Economic modelling & cost-benefit analysis

7. The scale of transition required for New Zealand to hit net carbon zero by 2050 is enormous. Given the extended period and herculean effort required, modelling the economic impact of this transition is almost impossible. The analysis prepared previously for the Ministry for the Environment makes for concerning reading, showing severe economic effects, particularly on our primary producers. All of this makes careful consideration of any developing economic effects especially important, to be able to discern whether the targets or policy settings are undermining our ability to transition successfully. The Government has previously talked about the "just transition" required for society, and this applies equally to businesses who produce, export and employ.
8. The Bill makes no mention of undertaking further economic modelling or cost-benefit analysis to inform future policy advice or recommendations. In our view, this is essential. A weak or negative cost-benefit analysis result would not necessarily lead to the Government curtailing climate change efforts, environmental considerations and honouring international commitments are more important. However, such analysis would better inform political decision-makers on the trade-offs they are making and allow the public to see where the costs are falling.
9. We submit that the select committee should build in stronger requirements for the Commission to consider economic impacts and make specific references where needed to the Commission undertaking economic modelling and cost-benefit analysis.

Climate Change Commission

10. Business Central supports the need for a well-resourced, independent Climate Change Commission headed by competent and well-respected commissioners. All of the experience and skills contained collectively by the Commission members, as specified in Section 5H, are essential. However, we submit that there should be an additional requirement for expertise in international business competitiveness. New Zealand's international competitiveness must be maintained, and such experience can inform the Commission's consideration of policy trade-offs, global trade impacts, and technology adoption. It will also help manage New Zealand's risk of carbon leakage – the phenomenon whereby cheaper imported goods from countries with lower environmental and emissions standards displace our products.
11. Enduring trust and support in the Commission and its advice is important. The Commission must endure beyond the swings of parliamentary politics. Therefore, we submit strengthening the process for appointments specified in Section 5E so the requirement for consultation with political party leaders includes approval from the Leader of the Opposition. In our view, this change would bring greater bipartisan support to the Commission and its work, and therefore give businesses greater certainty about the policy horizon.

International units

12. Meeting the target of no more than 1.5-2 degrees Celsius of global warming above pre-industrial levels requires a strong focus on preventing emissions from occurring, leading to a gross reduction. However, as acknowledged through numerous international fora on this topic, some emissions will continue to occur and require off-setting through tree planting and the like. Such emissions credits or units, whether produced in New Zealand or elsewhere, are essential to providing countries with a valuable tool to reduce net emissions and allow a transition to a low-carbon economy.
13. The Bill seeks to limit New Zealanders' access to international units through a couple of key provisions: sections 5W(1) and 5X(1)(e). Given the objective of limiting global warming, the size of the challenge ahead, and the economic efficiency of allowing countries to reduce their most costly emissions first, it makes sense to use a reasonable number of international units in New Zealand. Otherwise, our companies and organisations will be at an international disadvantage by paying a higher price than their competitors.
14. We submit that the select committee ensures any consideration of access to international units also includes consideration of the economic impacts and even wider matters such as those listed in section 5Z(2)(b).

2050 targets & budgets

15. Setting specific, long-term targets to meet New Zealand's Paris Agreement obligations provides businesses with the certainty they need to plan.
16. Given agriculture's importance to New Zealand and the impact it has on our unique emissions profile and economic make-up, it appears inappropriate for carbon to be given a 30-year net target with allowable offsets, while methane is given a 10-year gross target without eligible offsets as well as a 30-year target. Submissions from agricultural representatives make the point that methane is being used do more "than its fair share" as a way for the rest of the economy to buy time and develop new technologies.
17. Requiring reductions of between 10 per cent and 22 per cent in methane by 2050 appears more in keeping with the available research on methane's contribution to global warming, especially because farmers are not able to offset their animal emissions with tree planting because it is a gross target.
18. We support the clear forward guidance given through setting emissions budgets in five-yearly instalments with a 10-year forward horizon of proposed budgets. Businesses require a reasonable amount of certainty in which to make the long-term investment decisions necessary to reduce emissions dramatically. However, the flexibility of budgets are needed to respond to trends in technology, the security of energy supply, and emerging political risks.

Emissions reduction plans

19. The process requiring the Commission to advise on the development of emissions reduction plans but requiring the Minister to publish it and take responsibility for it is ultimately a good one. It balances the need for expert advice with the political accountability of it being in the Minister's name.
20. We support the consultation requirements placed on the Commission as well as the condition to include “sector specific policies”, and a “strategy to mitigate the impacts that reducing emissions and increasing removals will have on workers, regions, iwi...”. We note that businesses are the experts in their industries and can offer the best insights into emerging commercial technologies and process improvements to reduce emissions.
21. Maintaining New Zealand's economic growth and standard of living is an important factor in ensuring the country can invest in new technology and afford adaptation measures. The gap in the emission reduction plans is the need to consider New Zealand's international competitiveness, otherwise known as carbon leakage. In Sections 5ZD and 5ZE - which refers back to 5Z(2) – there must be a requirement for the Commission and Minister to protect, as far as possible, companies based in New Zealand from overseas competitors who have an advantage from operating in countries with lower emissions standards. No one benefits from the manufacture of products transferring to countries that are not taking as significant action on reducing emissions as New Zealand is. The products are still made, the emissions are still created, but New Zealand loses out on the economic activity and tax revenue.
22. We submit adding criteria to the requirements for emissions reduction plans for the Minister and the Commission to consider New Zealand's international competitiveness when advising on and publishing such plans.

National risk assessments & adaptation plans

23. We support the Commission developing a national risk assessment at regular intervals. These reports will provide a useful summary of how the country is tracking, particularly the effects of the significant transition required by our economy and society. These will become even more heightened and, therefore, even more important the closer we get to 2050.
24. We also support the Minister's development adaptation plans and note the deliberate separating of responsibilities between the Commission preparing risk assessments and the Minister preparing adaptation plans. This will improve accountability and delivery of the plans by making the government of the day responsible for them.

Recommendations

25. The summary of our recommendations are:
 - Stronger requirements for the Climate Change Commission to consider economic impacts and make specific references where needed to the Commission undertaking economic modelling and cost-benefit analysis.

- Have an additional requirement for expertise in international business competitiveness when considering appointments to the Commission.
- Including the Leader of the Opposition in the approval of appointments to the Commission.
- Any limits on access to international units to take into account the economic and wider impacts.
- The Minister and the Commission to consider New Zealand's international competitiveness when advising on and publishing emissions reduction plans.

Conclusion

26. We support the intent behind the Climate Change Response (Zero Carbon) Amendment Bill but seek some key changes to bring a greater focus on economic and commercial considerations. This will improve New Zealand's economic resilience to take on the enormous task required to transition to a low-carbon economy. We repeat the concern about New Zealand's international competitiveness becoming disadvantaged for no global gain and urge the committee to ensure steps are taken to minimise the risks to our trade-exposed industries.