

SUBMISSION

**We are.
LGNZ.**
Te Kāhui Kaunihera o Aotearoa.



The Zero Carbon Bill

A submission by Local Government New Zealand to the Ministry for the Environment

19 July 2018

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We are. LGNZ.

Local Government New Zealand (LGNZ) is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and lead best practice in the local government sector. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities throughout New Zealand. Our purpose is to deliver our sector's Vision: "Local democracy powering community and national success."

This final submission was endorsed by Dave Cull, President, Local Government New Zealand.

Introduction

LGNZ welcomes the opportunity to make a submission in response to the Government's Discussion Document on its proposed Zero Carbon Bill.

Adapting to and mitigating the impacts of climate change is a priority focus for councils across New Zealand. Local government's view is that climate change adaptation and mitigation go hand in hand. The emissions trajectory that we get locked into will determine the scale of our adaptation challenge, while equally we cannot invest significant amounts of money into preparing for climate change without doing anything to reduce the problem.

Local government is committed to "doing its bit" to contribute to emissions reductions. A number of councils across the country are already taking steps to reduce emissions, both within their organisations and the community. However, LGNZ's view has long been that there is a need for a clearly defined pathway to a low-emissions economy that sets a clear target and plan for meeting it, including by allocating roles and responsibilities.

LGNZ considers that the Government's proposed Zero Carbon Bill framework will provide that pathway, and will ensure that New Zealand takes a long-term approach to climate change action.

The Zero Carbon Bill framework also presents an opportunity for New Zealand to give focus to and make significant progress on climate change adaptation and LGNZ is pleased to see that the Government intends that adaptation be included in that framework. However, local government's position is that inclusion of adaptation in the Bill's framework alone will not be sufficient to make real progress in this area. Real progress on effective adaptation will only be achieved if central and local government work together. Local authorities are at the frontline of adaptation in New Zealand, and the impacts of adaptation are by definition local. As such, local government is well-placed to play a key role in developing and implementing the policy settings, frameworks and tools that are needed to enable New Zealand communities to adapt.

LGNZ's chosen responses from the Government's list of options to each of the questions set out in the Discussion Document is noted in bold in this submission. The submission also provides LGNZ's additional comments on each particular issue set out in the Discussion Document.

Summary

In summary, LGNZ considers that:

- An emissions reduction target must be set in law now to provide New Zealanders with certainty and to kick start concerted mitigation action.
- While local government's ultimate ambition is that New Zealand will transition to a net zero emissions economy by 2050, the local government sector's view is that the Government should in the first instance adopt a target of net zero long-lived gases and stabilised short-lived gases until such time that New Zealand has a better understanding of the impact and capacity of technology to contribute to emissions reductions, particularly in agriculture.
- New Zealand should give priority to its domestic mitigation effort, while leaving some flexibility to rely on international carbon units if necessary to meet its emissions reduction target.
- Revisions to the 2050 emissions reduction target should be to make that target more ambitious. The circumstances in which the target could be loosened must be exceptional.
- Emissions budgets will provide communities with clarity and certainty. Any changes to the emissions budgets should be to strengthen them.
- The Climate Change Commission must not be a substitute for the Government showing strong leadership on climate change. Mechanisms must be put in place to ensure that the Government and successive governments are required to demonstrate leadership and take durable action on climate change.
- The Climate Change Commission should have advisory and monitoring functions but mechanisms should be put in place to require the Government to publicly respond when it disagrees with the findings, advice or recommendations of the Commission.
- LGNZ commends the Government for recognising it as essential that some of the Commissioners have knowledge and experience of adaptation and local government.
- The Zero Carbon Bill must cover adapting to climate change.
- The proposed functions of a national risk assessment and national adaptation plan will provide New Zealand with clearer direction on adaptation and clearer allocation of roles and responsibilities for adaptive action. Local government must be closely involved in the development of both of these tools.
- A national risk assessment should be undertaken by LGNZ's proposed Local Government Risk Agency, or a similar national agency and not by the Climate Change Commission.
- The Government's proposed adaptation reporting power should not result in any unnecessary duplication of reporting, presuming that a certain level of reporting by key organisations will be required to complete a national risk assessment.

2050 target

LGNZ has previously endorsed the need for a clear emissions reduction target to be set in law, notwithstanding that New Zealand already has an obligation to meet an emissions reduction target under the Paris Agreement. A much more concerted effort is urgently needed to reduce New Zealand's domestic emissions.

The local government sector's ambition is that New Zealand will ultimately make the transition to a net-zero emissions economy. However, LGNZ and its members recognise that this ambition will have significant, and potentially disparate, impacts on New Zealand's communities, particularly rural and vulnerable communities. In its submission to the Productivity Commission on its draft report on how New Zealand can transition to a low-emissions economy, LGNZ urged the Productivity Commission to more strongly consider and address the potential for disparate impacts on the well-being of vulnerable and rural communities and how these could be mitigated. LGNZ urges the Government to keep this in mind when it sets an emissions reduction target.

LGNZ's responses to the specific questions set out in the Discussion Document are provided below.

What process should the Government use to set a new emissions reduction target in legislation?

Answer: The Government should set a 2050 emissions reduction target in legislation now.

Setting the target in law now will provide clarity, certainty and help to achieve consistency across sectors, businesses and communities. LGNZ urges the Government to get on with putting in place the target that New Zealand needs to meet, as opposed to delaying things any further. LGNZ is concerned that if the Government sets an emissions reduction target in law later, the timeframe remains undefined and subject to change. That will not provide New Zealanders with the certainty that they need. Nor will it encourage New Zealanders to get on with making the progress and changes that are required now. Setting the target now provides a strong impetus and platform for action.

In any event, LGNZ's view is that New Zealand's communities are expecting an emissions reduction target to be set in law as a result of this process, and that to delay things further would be inconsistent with that public expectation.

If the Government sets a 2050 target now, which is the best target for New Zealand?

Answer: Net zero long-lived gases and stabilised short-lived gases.

The local government sector's ultimate ambition is that New Zealand transitions to net zero emissions across all greenhouse gases by 2050. As the sector that will bear the most significant costs of infrastructure adaptation and with a mandate to ensure community well-being, local government supports a strong target and commitment to taking substantial action to reduce the impacts of climate change.

However, LGNZ recognises the significant impacts of the transition on rural communities and the concerns that those communities have. LGNZ acknowledges that rural communities do have ambitions to reduce their emissions, but that currently there are some significant unknowns. We do not yet have a clear understanding of what large-scale land use will entail and when it will happen (though LGNZ does recognise the need for such land use change if significant reductions in emissions are to be achieved) and there is still significant further work to do around developing relevant science and technology to support rural communities to do more to reduce and account for agricultural emissions.

Until such a time that the means and mechanisms for reducing and accounting for agricultural emissions are better understood, LGNZ supports the Government adopting the proposed target of net zero long-lived gases and stabilised short-lived gases. Further, it is long-lived gases such as carbon dioxide and nitrous oxide that are the greatest threat to global climate change. The Government can and should then revise the target to be more ambitious once technologies have developed and once we have a clearer, science-based understanding of how agricultural emissions can be accounted for. This approach will support rural communities through the transition, and ensure that the impacts of the transition on those communities are not hard-hitting and immediate ones that the sector could not recover from.

LGNZ does, however, consider that further work needs to be done by the Government to define what is meant by “stabilisation” of short-lived gases. This is something that the Interim Climate Change Committee or Climate Change Commission could advise on, and any final decision as to what the target means and requires should be consulted on with affected sectors, particularly the agriculture sector.

Notwithstanding LGNZ’s preference for this phased approach for New Zealand’s emissions reduction target, LGNZ considers that it is critical that research and development focused on reducing agricultural emissions is prioritised. Setting the different targets for different gases is ultimately not about lowering ambition or slowing down progress but about being realistic as to, and allowing, the time that will be needed to allow quality research and development to take place to inform the progress that must ultimately be made in this area.

How should New Zealand meet its targets?

Answer: Domestic emissions reductions and using some emissions reductions from overseas that have strong environmental safeguards.

LGNZ’s view is that priority should be given to a domestic effort to reduce emissions in order to reap the maximum economic benefit and other co-benefits that a domestic effort would provide. However, New Zealand does still need flexibility and the ability to access a broad range of options to meet its emissions reduction target. As such, LGNZ considers that New Zealand should be able to meet its targets by using some emissions reductions from overseas (international carbon units) where a top up is needed. The international carbon units should only be drawn upon when domestic mitigation efforts are genuinely not sufficient to enable New Zealand to meet its target.

LGNZ agrees that if international carbon units are utilised it is critical that they have strong environmental safeguards. There is further work that likely needs to be done to define what constitutes such a strong and robust safeguard. Once defined, the Climate Change Commission could be utilised to provide advice on whether international carbon units have sufficiently strong environmental safeguards.

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

Answer: Yes.

Although the future is uncertain, LGNZ does anticipate that technologies and science will develop to aid efforts to meet our emissions reduction target, and to speed progress up. As such, LGNZ considers that there must be some flexibility for the Government to revise the 2050 emissions reduction target if circumstances change. Changes to the emissions reduction target would likely be suitable in circumstances where there are advancements in science and technology and changes to international policy.

The scope to change the emissions reduction target must ultimately be to make that target more aggressive and to speed up progress.

The circumstances in which the emissions reduction target could be weakened must be exceptional and limited. The Bill's provisions must ensure that the target cannot be changed at the whim of politics. The Bill should require that stringent criteria are met before the target can be loosened. LGNZ's view is that it may in fact be more appropriate to utilise emissions budgets as the mechanism for accounting for exceptional circumstances. The budgets could be utilised to even out the impacts of an exceptional external event or circumstance over time, without necessarily requiring a change to the ultimate long-term emissions reduction target.

Any changes to the target, whether to strengthen or weaken it, should be consulted on and should be underpinned by scientific analysis.

Emissions budgets

LGNZ is supportive of the Government's proposal to establish an emissions budgeting mechanism under the Zero Carbon Bill.

LGNZ's responses to the specific questions set out in the Discussion Document are provided below.

Do you agree with the Government's proposal for three emissions budgets of five years each to be in place at any given time?

Answer: Yes.

LGNZ agrees with the Government's proposal that three emissions budgets of five years each should be in place at any given time. The emissions budgets will provide communities, sectors and businesses with certainty and consistency.

Should the Government be able to alter the last emissions budget?

Should the Government have the ability to review and adjust the second emissions budget within a specific range under exceptional circumstances?

Answer: Yes, to both questions.

LGNZ's position is that it might be appropriate to adjust the second and third emissions budgets in circumstances where there are significant changes to science, technology and/or international policy. The scope to change the budgets must ultimately be to strengthen them and speed up progress.

The Bill should set out a stringent set of criteria which must be met before the budgets could be weakened. Care must be taken to ensure that the Bill's framework does not allow emissions budgets to be weakened at the whim of politics. There must be genuine reasons for weakening a budget.

As noted above for changes to the emissions reduction target, changes to the budgets should be required to be consulted on and underpinned by scientific analysis.

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?

Answer: Yes.

LGNZ agrees with the proposed list of considerations that the Climate Change Commission and Government should take into account when advising on and setting budgets. LGNZ considers that it is important that social and economic factors are taken into account, and is pleased to see that such factors have been included in the proposed list of considerations.

Ultimately, the key consideration that must be taken into account when setting budgets is whether they will help to achieve the long-term vision of reduced emissions.

Government response

LGNZ's view is that it is critical that the Government and subsequent governments demonstrate strong leadership on climate change action. Requiring action by governments in law sends a strong signal, and will ensure that commitment to addressing climate change receives the long-term focus that is needed if real progress is to be made.

If these provisions are to be sustainable it is critical that there is cross-party support for both the Zero Carbon Bill framework, and the need for governments to take action to address climate change.

LGNZ's responses to the specific questions set out in the Discussion Document are provided below.

Should the Zero Carbon Bill require Governments to set out plans within a certain timeframe to achieve the emissions budgets?

Answer: Yes.

LGNZ agrees that the Government should be required to set out plans within a reasonable timeframe to achieve the emissions budgets. This approach will ensure that the Government is still required to take a strong and tangible leadership role on climate change mitigation.

While LGNZ acknowledges that careful and considered planning by the Government will be important, particularly so as to avoid unintended impacts of any plans on communities and businesses, LGNZ considers that it is equally important that progress and action by the Government is not unnecessarily delayed. The Zero Carbon Bill framework should therefore require the Government to develop its plans within a reasonable timeframe.

The Climate Change Commission should have the ability to advise if it believes that progress by the Government is too slow.

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?

When setting plans to meet budgets, the Government should engage with the communities that will be most impacted by those plans, particularly if the plans will place significant obligations or responsibilities on, or result in significant change for, those communities. Local government is well-placed to be an important collaborative partner for the Government in such instances.

When setting plans to meet budgets, LGNZ also considers that there will be a critical need for the Government to access quality research and development about how New Zealand can meet its emissions reduction target. Processes for accessing research and development need to be short-circuited so that the research and development can be accessed and dispensed without unnecessary delay.

The Government should also keep in mind Treasury's Living Standards Framework and the four capitals when setting its plans. By focusing on the four capitals, as opposed to just GDP, the Government will be better able to ensure that the plans it develops will support community well-being and enable co-benefits from its plans to be maximised.

Climate Change Commission

LGNZ has previously endorsed calls made by the former Parliamentary Commissioner for the Environment Dr Jan Wright and current Commissioner Simon Upton for the establishment of an independent Climate Change Commission. LGNZ supports the establishment of such a body to the extent that it would drive momentum and change.

However, related to the comments made earlier in the "Government response" section of this submission, LGNZ's position is that it is critical that the Climate Change Commission is not a substitute for the Government and successive governments taking an integrated approach to climate change and showing strong leadership on the issue. A Climate Change Commission is only part of the solution – there is still a need for the Government to be a leader.

LGNZ agrees with the Government that the Climate Change Commission must be independent and that its membership must be based on skill and expertise, not sector representation. LGNZ's view is that the appointment of Commissioners should be a cross-party exercise, so as to ensure the Commission is durable and has the broad support of Parliament. This is particularly important given the influence that the Commission should have on Parliament's decision-making.

LGNZ recognises that finding the right people to fill the role of Commissioner will be a challenge, particularly given the breadth and depth of knowledge and expertise that will be required if the Commission is to be effective and able to address both adaptation and mitigation. That makes it even more critical that a cross-party approach is taken to finding the right people to fill those roles.

LGNZ's specific responses to the questions set out in the Discussion Document are provided below.

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?

Answer: Yes.

LGNZ agrees that the Climate Change Commission's functions should be advisory and monitoring ones.

LGNZ considers that vesting the Climate Change Commission with full decision-making powers would create two key risks: a risk that the Climate Change Commission would become a substitute for the Government and successive governments showing strong leadership on climate change, and a risk that subsequent governments may disestablish the Climate Change Commission out of political motivations. That would seriously undermine progress on climate change.

However, LGNZ recognises that if the Climate Change Commission's functions are advisory and monitoring ones only, there is a risk that the Commission will lack the "teeth" that it needs in order to have significant impact and hold the Government and successive governments to account. LGNZ's position is therefore that the Zero Carbon Bill must establish a mechanism whereby the Government must publicly respond if it disagrees with the advice that the Commission provides. This will ensure that there is a level of accountability in circumstances where the Government deviates from the Commission's recommendations.

What role do you think the Climate Change Commission should have in relation to the New Zealand Emissions Trading Scheme?

Answer: Advising the Government on policy settings in the New Zealand Emissions Trading Scheme.

LGNZ's view is that decision-making around the Emissions Trading Scheme (ETS) must remain with the Government. Decisions about the ETS should not be the responsibility of a body that is not democratically elected. The Climate Change Commission can and should, however, provide the Government with advice on policy settings in the New Zealand ETS.

Such an approach would be consistent with the Government's proposal that the Climate Change Commission has advisory and monitoring functions only, and not decision-making functions. Further, given the close relationship between emissions budgets and the ETS it would be inappropriate for decision-making in respect of budgets to rest with the Government and ETS decision-making to rest with another body. That would likely result in inconsistent approaches and decision-making anomalies.

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?

Answer: Yes.

LGNZ is pleased to see that the Discussion Document identifies "experience with addressing adaptation challenges like...local government" as essential expertise for the Climate Change Commissioners and supports the inclusion of that area of expertise. This expertise is essential, particularly if the Commission is mandated to deal with adaptation, which LGNZ considers it should be.

LGNZ makes the following additional comments:

- Progress on adaptation will only be effective and substantive if local government is closely involved in the Government's climate change adaptation work programmes. A Commissioner with knowledge of adaptation and local government should not be a substitute for a close working relationship between central and local government on adaptation. There must be continual engagement by central government with local government which the Zero Carbon Bill could specifically require.
- LGNZ is well-placed to advise the Government on appropriate people to provide the experience with addressing adaptation challenges and local government that the Commission needs.
- LGNZ recognises that different skillsets will be required in order for the Commissioners to advise on adaptation and mitigation, and that it will be difficult to find people who have skills in both areas. That will have implications for the size and structure of the Commission. For this reason, LGNZ recommends in further detail below that the proposed national risk assessment should be undertaken by a separate agency. LGNZ considers that it may be appropriate for Commissioners to be allocated particular portfolios.
- LGNZ is not supportive of the adaptation subcommittee model which has been adopted in the United Kingdom. LGNZ's concern is that a subcommittee arrangement would create a hierarchical structure that gives lower priority to adaptation. That would potentially result in adaptation not getting the level of focus and resourcing that it requires.
- It is critical that the Commissioners have access to all necessary research and that access to that research is not unreasonably delayed.

Adapting to the impacts of climate change

Adapting to the impacts of climate change is a priority focus for councils across New Zealand. LGNZ has long advocated for the need for greater action by the Government on adaptation. However, LGNZ's position is that it is critical that local government is closely involved in any work that the Government does on adaptation, given that local government is at the frontline of adaptation action and the impacts of adaptation are by definition local.

LGNZ's responses to the specific questions on adaptation set out in the Discussion Document are provided below.

Do you think the Zero Carbon Bill should cover adapting to climate change?

Answer: Yes.

The Zero Carbon Bill must cover adapting to climate change. New Zealand needs joined up action on both climate change mitigation and adaptation, and the Zero Carbon Bill provides an opportunity to deliver that. It would be inappropriate for New Zealand's key piece of climate change legislation to focus on mitigation only, particularly given that current global temperatures mean that a certain level of adaptation is inevitable.

The Paris Agreement makes provision for and requires action on both climate change adaptation and mitigation. It is entirely appropriate that New Zealand's Zero Carbon Bill adopts a similar approach.

LGNZ's concern is that if the Zero Carbon Bill does not extend to adaptation as well as mitigation, adaptation will not get the level of focus and attention it requires. It is also concerned that successive governments could more easily relegate adaptation in terms of priority if there is not a legal requirement to take adaptive action (notwithstanding that successive governments could of course repeal certain sections of the Zero Carbon Act). A joined up approach to adaptation and mitigation will also ensure that New Zealand does not miss opportunities to maximise co-benefits by compartmentalising issues.

The Government has proposed a number of new functions to help us adapt to climate change. Do you agree with the proposed functions?

Answer: Yes.

LGNZ is strongly in support of the Government's proposals to undertake a national risk assessment and to develop a national adaptation plan. LGNZ has long advocated for these two things. However, LGNZ makes the following additional comments:

- The Government's proposed national risk assessment should be undertaken by LGNZ's proposed Local Government Risk Agency (LGRA), or a similar risk agency model with national application, and not the Climate Change Commission as is currently proposed. Although LGNZ's view is (as noted above) that the Climate Change Commission should have knowledge and expertise around climate change adaptation, the expertise required to undertake a risk assessment will be specific and technical, and not necessarily expertise that is needed on the Commission for other purposes. LGNZ believes that this is the most practicable way of ensuring that the Commission's membership is comprised of the most appropriate knowledge and expertise.
- While LGNZ agrees that the Government should be responsible for developing and monitoring progress on a national adaptation plan, LGNZ's view is that the Zero Carbon Bill should explicitly require that local government is involved in both the development and the ongoing monitoring, review and updating of that plan. Local government is best placed to understand the implications of a national adaptation plan for councils and their communities.
- LGNZ believes that certain aspects of the national adaptation plan could be worked on now and that there is not a need to wait until a national risk assessment has been undertaken to commence that work. The Government could and should start work now, with local government and other relevant parties, on defining a common set of priorities, goals and outcomes for adaptation. The priorities and goals could be set out in the Zero Carbon Bill framework to give them high standing.
- LGNZ's view is that an area requiring urgent and significant progress by the Government is decision-making around the allocation of and roles and responsibilities for funding the costs of adaptation. This is something that the Climate Change Commission should be mandated to provide the Government with advice on if it sees fit, or considers that Government progress in this area is too slow.

Should we explore setting up a targeted adaptation reporting power that could see some organisations share information on their exposure to climate change risks?

Answer: Only if the reporting power would require reporting of information of value that will not be included in the national risk assessment.

LGNZ's view is that the Government needs to give careful consideration to how the proposed reporting tool relates to its proposed national risk assessment. Presuming that a certain level of local input will be required for the completion of a national risk assessment, LGNZ considers that further work needs to be done to identify what additional information the reporting tool would encompass that would not be incorporated within a national risk assessment. Any additional information gathered via the reporting tool must be of value. The Government must ensure that the reporting tool does not result in unnecessary duplication of reporting.

It may be that instead of developing a reporting tool it would be sufficient for the Bill to require that key organisations cooperate with the completion of the national risk assessment by providing certain information that is required from them within a certain timeframe. This would be consistent with the level of input from key organisations that will presumably be required in any event to enable the completion of the assessment.

In the event that the Government does proceed with this proposed reporting mechanism, LGNZ notes:

- A broad range of organisations with responsibility for infrastructure and services that impact on New Zealanders' lives must be required to complete reporting. That should include key central government agencies.
- The proposed reporting power is likely to result in increased cost and compliance for councils and other organisations that are subject to it.
- The Government should work on developing the reporting tools with the organisations that will be required to report so as to ensure that the tools are easy to understand and use. The Government will likely need to give consideration to what support, guidance and resourcing it needs to provide to the organisations that are subject to the reporting power, particularly those for which capacity and capability are issues.

Conclusion

Action on climate change mitigation and adaptation is needed as a matter of urgency. The development of the Zero Carbon Bill is an important start and step in the right direction.

It is critical that the Zero Carbon Bill sets a clear target in law now to provide New Zealand communities with much needed certainty and clarity of direction. However, the Government needs to take care when setting the emissions reduction target to ensure that the transition is a just one, particularly for rural and vulnerable communities.

Local government is committed to continuing to its bit to mitigate and adapt to the impacts of a changing climate and urges the Government to continue to closely involve the sector in its work. While LGNZ supports the need for Climate Change Commissioners to have knowledge of adaptation and local government, this must not be a substitute for ongoing engagement between central and local government.