

8 June 2018

Low-emissions economy inquiry  
New Zealand Productivity Commission  
PO Box 8036  
The Terrace  
Wellington 6143

By email

**SUSTAINABLE BUSINESS COUNCIL LETTER OF RESPONSE TO THE PRODUCTIVITY COMMISSION'S draft Report: LOW EMISSIONS ECONOMY INQUIRY**

Thank you for requesting additional submissions on the Productivity Commission's Low Emissions Economy Draft Report.

The Sustainable Business Council (SBC) made a comprehensive submission on behalf of our members ahead of the draft report and we are pleased to see many of our recommendations reflected thus far.

We agree with the key principles outlined in the Executive Summary of the Draft Report. We have not chosen to answer the eleven specific questions asked by the Commission as these are specific to particular 'emissions' sectors and we expect members in these sectors will share their views directly.

We wish to underline our members views that:

1. ensuring long-term predictability creates the conditions for business to invest. Moving to a low emissions economy will take time however institutions, laws and price signals must be able to endure changes in government in order to facilitate a least-cost value-maximising transition.
2. additional investment for innovation is very important, especially when emissions pricing is being introduced. Chapters 5 and 6 in the Draft Report outline the evidence for and a sensible approach to this. In addition, research and investment cycles need to be informed by and responsive to business to ensure relevance and efficiency. Investment should also encourage solutions that can be applied where emissions 'sectors' (i.e. transport, agriculture, industrial processing, electricity) intersect rather solely within these emissions 'sectors'. This is because businesses are able to, and are already working on, opportunities to create emissions reductions from the goods and services they procure through their supply chains.
3. care must be taken to ensure those businesses who are emissions intensive and/or trade-exposed are able to transition at a pace that is consistent with available solutions or price-signals appearing in their international markets. This is because there is a risk that emissions-intensive sectors will lose their competitiveness off shore if they have to internalise the cost of carbon ahead of their competitors.
4. ensuring the transition is just and leaves no-one behind is key to building New Zealanders support for it. The impact of a changing climate has economic and social as well as

environmental implications. SBC members understand and are already considering how the future work force needs to change, and how the costs of their products and services will impact on those less able to pay. Investing in a just transition will help ensure that all New Zealanders and their communities are able to keep supporting the ongoing economic, social and environmental changes that will be required. We also suggest strengthening the narrative about the already well-documented co-benefits of a low emissions future such as improved healthier homes, air quality, soil quality and biodiversity.

Finally, we would like to see much greater emphasis in the final report on the importance of action outside of the legal and institutional frameworks laid out in the Draft Report. This includes:

1. Leadership: the scale of the transition we need to make requires more than leadership from within laws and institutions. It is a collectively held responsibility that is required from all sectors of the economy. Actively investing in, and facilitating opportunities for New Zealand's most senior leaders to work together is extremely important for galvanising action.
2. Painting a positive vision for a low emissions future: much of the current commentary about climate change is negative. It focuses on costs and loss. If we are to bring New Zealanders along on the journey, we need to show how low emissions living can be aspirational and inspirational. This means placing a much greater emphasis on communicating the positive action being taken across all sectors of society and recognising the role this plays in inspiring others to do the same.

Please do not hesitate to get in touch if you'd like to discuss this further.

Kind regards

A handwritten signature in blue ink that reads "R. Depree". The signature is written in a cursive, flowing style.

Rachel Depree  
Manager - Climate Change  
Sustainable Business Council