

Climate Change Response (Zero Carbon) Amendment Bill

NZ Wind Energy Association Submission

July 2019



Committee Secretariat
Environment Committee
Parliament Buildings
Wellington

By email: zerocarbon@parliament.govt.nz

Introduction

1. The New Zealand Wind Energy Association (NZWEA) welcomes the opportunity to provide a submission on the Climate Change Response (Zero Carbon) Amendment Bill (the Amendment Bill).
2. The Association also submitted on the Our Climate Your Say: Consultation on the Zero Carbon Bill Discussion Document in July 2018.
3. In its 2018 submission the Association was supportive of the Zero Carbon Bill and considered the Bill a key enabler for New Zealand's transition to a low carbon economy through setting a future target and then facilitating the achievement of the target.
4. Key aspects of the Association's submission included:
 - A preference for domestic mitigation strategy to "own" our future and reduce the risk from relying on, yet to be established, international carbon markets.
 - Support for net zero long lived gases and stabilised short-lived gases target with the Climate Change Commission advising on specific targets.
 - Support for three emission budgets of five years each.
 - The Climate Change Commission (CCC) having an advisory and monitoring role.
5. The Association also supports the Amendment Bill as a significant step towards establishing a framework to develop and implement clear and stable climate change policies.
6. In supporting the Amendment Bill the Association has a number of comments and suggestions aimed at improving clarity and enhancing the effectiveness of the legislation in fulfilling its objective of ensuring New Zealand meets the intent of the Paris Agreement.
7. The Association would welcome the opportunity to speak to its submission at the Select Committee.
8. In this submission NZWEA provides comments under key themes and of then specific responses on Amendment Bill clauses.
9. The key themes are:
 - Overall NZWEA strongly supports the Amendment Bill.
 - Bipartisanship is essential to ensure future governments are committed.
 - Timing is an imperative and we need to act faster.
 - Where emissions reduce matters and the Association favours prioritising domestic carbon dioxide emissions reductions and having budgets set at gross and net levels.

- Ensuring clarity around the ETS and a clearly defined advice role for the Commission.
- Ensuring an international perspective is considered when completing risk assessments and adaption plans.
- Ensuring the flexibility of mandate and appropriate resources are provided to enable the highest value transition.

Overall Strong Support for the Amendment Bill

10. The imperative to act on climate change is well recognised. The Bill is a positive step towards reshaping the New Zealand's economy.
11. As a fundamental principle New Zealand's actions should be consistent with, and supportive of, achieving the goals of the 2015 Paris Agreement.
12. Given the 2018 Inter-governmental Panel on Climate Change Report 2018 the Association supports a net zero 2050 target which equates to 1.5 degrees of warming.
13. The Association considers the Bill does set out a durable framework for climate change action and in particular the Association welcomes the focus of the legislation on reducing domestic emissions as a priority.

Bipartisanship Essential

14. Policy certainty best supports investment decisions which enable the transformation of technologies and infrastructure. For the Bill to be of enduring benefit it is essential that cross party support is obtained. The Association notes that, in particular, the proposed biogenic methane targets have been questioned.
15. The Association considers that agricultural emissions need to be included in New Zealand's economy wide transition and supports a reduction in biological methane emissions. Having a range for the 2050 target should enable the best available scientific information to be used to determine a specific target.
16. If all party support cannot be agreed on specific targets then, in line with NZWEA August 2018 submission, the CCC's advice should be sought and the targets finalised at a later date. The imperative is to pass the Amendment Bill without further delay with cross party support.

Timing is an Imperative

17. The Association supports the setting of emission budgets for multiple forward periods to provide an effective market signal and enable greater confidence in investment decisions.
18. The Association considers that given New Zealand's continued increase in annual and cumulative emissions time is of the essence. The timeframes outlined in the Bill do not, in the Association's view, reflect the required level of urgency e.g. first emissions budgets provided by the Commission (February 2021) and emissions budgets set and notified (December 2021).
19. There is a real risk that investment decisions will be delayed unless policies and initiatives to reduce emissions are implemented as a matter of priority and thereafter progressively. For example the wind industry is in the at the start of significant build phase, the first since 2014. Capacity may increase by over 60% over current levels and unless decarbonisation initiatives lift electricity demand this growth phase will stall for as long as it takes for further investment in new generation to be required.

Where Emissions Reduce Matters

20. The Association notes the challenge of meeting the emissions reduction targets given an upward trend in gross emissions and a reduction in land use, land-use change and forestry (LULUCF) offsets from higher harvesting rates in planted forests and supports the Bill's focus on ensuring outcomes including a sustainable and climate-resilient economy and a just transition.
21. While acknowledging the value of carbon sequestration and in particular New Zealand's afforestation initiatives the risks around future reliance on LULUCF offsets needs to be included in risk assessments particularly around non-permanence. A short-term reliance on offsets may disguise downstream risks in achieving actual carbon reductions in challenging sectors.
22. NZWEA prefers focusing on carbon dioxide emissions as the top priority given this represents a permanent decrease and is widely regarded as the highest value carbon reduction opportunity.
23. Given the different pathways for reducing carbon dioxide equivalent emissions and their longer-term impacts and risks the Association recommends budgets and monitoring should include gross and net levels.
24. Having a domestic focus reduces reliance on the development of international carbon markets and recognises the ultimate responsibility of each country under the Paris Agreement to reduce its own emissions.
25. We consider, as the price of carbon increases, future competitive advantages should be able to be obtained by utilising New Zealand's natural advantages in land, water and wind resources. New Zealand has a significant potential to develop low cost renewable energy based on natural resources that are world leading. In particular our wind energy potential is well documented.

The Commissions role in Relation to the Emissions Trading Scheme needs to be Clear

26. Emissions pricing is an indispensable element of climate policy and the unit supply setting under the Emissions Trading Scheme a key determinant of price. The role of the Climate Commission in advising on unit supply settings need to be clear and independent of ministerial direction.

International Activity will drive New Zealand's Risk Assessment and Adaption Plans

27. Given New Zealand's low level of total global emission international climate change actions will drive risk assessments and adaption plans.
28. The Association considers the Amendment Bill should clearly reference the Commission's role in taking into account long-term climate change trends, including the likelihood of the international community not meeting current NDC or wider undertakings around 1.5 and 2 degrees of warming and the implications of this for New Zealand.
29. Assessments and plans need to have a clear linkage to international climate change action and global emission forecasts as ultimately the impact on New Zealand and the required level of adaption will be determined by others.

Ensuring the flexibility and resources are provided to enable the highest value transition

30. The imperative to make rapid decarbonisation progress is largely understood as is the uncertainty as to the highest value transition path given the risk of unintended consequences through increasing interconnectivity of markets and the impact of future technological change.
31. Modelling and cost-benefit analysis has known limitations and the level of certainty around the economic and social and impacts of achieving the 2050 targets is at best low.
32. The Bill provides considerable flexibility to respond to new information and developments and there is an imperative for the CCC to be adequately resourced to undertake and adapt strategies to achieve the highest value transition.
33. While the Association has a clear preference for domestic mitigation, as providing a higher level of confidence in the actual achievement of emission reductions, the risk of carbon leakage and domestic strategies increasing overall global emissions should be considered in determining the highest value transition both in terms of NZ emissions and effect on overall global emissions.

Comments on clauses in the Bill

<p>Section 3 – Amended purpose</p>	<p>Supports the link to UNFCCC Paris Agreement and limiting the global average temperature increase to 1.5 degrees above pre-industrial levels.</p> <p>The current Paris Agreement firstly references “holding the increase in the global average temperature to well below 2 degrees”. Given the acknowledged challenge of achieving limiting the temperature increase to 1.5 degrees, and for completeness, the Association considers that when providing budgets, advice and monitoring reports the Commission should also provide a reference to New Zealand’s position in relation to 2 degrees of warming.</p> <p>The Association notes that the amended purpose does not reference national adaption plan requirements and questions whether this should be specifically included.</p>
<p>Section 4 – Amended interpretation</p>	<p>Emissions budget is defined as the permitted net amount of carbon dioxide equivalent during the emission budget period.</p> <p>NZWEA recommends that the disclosure of budgets should include gross emissions and assumed emissions removals to understand what is being achieved in permanent reductions and the level of reliance on other means such as carbon sequestration and overseas mitigation.</p>
<p>Section 5H – Matters Minister must have regard to</p>	<p>The skills and experience of Commission members should include an international context and knowledge particularly if international projects are to be considered in meeting New Zealand’s carbon reduction targets and in recognition that international action will drive climate risk assessments and adaption plans.</p>
<p>Section 5J – Commission’s functions</p>	<p>With reference to the Association’s comments on section 5N the function of the Commission in relation to the Emissions Trading Scheme and recommending unit supply settings should be</p>

	<p>explicitly stated.</p> <p>The timing and level of emissions reductions are key to the level of cumulative emissions and overall impact of anthropogenic activity. The Association also considers the Commission should monitor, prepare reports and provide advice on New Zealand's cumulative emissions.</p>
Section 5L – Matters Commission must consider	<p>In taking into account responses taken or planned by parties to the Paris Agreement (5L(f) the Association considers this should be widened to all carbon emitters and include an assessment of the expected achievement of advised NDC or other targets as this is an essential input to preparing of a national climate change risk assessment and adaptation plan. (Refer Association comments on sections 5ZN and 5ZQ).</p>
Section 5N – Commission act independently	<p>The Association supports the Commission acting independently.</p> <p>Section 5N(2) provides the Minister the power to direct the Commission to have regard to Government policy when recommending unit supply settings of the ETS.</p> <p>Page 6 of the Regulatory Impact Statement advises “Decision-making on the NZ ETS settings will remain with the elected government. However, the Commission would have an ‘Advisory-plus’ role, in which it will be required to recommend the technical NZ ETS settings annually (within the constraints of the set 2050 target and emissions budgets) and on the presumption that its recommendations will be given effect unless government provides otherwise and gives reasons for that decision.”</p> <p>NZWEA considers that, given the ETS is the key vehicle to reduce emissions, the Commission should provide advice on ETS setting and its role should be specifically detailed in the Amendment Bill and not be subject to ministerial direction.</p>
Section 5O – Target for 2050	<p>The Association in its 2018 submission supported a target of net zero long lived gases and stabilised short-lived gases target with the Climate Change Commission advising on the specific target.</p> <p>The reason for this approach was to fast track the establishment of the Commission and to use the Commission's expertise to provide advice on targets.</p> <p>The Association supports having a target range for biogenic methane which enables the best use of science to determine highest merit order reduction priorities.</p> <p>If cross party support cannot be agreed on specific targets then, in line with NZWEA August 2018 submission, the Climate Change Commission's advice should be sought and the targets finalised at a later date.</p> <p>The Association notes the risk that a target absolutely focused on reducing domestic emissions may have the unintended consequence of contributing to an increase in global emissions if NZ policies are inconsistent with international action particularly among trading partners.</p>
5Q - Recommendation to amend 2050 target	<p>The Association notes the potential for NZ's target to be inconsistent with global actions and the risk of carbon leakage, as</p>

	<p>a result of domestic strategies, resulting in an increase in overall global emissions.</p> <p>The impact on international emissions should be added as a consideration.</p>
Section 5U - duty of Minister to set emissions budgets	<p>Policies and initiatives to reduce emissions need to be implemented progressively and, to enable meaningful reductions, a clear signal needs to be set earlier than December 2021.</p> <p>The Association would like to see earlier guidance particularly around the budget period 2022 to 2025.</p> <p>Of particular concern for the wind industry is forecasting electricity demand growth and optimising limited resources to build renewable generation on a progressive and sustainable basis.</p>
Section 5V – contents of emissions budgets	<p>The Association considers that while a net quantity of carbon dioxide equivalent is the key target and needs to include all greenhouse gases the Commission should provide guidance on specific gases and that the make-up of net emission reductions is an important consideration when reporting annually on results of monitoring and reports at the end of the emissions budget period.</p> <p>In particular one of the benefits of having a split-gas target is having this flow through into split-gas budgets.</p>
Section 5W – how emission budgets are met	<p>The Association supports a primary focus on domestic emissions reduction particularly as:</p> <ul style="list-style-type: none"> ▪ no international market currently exists. ▪ the poor environmental integrity of previously purchased units. ▪ The impact of international units on the effectiveness of the ETS.
Section 5X - Commission to advise the Minister	<p>In the Commission providing advice to the Minister on matters relevant to setting an emissions budget this should include:</p> <ul style="list-style-type: none"> ▪ Gross and net budgets and any identified risks and issues around the long-term reliance on carbon sequestration in the achievement of the budget target for all budget periods. ▪ Where offshore mitigation is recommended the estimate of the cost of overseas mitigations and confirmation that domestic mitigation was not achievable within the same time period / cost parameters. <p>The date for providing advice to the Minister should be earlier than February 2021. If necessary, the first budget period should be treated as a priority with provisional budgets for the second and third budget periods.</p>
5Z – Matters relevant to advising and setting budgets	<p>The Association notes that 5Z2(b)(x) and the need to consider “the responses to the threats of climate change by all parties”.</p> <p>As in the response to clause 5Q the Association notes risk of carbon leakage and domestic strategies increasing overall global emissions should be considered when setting budgets and providing advice.</p>

5ZE - Commission to advise on emission reduction plans	<p>Further to comments on the ETS in sections 5J and 5N in the Commission advising on the direction of policy required in the emission plan reduction this section should be expanded to include advice on ETS settings.</p> <p>The Association notes the requirement for the Commission to “consult widely with new Zealanders, including relevant sector representatives and affected communities” and notes this will require resources and effective processes of engagement.</p>
5ZF - Minister to prepare and publish emission reduction plan	<p>Transparency would be improved if the Minister was required to respond to the Commission’s advice provided under section 5ZE should the published emissions be materially different.</p>
5ZI - Commission to report	<p>The Association considers that, given the climate change imperative, the evaluation report should have a target date of 1 year after the end of the emissions budget period and that specific reference to evaluation report should be included in section 5Z2(b) in settling emissions budgets.</p>
5ZL - Guidance for departments	<p>NZWEA considers the government departments should be required to provide leadership and that this Bill should place an obligation on every department to take into account the 2050 targets and emissions budgets in the performance of their functions, powers and duties.</p> <p>In addition the responsible Minister may issue additional guidance for departments above the requirements of this Bill.</p>
5ZN - National climate risk assessment	<p>The National climate risk assessment will provide important information on the risks facing NZ and the urgency of action. For this reason the Association recommends that the Bill should include a requirement to consider the risk assessment when preparing emission budgets under section 5Z2(b).</p> <p>The Association also consider the risk assessment, in taking into account long-term climate change trends, should assess the likelihood of the international community not meeting current NDC or wider undertakings around 1.5 and 2 degrees of warming and the implications of this for New Zealand.</p>
Section 5ZQ - National adaption plan	<p>Climate adaption is a global issue and global action will inform New Zealand’s action plan.</p> <p>The proposed change section 5ZN to include the risk of the international community not meeting climate change undertakings should enable the adaption plan to be developed to respond to a potential range of climate change outcomes.</p> <p>The adaptation plan should also consider the success of emissions budgets to reduce / remove emissions. If net emission reductions are less than the budget – adaptation efforts may become more urgent. Similarly, if emission reductions are being achieved faster than budgeted – the economic cost of adaptation may be lower.</p>

About the NZ Wind Energy Association (NZWEA)

- The NZWEA is an industry association that promotes the development of wind as a reliable, sustainable, clean and commercially viable energy source
- We aim to fairly represent wind energy to the public, Government and energy sector
- Our members are involved in the wind energy sector and include electricity generators, wind farm developers, lines companies, turbine manufacturers, consulting organisations and other providers of services to the wind sector
- By being a member of NZWEA you are assisting the development of wind energy in New Zealand and helping to reduce our greenhouse gas emissions to meet climate change targets.

Contact details in relation to this submission:

Grenville Gaskell
Chief Executive
New Zealand Wind Energy Association
PO Box 553
Wellington 6140

grenville@nzwea.org.nz