

# Submission

## CLIMATE CHANGE RESPONSE (ZERO CARBON) AMENDMENT BILL

Submission to:

Ministry for the Environment

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## Introduction

This is a joint submission by the two organizations representing forest growers in New Zealand.

### The Forest Owners Association

The New Zealand Forest Owners Association Incorporated (FOA) is the representative membership body for the commercial plantation forest growing industry. FOA members are responsible for the management of approximately 1.2 million hectares of New Zealand’s plantation forests and over 80% of the annual harvest.

In 2018, the forest growing sector was worth \$6.38 billion in export value and is a 12% share of rural land use.

### Farm Forestry Association

The NZFFA represents owners of small-scale (generally less than 1,000 hectares) private forests and/or are interested in the many values of trees for profit, environmental, sustainable, amenity and arboreal uses. Currently there are about 2,000 members in the NZFFA but the NZFFA can be said to represent the views of about 13,000 others who own such private forests. The NZFFA works closely with the FOA and shares joint committees and work programme funded by the harvested wood commodity levy.

## Summary

In general, the FOA and FFA support the changes proposed in the Bill.

The pledges made in Paris, including our own, are only expected to restrict the expected level of global warming to about an additional 3.0c by 2100 - in other words these commitments are a starting point and need to be built on. It is particularly important, for New Zealand that emissions reductions include all gases as intended by the ETS design, and that a start is made on addressing the 48% of our emissions which come from agricultural as recommended by the Interim Climate Change Commission.

Progress, thus far, in NZ has been inadequate and a more robust framework is overdue. In particular the progress made on emissions reductions (as compared with sequestration) has been well short of that needed to achieve our objectives. The parliamentary response over the past 20 years has not provided what has been needed to the point that MfE have described the NZ ETS as not being fit for purpose. FOA and FFA consider that the current policy settings do not provide sufficient incentive to drive reductions and that includes New Zealand’s 90% grandparented Emission Intensive and Trade Exposed (EITE) Industries.

The forest sector was the first sector to enter the Emissions Trading Scheme (ETS) in 2008, with pre 1990 forest owners facing an emissions liability of almost 100% overnight. As MfE notes this was “because of the importance of forestry to New Zealand’s ability to meet its international obligations for greenhouse gas emissions”. That dependence has not changed. Although forestry does not represent a permanent solution and should not be relied on as a substitute for action on emissions reduction at source it does have the ability to allow the New Zealand economy to transition in a planned and managed way with significantly less cost and shock to the system than would otherwise be the case. Numerous independent reports including by Globe NZ, the ETS review panel and the Parliamentary Commissioner for the Environment have all reached the same conclusion – it is important for New Zealand to make much more substantive progress on emissions reductions but in the near term (2050) it will not be possible to achieve the goals without increased sequestration from additional forestry and also from replanted forests.

For forestry to meet this potential means forest investors, including landowners with the ability to plant trees, having the confidence in the commitment by government and a long-term national strategy. This bill provides the potential framework to improve stability and confidence for such investment and planning although the actions of the Commission and the government within that framework will also be important.

For the Commission to have the level of influence needed to achieve a challenging target requiring fundamental change in society the new body must be as independent of government as possible. Only if it has powers and target directing ability akin to the Reserve Bank will it be able to perform its intended role fully and with credibility.

## **Part 1 - Climate Change Commission, emission reduction, and adaptation**

### *SECTION 3 PURPOSE*

#### **Provide a framework**

The FOA and FFA support this framework. It is important that New Zealand stand by the commitments made under the Paris accord and the recognition that 1.5 degrees increase should be the goal rather than 2 degrees. The Paris Agreements current 3 degree track is untenable.

### *SECTION 3A. TREATY OF WAITANGI*

The FOA and FFA support the provisions related to the Treaty of Waitangi.

## **Part 1A - Climate Change Commission**

### *SUBPART 1 ESTABLISHMENT AND APPOINTMENTS*

The FOA and FFA support the establishment of a Climate Change Commission for the purposes outlined and particularly that the expert advice is independent. Targets and pathways to date have been too heavily influenced by political pressure. The policies related to climate change need to be durable and not be vulnerable to short-term political interference. Climate change adaptation and mitigation are complex topics and deserve dedicated full-time resources to focus on delivering the best outcome for New Zealand via the most appropriate transition pathway.

## *SUBPART 2 - COMMISSION'S FUNCTIONS, DUTIES, AND POWERS*

### 5J COMMISSION'S FUNCTIONS

The FOA and FFA support the establishment of the Climate Change Commission but consider the proposed advisory-only role to be inadequate. The commission targets must be independent of the government of the day.

It is particularly important that the Commission has the capacity and mandate to establish emissions budgets and a reduction plans in order to give as much certainty to those making long-term, and significant, investment decisions. We acknowledge and support the ability of the Commission to review progress and recommend changes to targets and budgets if appropriate. A wide range of factors will be taken in to account when setting these targets. Given this comprehensive and focussed assessment the conclusions of the Commission should be more than recommendations to the Minister, especially given that the Commission is able to review in light of new information.

### 5L MATTERS COMMISSION MUST CONSIDER

The FOA and FFA consider the matters which the Commission must give consideration to are appropriate but notes that this is an all-encompassing list of considerations which will inevitably require trade-offs and that this should be explicitly recognised.

### 5N COMMISSION MUST ACT INDEPENDENTLY

For credibility, effectiveness and durability the Commission must remain independent. We note the proposal that the Minister may direct the Commission to have regard to government policy in terms of recommending unit supply settings and when providing advice to the government on New Zealand's Paris commitments. The conclusions of the Commission should be more binding than just recommendations to the Minister.

## **Part 1B Emission reduction**

### *SUBPART 1 - 2050 TARGET*

A fundamental element of the proposed framework is the inclusion of emissions reduction targets. These need to be consistent with meeting the NDC under the Paris accord, and more stringent targets if determined by the Commission. Whether the New Zealand target is based on a net gases approach or based on the achievement of separate (split gas) targets for short and long lived GH gases that meet the same overall objective of achieving is less important, but it is important that all gases are addressed adequately

The FOA and FFA are supportive of the net zero goal carbon dioxide.

The Bill, if enacted, is intended to reduce gross emissions of biogenic methane within the range of 24% to 47% below 2017 levels by 2050, with an interim requirement to reduce emissions to 10% below 2017 levels by 2030". Achieving a 1% per annum reduction in methane from 2020 to 2030 (a 10% reduction on 2017) is considered realistic, although it should be recognised that this embodies a significant grandparenting of emissions growth since 2008. That is a reflection of 10 years of policy, that ignored independent advice and reinforces the case for the proposed commission to be largely independent of political influence. Allocation of GHG pollution rights at a point in time in the Bill has significant financial and environmental implications.

The relative contribution and 2050 target for methane should be based on accepted international science of the warming potential of the gas and it is appropriate that it be reviewed by the Climate Commission once established. Recently published analysis indicates that there has been a very concerning atmospheric methane growth in the period 2014- 2017<sup>1</sup>.

#### *SUBPART 2 - SETTING EMISSIONS BUDGETS*

The FOA and FFA support the establishment of emissions budgets for consecutive periods and including both short- and long-lived greenhouse gases. As noted, this provides guidance for investors including those involved with the Emissions Trading Scheme.

#### **5W** HOW EMISSIONS BUDGETS ARE TO BE MET

The strong emphasis on domestic action to achieve the emissions budgets is appropriate if New Zealand is to achieve permanent behavioural and structural change. Significant damage has been done previously to investor confidence in the forest sector by policy that was either inconsistent, or lacking, with respect to the reliance on emissions action taken outside New Zealand.

#### *SUBPART 3 - ROLE OF COMMISSION IN SETTING EMISSIONS BUDGETS*

The matters proposed for the Commission is expected to advise the Minister on, and the transparency of that advice, are considered relevant and supported by FOA and FFA.

#### **5Y** MINISTER'S RESPONSE TO COMMISSION

It is important that everyone is aware of the impact that the advice from the Commission will have and that requires a formal, prompt, and public response from the government including the establishment of a budget regardless of the advice received. Furthermore, the FOA and FFA consider there would need to be compelling reasons for the advice from the Commission *not* to be heeded by government as this will otherwise undermine confidence in the framework and the ability to meet future budgets and targets.

The FOA and FFA further support the requirement that consultation with other political parties is undertaken by the Minister prior to an emissions budget being notified.

#### *REVISION OF EMISSIONS BUDGETS*

#### **5ZB** WHEN EMISSIONS BUDGETS MAY BE REVISED

In order to maintain confidence and avoid continually adjusting budgets the FOA and FFA strongly support that any revisions should only be undertaken, and accepted by the Minister, where there is collective agreement that exceptional circumstances prevail. Circumstances will change on a daily basis and the argument that they have changed sufficiently to justify another review of the target should be resisted unless the conditions have changed so markedly that the budget is patently out of alignment with what is possible, either way.

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<sup>1</sup> Nisbet and others, 2019. Very Strong Atmospheric Methane Growth in the 4 Years 2014–2017: Implications for the Paris Agreement. AUG100 <https://www.nilu.no/pub/1677138/> retrieved 16 July 2019.

## *BANKING AND BORROWING*

### **5ZC** POWER TO BANK OR BORROW

The FOA and FFA support the concept of banking and borrowing but considers this facility should not be available immediately following a budget revision. Whichever of these two options is the most appropriate should be used, but not both at the same time – i.e. they should be mutually exclusive.

## *EMISSIONS REDUCTION PLAN TO BE PREPARED*

### **5ZD** REQUIREMENT FOR EMISSIONS REDUCTION PLAN

As well as establishing an emissions budget the FOA and FFA agree that the Minister should prepare and publish a plan setting out the policies and strategies for achieving that budget and prior to the period in question. We also agree that any such strategy should be multi-sector, including NZs long haul aviation industry and hence our tourism sector, and improve the ability of those sectors to adapt to the effects of climate change but where possible to improve their ability to contribute to net emissions reductions. It is recommended that this additional objective is included in the final wording.

### **5ZE** COMMISSION TO ADVISE ON EMISSIONS REDUCTION PLANS

FOA and FFA support the Commission being required to publicly consult prior to providing advice on the direction of the policy required in the emissions reduction plan for that emissions budget period. Government intervention in NZs carbon market 2008 and in budget 2014 illustrate that the ETS is not a market in any traditional sense and is an uncertain basis for forestry investment.

### **5ZF** MINISTER TO PREPARE AND PUBLISH EMISSIONS REDUCTION PLAN

FOA and FFA support the Minister being required to publish the emissions reduction plan. The means by which government intends to achieve the targets are as important as the targets themselves and will determine their credibility

## ***SUBPART 4 - MONITORING***

### **5ZG** COMMISSION TO MONITOR PROGRESS TOWARDS MEETING EMISSIONS BUDGETS

Annual reporting as prescribed in section 5ZH and 5ZI is supported. In particular the FOA and FFA consider it important that the Commission provide projections for future emissions and removals and assess progress against this, and an assessment of the amount of offshore mitigation required, and actually utilised.

## **PART 1C - ADAPTATION**

### *NATIONAL CLIMATE CHANGE RISK ASSESSMENT*

### **5ZM** NATIONAL CLIMATE CHANGE RISK ASSESSMENT

The FOA and FFA support national climate change risk assessments being conducted every 6 years according to the broad ranging measures of sustainability contained in the bill, climate change trends and implications and taking into account New Zealand's international obligations. As noted previously such broad ranging factors may well require a balance between competing influences.

## NATIONAL ADAPTATION PLAN

### 5ZQ NATIONAL ADAPTATION PLAN

FOA and FFA support the requirement for the Minister to prepare, and make publicly available, a national adaptation plan in the timeframe prescribed.

A national adaptation plan will provide considerable information to inform investors and the carbon market about government's commitment, strategy and timeframe for achieving the zero carbon objective. It will therefore be an essential component, if not the most essential component, of the framework proposed in this bill and public consultation on the draft plan is also supported.

### PROGRESS REPORTS

#### 5ZS PROGRESS REPORTS ON NATIONAL ADAPTATION PLAN

Provision approximately every two years of a publicly available progress report on the adaptation plan by the Climate Change Commission is endorsed. The importance, and influence, of the national adaptation plan is noted above and it is equally important that progress against the plan is measured on a regular basis, and the Minister required to respond to it, for the same reasons.

#### 5ZW REGULATIONS RELATING TO REQUIRING PROVISION OF INFORMATION

The FOA and FFA note the proposed ability for the Minister to require a "reporting organisation" to provide information on climate change including an assessment of the impact of climate change, policies and proposals for addressing the effects of climate change, targets, controls and timeframes for implementing these and an assessment of progress.

Reporting organisations are public entities or companies wholly or majority owned by the Crown. FOA and FFA consider this requirement of significantly or wholly public entities to be consistent with government's overall commitment to the Zero Carbon objectives.

#### 5ZW REGULATIONS RELATING TO REQUIRING PROVISION OF INFORMATION

The FOA and FFA note the proposed ability for the Governor General to introduce information reporting and other requirements for sectors or activities. It is noted that any such additions must give consideration to a range of factors including what is already provided and the capability to provide such information and to consult with affected parties. The FOA and FFA submit that capability should include consideration of the economic, as well as the practical implications, for those required to report.

Thank you for the opportunity to submit on this Bill. The FOA and FFA would like to be heard should there be an opportunity for oral submissions on this Bill.



David Rhodes, CE, FOA



Hamish Levack, President, NZFFA