

Submission to the Productivity Commission on the Draft Report on Transitioning to a Low-Emissions Economy

1. This submission is in response to the Commission's draft report on a possible transition to a low emissions economy, released on 27th April 2018.
2. Your draft report has made regular references to "strong population growth" as a key underlying driver of New Zealand's emissions since 1990. This relationship is summarised in finding F2.7 as follows:

"Economic and population growth have been important underlying factors in New Zealand's rising emissions. Over the last 25 years, New Zealand's emissions per person and emissions per unit of output have decreased, but the increase in population and output has caused overall emissions to increase."
3. In your modelling, you appear to have treated population as an "underlying market driver", when it may be more correctly understood as being at least in part an "exogenous policy action".
4. Births, deaths and the free movement of New Zealand citizens are beyond the control of Government, so could be legitimately excluded as a policy lever in a modelling exercise. However, a significant driver of the strong population growth during recent decades and over the future forecast horizon is non-citizen immigration, which is determined by deliberate Government policy choices, including explicit residency targets.
5. Even if the 1% per year average annual population growth rate to 2050 were entirely driven by fertility rates and expected life spans of current residents, it could be inadvisable to ignore the possibility that actual growth proceeds at a higher average rate due to sustained high levels of non-citizen immigration. Population growth has exceeded 1% per annum for a number of years now as a result.
6. Since population growth and emissions growth are positively correlated, and population growth is heavily influenced by immigration policy decisions, the analysis should provide an assessment of the effects to emissions and the economy of reducing immigration-based growth via adjustments to the residency target or associated measure. I suggest that the modelling should be extended to recognise adjusting non-citizen immigration levels (to achieve lower population growth) as a policy lever available to the Government in order to meet emissions reduction goals.
7. At the very least, I would encourage you to provide and release sensitivity analysis around varying the population growth assumptions and provide a shadow price on that constraint to quantify the impact of population growth under each scenario.
8. The Government and the population needs to be provided with accurate information quantifying the effects of all policy decisions upon future emissions in order to be able to take the most effective and efficient mitigating actions. Population growth via immigration policy ought to be included in this assessment so that policy adjustments in that area can be considered as part of the broader solution to emissions reductions.