



New Zealand Productivity Commission

PO Box 8036

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WELLINGTON 6143

11 June, 2018

To whom it may concern:

Re: Low Emissions Economy

This submission is in response to the Commission's draft report concerning movement toward a low emissions economy, specifically in regard to the section concerning "The Built Environment". The Federation is representative of the supply chain of the New Zealand building industry. Its membership of some 140 companies is drawn from merchants, manufacturers, importers and marketers of building products and materials.

Members of the Federation and affiliated building materials organisations, notably those involved in the metals, cement and concrete and wood product manufacturing sectors, are giving close attention to the report of the Commission. Each of these sectors has differing views on the implications of the suggestions from the Commission. For example, insulation manufacturers and marketers will find merit in the recommendations for higher levels of energy efficiency in residential and commercial builds as an incentive for higher sales levels of insulation products.

On the other hand, steel and cement and concrete suppliers will question emission prices which may lean intentionally to a preference by constructors and commissioners of new builds for wood solutions. Striking a balance in this area which takes into account the variations in ground and atmospheric conditions which can apply in the New Zealand market may be challenging, as choice of materials can be constrained by seismic, coastal (wind and salt) and high UV considerations.

Further, debate is likely to ensue concerning the embodied energy content of particular materials. An appropriate balance of an emissions levy in cases where a constructor sees no option for choice other than use of a material attracting a high levy because of a potential life endangering situation will be challenging.

A key question for consideration will be, in our view, a need to seek to ensure that any carbon costs levied on New Zealand industries, for example the cement and steel sectors, are consistent with those costs levied on their international competitors. Should some countries impose lower carbon emission costs, or none at all, it is likely New Zealand buyers would tend to favour lower priced imports at the expense of local producers. The end result could be a decimation of local industries.

While it is understandable that use of the Building Code as a mechanism for encouraging resort to products and materials offering low emissions mitigation has appeal, there are inherent dangers in seeking to use a process designed to ensure as much as possible the construction of safe, durable and well-built structures for purposes other than those for which it was originally intended. The additional cost factors bearing in from a emissions levy may well mitigate against choice of the “right materials” appropriate under the Building Code from a safety and durability perspective by client, designer and constructor, especially where it is perceived by the developer that initial price is the major consideration in the bidding/tendering process.

A “whole of life” approach by the tenderer coupled to an emissions levy set over life time of the building that takes into account the embodied emissions may be more acceptable than an initial levy charged when there is handover of the structure from constructor to owner. But whatever mechanism is used it is, in our view, better imposed through regulation separate to that of the Building Code.

A balance of levy may also need to be struck between those products and materials which are manufactured to perform well as an insulation material intended in use to be an energy saver but which require a significant input of electricity in the manufacturing process.

We contend that that the potential existence of an emissions levy to encourage the design and construction of both residential and commercial builds that encourages an uptake of technologies that will improve building efficiency and reduce electricity use during period of high demand is likely to be more effective than amendments to the Building Code. Incentives already exist to achieve this, for example lower electricity costs to tenants in commercial buildings, where such practice has been followed. But such incentives do not impose on the integrity of choices made in following safe practices required by the Code.

To the extent that waste materials from construction are a factor in emissions, it is fair to say that major suppliers are consistently aware of the economic costs both to their individual businesses and to the economy of waste disposal. Good “housekeeping” in this area is encouraged by the Federation and members are regularly involved with local government and supportive of product stewardship regimes assembled by the Ministry for the Environment.

Considerable work has been carried out by BRANZ in the emissions cycle of the building industry. We believe the Commission may well have consulted with BRANZ in preparing this report and we believe experts available from this organisation will be helpful to policy makers in their future consideration of such a scheme.

We would also commend to the Commission the Cement and Concrete Association of NZ, Metals NZ in respect of steel and aluminium production, and the Wood Processors and Manufacturers Association in regard to wood products as information sources.

We would also emphasise a need for policy makers to consult further with manufacturers and suppliers, as well as designers, builders and developers to assess the on ground impact of such a levy to ensure a smooth transition should a decision be made to introduce such a scheme. This is, in our view, especially critical to steel, concrete, masonry and cladding suppliers, as well as those engaged in roofing and insulation supply.

Thank you for the opportunity to comment on your draft report as it relates to our industry. We will be pleased to contribute further should the Commission wish to engage in further discussion.

Yours sincerely,

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