

Submission on: The Low-emissions economy draft report (April 2018)

By: Sustainable Business Network

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About the Sustainable Business Network

The Sustainable Business Network ([SBN](#)) is a membership-based organisation, with approximately 500 member businesses and organisations from across New Zealand. Our purpose is to ‘empower business so people and nature prosper’. We work with our members, and beyond, to drive this change.

Our membership can broadly be categorised in two main groups:

1. Innovating/pioneering businesses set-up with a purpose to produce goods and services which create a more sustainable world
2. Mainstream/established businesses with an interest in sustainability (varying degrees and motivations)

The ‘innovators’ need incentives to take calculated risks – financial (R&D, internalising external costs, e.g. emissions pricing), policy settings, regulation. The ‘mainstream’ need certainty to invest more in low emissions infrastructure, products and services.

We engage with our membership through a range of activities, including events, communications, project work, and an advisory service.

Our two priority projects are the circular economy and Million Metres Streams

- Our [Circular Economy Accelerator](#) is a programme to accelerate New Zealand's transition to a circular economy - the circular economy and a low carbon economy can be seen as two sides of the same coin.¹
- [Million Metres Streams](#) is a crowd-funding based model to restore our waterways through riparian planting.

Overview feedback

SBN strongly supports the broad findings and recommendations contained in the report.

We endorse the urgent need for economy-wide transformation to a low emissions (carbon) economy and believe the circular economy represents a viable framework for achieving that.

As other studies have suggested (e.g. Westpac Climate Change [report](#)) prompt action is in NZ’s interests – the last decade has seen very inadequate action, and we can’t wait any longer.

¹ A circular economy is one where the lifecycles of materials are maximised, usage optimised and at the end of life all materials are reutilised. It is restorative by design and underpinned by the use of renewable energy. It is a sustainable and viable alternative to the dominant ‘take-make-waste’ linear model.

We support the view that action in the forestry, agriculture and transport sectors offers the most opportunity for emissions reduction, but we would like to emphasise that we need an ‘all-of-economy’ approach.

We recognise the need for a strong carbon price, whether that is achieved through a strengthened NZ Emissions Trading Scheme (ETS) or carbon tax. Given we have an ETS, it makes sense to keep that providing it is re-structured to provide the necessary carbon pricing, with comprehensive activity coverage (including agriculture). But, we acknowledge that a strong carbon price is a necessary but not sufficient measure – it must be complemented with a range of measures, as outlined in the draft report.

In our view, there are two main limitations with the report:

1. The main findings and recommendations do not adequately articulate the low carbon opportunities presented by adopting a ‘circular economy’ approach.
2. It is restricted to a production-based emissions approach (i.e. emissions resulting from activities within New Zealand), with almost no consideration of consumption-based emissions.

Circular economy approach

We note the references to circular economy in the report (Section 14.6), but these have not resulted in any specific recommendations. We think this is a significant missed opportunity. It must be noted that the circular economy is a holistic economic transformative model and not just associated with waste. Framing the low carbon transition within a circular economy context would provide a way to unify and amplify action. Such an approach would also facilitate engagement with, and support for, business to drive the necessary innovation. SBN has recently collaborated with ATEED and Sapere Research Group to produce a [report](#) looking at the economic and carbon opportunities for Auckland from a shift to a more circular economy. Similar reports overseas have also highlighted such opportunities (for example, [here](#)).

Consumption based emissions

The global carbon accounting system is based on a production-based approach. It is much easier to account for emissions occurring within the national boundary. However, SBN thinks that the carbon ‘conversation’ needs to widen to include consumption-based emissions. Consumption-based emissions (also known as embodied, embedded or Scope 3 emissions) are the carbon emissions associated with producing the goods and services which we buy (including from overseas). We need to be more aware of the emissions associated with imported goods (and increasingly services) we use, so that action programmes are enhanced to look at reducing these consumption-based emissions. For example, a recent [study](#) by the C40 Cities Climate Leadership Group has shown that consumption-based emissions in Oceania cities are the highest of the 79 cities in the study.

Specific feedback on recommendations

SBN is strongly **supportive** of the following recommendations:

Emissions Pricing (Chapter 4)

- Reforming the NZ ETS (R4.1) to deliver the necessary carbon pricing, as well as an effective emissions cap and protection against excessive price volatility.

Innovation (Chapter 5)

- Phasing out fossil fuel production subsidies (R5.1).
- Support for innovation (R5.2, 5.3).

Investment (Chapter 6)

- Support for climate-related financial disclosures (R6.2, 6.3).
- Support for low emission investment strategy (R6.4).

Laws and Institutes (Chapter 7)

- Support for all legal and institutional recommendations (R7.1 through 7.12)
- Support for efforts to seek broad political support for new climate legislation (Zero Carbon Act and Climate Commission)
 - BUT in the absence of that broad support (especially if motivated by political expediency rather than the longer-term national interest), the proposed legislation must not be allowed to be weakened to a point of ineffectiveness (as has happened with the NZ ETS). As mentioned before we cannot allow another decade to pass before we take meaningful action – we’ll have lost the ‘war’ by then.

Short-lived and long-lived gases (Chapter 8)

- Support for concept of separate targets for short-lived and long-lived gases, but only if they are in addition to an ‘all gases’ target, which should remain the primary measure (R8.1).

Policies for an inclusive transition (Chapter 9)

- No recommendations specified in the report, but we acknowledge the findings that suggest the need for increased support for low income households through existing mechanisms (F9.4) and the need for targeted support for the re-training of those currently employed in ‘sunset’ industries (F9.8).

Land use (Chapter 10)

- Support for agricultural emissions to be included in the ETS (R10.3). This is vital to signal the need for land use change towards lower emission agriculture, horticulture and other land uses.

Transport (Chapter 11)

- Support for CO2 emissions standards (R11.1) and a feebate scheme (R11.2).
- Support for the other transport-related recommendations (R11.3 through 11.6).

Electricity (Chapter 12)

- Support for moving towards an electricity pricing system which incentivises off-peak electricity use, especially considering electric vehicles charging (R12.3, R12.4).

Heat and industrial processes (Chapter 13)

- Support for EECA to shift some of its activities towards supporting the smaller business sector (R13.2).

Waste (Chapter 14)

- Support for significant increase in the waste levy (R14.3). This is vital to effect a fundamental change in our resource use.

The built environment (Chapter 15)

- Support for measures which enable a more flexible approach to alternatives building methods and materials (R15.1).

Additional recommendations

SBN would like to see these additional actions considered:

Investment (Chapter 6)

- (1) Recommendation to ensure that the public sector uses its collective procurement function and 'buying power' to, where appropriate, procure low/lower carbon goods and services, to help accelerate the market for them.
- (2) Building on R6.4, a recommendation to ensure that an investment strategy includes mechanisms for responsive funding for low emission research and development.

Laws and Institutions (Chapter 7)

- (3) Recommendation to, as part of new climate legislation, introduce shadow consumption-based emissions accounting and reporting to supplement the production-based emissions approach (see earlier comment).
- (4) Recommendation to ensure the development of clear, compelling and integrated communications and messaging for climate action programmes, so each programme is seen as part of an holistic and comprehensive response (a 'war footing' approach).

Land use (Chapter 10)

- (5) Recommendation to investigate moving the ETS point of obligation to the farm level (rather than processor), for the reasons covered in F10.11. R10.5 is related to this additional recommendation, but is not explicit.
- (6) Recommendation to investigate the removal of the statutory obligation for Fonterra to accept milk from dairy farms (which leads to the need for additional drying plants, many of which are fuelled by coal or gas).
- (7) Recommendation to ensure the appropriate use of advanced imagery technology to assess land use change, including afforestation of riparian margins.

Transport (Chapter 11)

- (8) Building on recommendation R11.6, add a recommendation to ensure that shared mobility services are investigated and given appropriate priority within low carbon transport strategy development and implementation.

Heat and industrial processes (Chapter 13)

- (9) Recommendation to investigate how current demands for non-renewable energy for heat and industrial processes could be shifted to renewables (electricity and biomass) using measures in addition to a strong carbon price (which is a necessary but not sufficient measure).

Waste (Chapter 14)

- (10) We welcome the recommendations relating to extending the scope of the waste levy to all sites and a graduated increase in the levy (R14.2, 14.3). This is a necessary but not sufficient

measure. The findings in the report are generally focused on 'end of pipe' considerations and solutions (with an implicit acceptance of the prevailing 'take-make-dispose' linear model), rather than looking at inputs and efficiency of resource use. We recommend that the scope is broadened to ensure that there is a co-ordinated action to encourage the circular economy. The circular economy approach is one where the lifecycles of materials are maximised, usage optimised and at the end of life all materials are re-utilised. It is restorative by design and underpinned by the use of renewable energy. The circular economy approach is inherently low carbon. It is also more consistent with a consumption-based approach to carbon accounting and reporting, as mentioned earlier in this submission. See below for a summary of the key action areas needed to accelerate the circular economy and which could form the basis of co-ordinated action.

Circular economy approach

A co-ordinated action plan to accelerate the circular economy in New Zealand needs to cover these areas:

1. Design – products need to be designed for 'circularity', rather than retrofitting an end of life solution.
2. Demand – the customer 'pull' for more circular solutions needs to be increased.
3. Infrastructure – additional infrastructure is required to make circular solutions more readily available.
4. Ownership – customers need to move away from their need to 'own' products. The focus should shift to access rather than ownership. At the least customers need to consider the 'whole of life' costs.
5. Emerging technology – the benefits provided by technology such as additive printing, Internet of Things, Artificial Intelligence and Blockchain need to be captured.
6. Policy – Government needs to send the appropriate rules that enable the transition.

For more, visit the Circular Economy Accelerator website [here](#).