

SUBMISSION

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LGNZ.**



# Transition to a Low Emissions Economy

A submission by Local Government New Zealand to the  
Productivity Commission

19 September 2017

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

## Introduction

LGNZ welcomes the Productivity Commission's inquiry into how New Zealand can transition to a low emissions economy, and the opportunity to make a submission.

LGNZ's position is that climate change is an important issue requiring a number of different urgent actions by a variety of parties. There is no shortage of signals being given by a wide range of stakeholders and communities that there is a need for greater and urgent action on climate change. Those calls should embolden the Productivity Commission to make recommendations for significant and tangible change.

The local government sector has committed to working with its communities on the issue of climate change. It is important that communities are involved in discussions about climate change action and understand the need that there is for everyone to do their bit to reduce our domestic emissions, in order to deliver attitudinal and behavioural change and move hearts and minds. The Productivity Commission could add further momentum and value to this inquiry by making the issues and findings that it considers publicly visible so as to stimulate wide community debate and discussion with all New Zealanders.

LGNZ wishes to stay engaged in the Productivity Commission's work and would like to be kept informed about and have input into the issues and solutions that it explores.

### LGNZ's position on climate change

Local government recognises, as stated in its Position Statement on Climate Change and the Local Government Leaders' Climate Change Declaration (copies included at Appendix A), that we must act on climate change now to avoid future risk. Local authorities have accepted that they are at the frontline of climate change adaptation and have a role to play in mitigation, and that their responsibilities will grow in addressing climate change as both anticipated and unforeseen problems are revealed. Local government has a strong interest in the impacts of climate change and what can be done to mitigate those impacts.

Local government is already working with its communities to address the issue of climate change. Councils are undertaking a wide range of actions to both adapt to and mitigate the impacts of climate change. For example, a number of councils across the country have developed and implemented emissions reduction plans and regularly monitor progress towards meeting the targets set out in those plans. A large number of councils are acutely aware of the issues and implications associated with land use changes for their communities and local economies.

LGNZ has advocated strongly for the Government to show greater and urgent action on climate change adaptation and mitigation, and has called on the Government to provide holistic and responsive leadership.

The local government sector's position is that New Zealand must demonstrate a real intention, through a range of realistic plans and initiatives at multiple scales using multiple policy tools and approaches, to meet the targets that it has committed to reach, or it should not have committed to these targets. The Government has a role to play in assisting New Zealand to prioritise the range of mitigation actions that need to be taken.

LGNZ has worked with the Crown to deliver a business case for a Local Government Risk Agency (LGRA) and this is with central government for a decision. Identifying, documenting and addressing the risks of climate change is critical and is one of the key areas that could be delivered by the LGRA.

### Addressing the problem by making change

We must move on from debating the scale and significance of the problem of climate change. We need to focus on changing behaviour to reduce emissions in New Zealand. Continuing to rely on the purchase of carbon units is no longer an option.

Communities, businesses, iwi and councils have a part to play in making the changes that are necessary in order to reduce our domestic emissions. Incentives are needed to achieve tangible changes. The Government has the ability to incentivise New Zealanders to change their behaviour, and specific examples of how this could happen are outlined in this submission.

While every little bit of action towards reducing emissions and small behavioural changes will help, the significance of the challenge of climate change means that something more than suboptimal temporary change is required. A plan for how we transition to a low emissions economy is urgently required.

### The consequences of failing to act

The costs of transitioning to a low emissions economy will undoubtedly be significant. But the cost of failing to act will be even greater.

There will be impacts for New Zealand's markets, trade relationships, its built and natural environment, and for the sustainability of its towns and cities if we do not meet the Paris Agreement targets. All of these impacts will, most significantly, have detrimental consequences for the prosperity of iwi and communities, and in particular New Zealand's low socio-economic and rural communities. Further, the costs of failing to act now to address climate change will disproportionately fall to future generations.

Failure to meet the Paris Agreement targets will also have negative impacts for New Zealand's international reputation. It is irrelevant how small New Zealand is compared with other countries, particularly given that New Zealand's emissions per capita are high (as per page 11 of the Productivity Commission's Issues Paper). Regardless of size, other countries will measure the contribution that New Zealand makes to the global reduction of emissions. Our position as one of the largest producers of agricultural (biological) emissions in the world means that we will be watched by other countries for the leadership that we demonstrate in finding ways to reduce those emissions. New Zealand can be a world leader in producing food in a climate constrained world and should not miss the opportunity to act now to provide technological and innovative thought and political leadership.

## Treat adaptation and mitigation as interrelated

LGNZ understands that the Productivity Commission's inquiry is concerned with mitigation only. However, mitigation and adaptation should not be viewed or considered in isolation from one another. The emissions trajectory that we get locked into will determine the scale of our adaptation challenge. Failure to act now will increase New Zealand communities' exposure to natural hazard events and the costs of adaptation in the long term.

Actions to adapt to and mitigate the impacts of climate change are complementary. Alignment of adaptation and mitigation activities can increase the effectiveness of both and promote additional benefits for resilient communities, water quality outcomes and biodiversity goals at the same time. A transition to a low emissions economy offers the chance to consider additional opportunities for alignment and efficiencies across sectors and regions.

## World Bank's three broad principles for guiding countries' low-emissions efforts

LGNZ endorses the World Bank's three broad principles for guiding countries' low-emissions efforts (set out at page 60 of the Productivity Commission's Issues Paper) and believes that the principles should underpin New Zealand's transition to a low emissions economy:

1. Planning ahead with an eye on the end goal: Implementing a mix of cheap, quick fixes that are sector-specific, as well as locking in costlier, longer-term measures that support technology development and low-carbon infrastructure.
2. Supplementing carbon pricing with other policies: Recognising that carbon pricing alone will be insufficient, so creating a policy package that triggers changes in patterns of investment, technologies and behaviours.
3. Managing the political economy and smoothing the transition for those who are most affected: Ensuring that climate policy is attractive for the majority, and avoiding impacts appearing to be unfair or concentrated in a region, sector or community.

## Summary

LGNZ's position is that the following is needed to aid New Zealand's transition to a low emissions economy:

- Urgent action and holistic leadership on climate change by the Government.
- Commitment by the Government to taking into account climate change impacts in all policy and procurement decisions.
- An Emissions Trading Scheme that removes complexity, provides certainty and incorporates all emitting sectors over time.
- Long-term, cross party commitment to settings that ensure effective carbon prices under the Emissions Trading Scheme.
- Incentives for climate change action that are in line with New Zealand's commitments under the Paris Agreement to reduce domestic emissions.

- Provision by central government of the assistance (including financial assistance) that individuals, communities, iwi and industries require to transition to a low emissions economy.
- Analysis on the merits of new funding models for accelerating the provision of electric vehicles and electric vehicle charging infrastructure.
- Greater investment by central government in electrified public transport and low emissions freight options.
- Analysis on steps that could be taken by central government to make it easier for communities and the private sector to access low emitting building materials and methods.
- A statutory framework that allows local government to take into account climate change impacts and greenhouse gas emissions (eg through amendments to the Resource Management Act and Local Government Act).
- Any climate change legislation (eg legislation that establishes an independent climate change commission or sets emissions reduction targets in law) should take a long-term view and be underpinned by cross-party agreement on direction, so as to ensure sustainability and longevity.
- Incentives for the uptake of innovative technology to reduce emissions, including greater support for climate change research and development in New Zealand.
- A central government led education campaign that makes New Zealanders aware of the opportunities and risks of climate change, and the options for actions that communities can take to contribute to reducing domestic emissions.
- Local government, central government and iwi to work together to develop a clear pathway to a low emissions economy.
- Central government support for local government's search for innovative solutions to the challenge of climate change, including financial support.
- Clear allocation of responsibility for climate change adaptation and mitigation action, including allocation of fiscal responsibility.

## Responses to questions

### Reducing emissions in agriculture

LGNZ is aware that some communities view mitigation action as an “attack on the rural economy” and that there are concerns that the costs of bringing agriculture into the Emissions Trading Scheme would be significant for that sector. LGNZ is equally aware of the importance of agriculture to the prosperity of New Zealand.

However, LGNZ's position is that the following changes are needed:

- Ongoing exploration by the Government (and other stakeholders) of the full range of options available for reducing emissions in agriculture.

- Over time, all emitting sectors should pay a price for their emissions, by incorporation into a certain and inclusive Emissions Trading Scheme.
- The Government must provide the agricultural sector with the assistance that it needs to transition. Adopting the two baskets approach, for example, would allow for a softer transition to a low emissions economy for agricultural business owners.<sup>1</sup>
- Government should encourage the agricultural industry to realise the co-benefits that would result from taking steps to reduce emissions, such as robust riparian margins and better freshwater quality and biodiversity outcomes.

### Alternative land uses and sequestering carbon in forests

To optimise the efficiencies around land use change, and to encourage greater sequestering of carbon in forests, LGNZ believes that:

- Upwards growth needs to be incentivised and outwards growth discouraged, in light of the significant population growth that is projected in New Zealand's metropolitan centres.
- More intensive use of zoned land (eg residential and commercial zoned land) needs to be encouraged to avoid the need to build new infrastructure to reach outlying communities and businesses (which would also avoid the emissions that would result from constructing, servicing and maintaining that infrastructure).
- Local government leaders in metropolitan and growing areas of the country need incentives to rethink and to intensify urban growth and development, including additional financial and regulatory support from Government. Councils need to be supported by the Government to provide public transport and green spaces that meet the needs of communities and businesses in these intensified urban areas. Quality compact city strategies, for example for Auckland, Wellington, Christchurch and Dunedin, can significantly reduce emissions by containing urban sprawl and reducing infrastructure and transport costs and associated emissions.
- The Government may need to provide assistance to the communities that are most affected by land use change, which may include financial assistance.
- Planting more trees is a possible short-term solution, but it is not the solution. Long-term behavioural change is needed if significant reductions in domestic emissions are to be achieved.
- A variety of barriers have prevented more trees from being planted. LGNZ suggests that incoherent policy and pricing within the ETS has reduced landowner and investor confidence which is the main barrier to increasing carbon forestry in New Zealand.

<sup>1</sup> As outlined in the Productivity Commission's *Low Emissions Economy* issues paper at page 61, "...the two baskets approach, broadly speaking, treats long-lived gases such as CO<sub>2</sub> differently to short-lived gases such as CH<sub>4</sub>. This is because of the length of time that CO<sub>2</sub> remains in the atmosphere – up to hundreds of years – which means that cumulative emissions of CO<sub>2</sub> are the main driver of global mean surface warming...because short-lived gases have less influence on long-term warming, delays in reducing them, or even whether they should reach zero or can be reduced to lower levels, is arguably less important. One rationale for the two baskets approach therefore is to ensure a focus on reducing CO<sub>2</sub> emissions in the immediate term...This is especially pertinent to New Zealand because of the substantial contribution of CH<sub>4</sub>, a short-lived gas, from agriculture to New Zealand's emissions profile. Taking a two-baskets approach could mean setting separate emissions objectives and targets, or using separate pricing schemes, for long-lived and short-lived gases."

- There needs to be removal of the complexity (perceived and real) from policy settings. The complexity of the Emissions Trading Scheme is likely to act as a barrier to small scale foresters and landowners from planting more forests and sequestering more carbon.
- The current inequitable rules for different land uses under the Emissions Trading Scheme do not incentivise agricultural land users to change their land use.
- There needs to be a consultative discussion about where the appropriate places for planting more trees are.
- Emphasis should be placed on the planting of native trees as opposed to exotic trees. Planting of native trees would enable greater co-benefits to be realised, including nutrient filtering, land stabilisation and greater economic returns.
- Options for sequestering carbon in soil (ie increased storage of carbon in soils) should be explored.

### Electric vehicles and transportation

The increased uptake in electric vehicle use that we are seeing reflects the desire that a number of individuals and organisations have to do their bit to reduce greenhouse gas emissions. Electric vehicles are useful, and local authorities are increasingly adding electric vehicles to their fleets, providing electric vehicle charging stations and/or supporting or providing electric car sharing initiatives within their cities. Barriers to further uptake of electric vehicles include the initial purchase price (in comparison to vehicles with non-electric engines) and the small range on offer in New Zealand. Increased uptake of electric vehicles, however, is not the only solution.

LGNZ's position is that there needs to be:

- Greater investment in electrified public transport systems and active transport systems, and thought given to how people could be transported more effectively. For example, further consideration should be given to options for light rail in key metropolitan centres.
- Quantification of the environmental and health co-benefits of shifting to active transport and electrified public transport modes.
- An analysis of the merits of new funding models for accelerating the provision of electric vehicles and electric vehicle charging infrastructure.
- Consideration of the potential for changes to the resource and building consenting frameworks that encourage and facilitate the development of electric vehicle charging infrastructure for private and commercial use.
- Prioritisation of electrifying the main trunk line and exploring options for shifting freight to lower emission modes, such as rail and coastal shipping.

- Greening roads of national significance and promoting areas adjacent to both major highways and local roads as places to work and live.
- Steps taken to incentivise and make it as easy as possible to establish green infrastructure.

Any decisions that central government makes in respect of transportation need to be nimble enough to adapt to the technological change that the transport sector will experience in the coming decades, such as increased use of electric vehicles and the anticipated uptake of driverless cars and drones as realistic transport alternatives.

### Building design and use

The way in which we design and use buildings has the potential to deliver both climate change adaptation and mitigation action. More should be done to incentivise the design and use of low emissions buildings, which have adaptation and health co-benefits. LGNZ's view is that communities and the private sector currently lack the knowledge and resources that they need to enable a greater number of sustainable developments to occur.

The following changes would assist:

- Changes to the resource and building consenting frameworks that promote and incentivise the design and use of low emitting buildings.
- Introduction of incentives to encourage the private sector to undertake a cost benefit analysis that takes into account longer term impacts when designing and constructing buildings.
- A requirement that there be greater linking of housing developments with transport planning.
- An analysis by the Government on ways in which it could make it easier for the private sector and communities to access low emitting building materials and methods. Innovative green building materials and technologies are becoming increasingly available. Photocatalysis technology, for example, which can be applied to a range of building materials, enables a process of converting light energy (sun or electric light) into chemical energy to produce Active Oxygen and Hydroxyl Radical.

### Waste

LGNZ is supportive of waste minimisation and waste avoidance initiatives, which have benefits for lowering emissions, as well as other co-benefits, such as reduced financial and environmental burdens for communities and councils. LGNZ has, for example, advocated for the introduction of a levy on single-use plastic bags.

With respect to emissions reduction in waste, LGNZ's position is that:

- The Government must incentivise and continue to support councils, businesses and communities to adopt waste minimisation and waste avoidance initiatives.
- Pricing should be better utilised to incentivise greater capture and destruction of the methane produced from waste.

- The costs of managing waste that councils face are significant. The Government should consult with local government about any further changes that could be made to reduce emissions in waste, and should ensure that councils are provided with the resources and support that they require (including financial assistance) in order to achieve any further possible reductions in emissions from waste.

### Direct regulation and the current statutory framework

Local government needs to be supported by a statutory framework that allows it to make decisions that take into account climate change impacts, and needs to be incentivised to consider those matters. Currently, councils are precluded from considering the effects of greenhouse gas discharges under the Resource Management Act. The stated purpose of the Resource Management (Energy and Climate Change) Act 2004 was to amend the Resource Management Act to require local authorities to ignore the effects of greenhouse gas discharges.

The fact that councils are, of their own volition, taking action to reduce emissions within their organisations and communities demonstrates the inadequacy of the current statutory framework, and the reality that climate change mitigation is something councils and their communities view as important. However, amendments to the existing legislative framework (or a new one) would provide greater national direction on the approach that should be taken to climate change in decision making.

The following responses are needed:

- Amendments to the Resource Management Act to enable councils to take greenhouse gas emissions into account.
- An amendment to the Local Government Act to provide councils with a broader mandate to take into account the impacts of climate change in all decision making.
- An effective Emissions Trading Scheme that, over time, incorporates all emitting sectors, along with a wider assessment of taxation of the agricultural sector to determine options for mitigating costs on that sector.
- A long-term, cross party commitment to the settings that determine the price for carbon under the Emissions Trading Scheme, particularly to provide investment certainty.

### Market based instruments

Price is a means of driving people to change their behaviour. Pricing should be more effectively used to drive meaningful change. See the above comments regarding the Emissions Trading Scheme.

Thought should be given to addressing increasing the use of incentives such as demand management tools, for example congestion pricing, as a means of driving behavioural change, and how the revenue from such tools could be utilised to support councils and their communities with climate adaptation and mitigation action.

The Productivity Commission and Government should explore whether non-tariff trade would act as an appropriate barrier to address the impacts of climate change.

## Support for innovation and technology

One of the benefits of climate change is that innovative technology to reduce emissions is emerging and will continue to emerge, for example technologies designed to reduce emissions in agriculture, low emitting building materials and alternative sources of renewable energy. Technology adoption must be widespread in order to be impactful. Local government can have a role in promoting the use and development of new technologies. Wellington City Council, for example, runs a Low Carbon Challenge through which it supports various projects or businesses that help to lower emissions.

Central government can support the development and uptake of innovative mitigation technology in New Zealand by:

- Encouraging and incentivising climate change related innovation, research and development in New Zealand.
- Providing grants and support for patents, and tax incentives for businesses that undertake research and development.

## Approaches to embed widespread support for effective reduction of GHG emissions

LGNZ believes that better education on both the impacts of climate change and the opportunities that exist to make a difference towards reduction of emissions is needed to embed widespread support for effective reduction of emissions and to bring about a “change of hearts and minds”. Communities need to be involved in climate change decision making, and need to understand the important role that they can play in reducing our domestic emissions. In its Position Statement on Climate Change, LGNZ has called on the Government to lead a campaign to make New Zealanders aware of the opportunities and risks of climate change, and the options for communities to contribute to reducing emissions. Many New Zealanders remain uninformed about the impacts that climate change could have on their daily lives, and are unaware of actions that they could take to help mitigate the impacts of climate change.

While local government can educate its communities on the impacts of and options for addressing climate change, it needs central government to provide a national campaign (comparable to central government campaigns on smoking and road safety) to raise awareness, to promote specific actions that individuals and communities can take to support the reduction of greenhouse gas emissions, and to embed widespread community support for those changes.

## An independent climate change body

LGNZ has previously endorsed the call that was made by the outgoing Parliamentary Commissioner for the Environment, Dr Jan Wright, for the establishment of an independent climate change commission, in her report, *Stepping stones to Paris and beyond: Climate change, progress and predictability*.

LGNZ anticipates that the repeated requests for such a body in recent months are borne out of growing frustration at the current lack of action on climate change by central government. LGNZ would support the establishment of such a body to the extent that it would drive momentum and action. However, an independent climate change body is only part of the solution; it is not the solution.

If a climate change body is established it is critical that:

- The body is an independent, expert one.

- The recommendations and findings of the body be made publicly available.
- Any independent body should not be a substitute for the Government taking an integrated approach to climate change and showing strong national leadership on the issue.
- The legislative framework establishing the body takes a long-term view and is underpinned by cross-party agreement on direction so as to ensure its sustainability.
- Regard and emphasis still be had to the importance of adaptation and its interrelatedness with mitigation.

### The major players in driving forward change

Government at all levels has a role to play in addressing climate change, as does a range wide range of other stakeholders. Government should take an integrated approach to climate change leadership and action, and in particular should ensure that climate change impacts and emissions are taken into account in all policy and procurement decisions that are made. LGNZ is aware of the cross-party work on climate change that is being done by GLOBE New Zealand and is supportive of that work. At the time of writing this submission, Climate Change Issues has not been identified as a relevant portfolio for all of the ten Cabinet Committees to consider. Climate Change Issues is a relevant portfolio that should be taken into account by all Cabinet Committees where appropriate. In addition, further high level commitment to the issue of climate change could be achieved through the establishment of a Climate Change Cabinet Committee.

Iwi have an important role to play in climate change action. Iwi need to be incorporated into any strategies and plans that the Government develops for climate change action, and must be supported to contribute to the reduction of our domestic emissions.

LGNZ has recognised that effective responses to climate change will often be context specific and therefore best addressed at the regional and local level. However, responding to and addressing the impacts of climate change is not something that local government can do alone.

Local government needs the Government to:

- Proactively collaborate with local government, iwi and businesses (as a “coalition of the willing”) to develop a joint response to climate change, including a clear pathway to a low carbon economy.
- Take a holistic approach to climate change and show responsive leadership.
- Raise public awareness of climate change initiatives and the actions that communities can take to reduce their emissions.
- Support councils in their search for appropriate responses, and with implementing strategies for mitigation.

Local government is ready and willing to do its bit to address the issue of climate change. It needs the Government to show greater leadership on the issue of climate change and believes that a joint approach to the issues is critical.

## The sustainability of an effective emissions-mitigation strategy

LGNZ anticipates that voters will increasingly call on the Government to show greater leadership on climate change, especially those voters who are based in cities – the number of which is continuing to increase. Because of this, the government should feel emboldened to make necessary decisions about climate change, outlining where both urban and rural communities can make change. However, it is critical that rural communities are consulted about any changes that they can make to reduce emissions, and are supported to make those changes.

In order for any emissions-mitigation strategy to be sustainable, central government must also ensure that the strategy is devised in partnership with local government and iwi, and that there is a clear allocation of responsibility for each of the tiers of government (including a clear decision about and allocation of fiscal responsibility).

## Climate change presents opportunities and benefits

This submission identifies a number of opportunities and benefits that climate change presents: opportunities for research and development, uptake of innovative new technology, provision of more efficient transportation systems and routes, chances to exploit new markets, the ability to make use of exciting and innovative building design and construction methods, job opportunities and opportunities for progressive urban development, improved catchment security, reduction of natural hazards, soil conservation and improved freshwater quality to name but a few. It is critical that these opportunities are maximised and benefits are realised.

One of the main benefits of comprehensive and forward thinking mitigation action is that the costs of adaptation to climate change will reduce. The reduction in costs will benefit not only central and local government, but also individuals who will likely face greater adaptation costs in respect of their private properties if the impacts of climate change are not addressed now.

## Conclusion

New Zealand is already experiencing the impacts of climate change, as is evident by the increasing number of storm, flood and coastal erosion events that councils and communities are having to deal with. Climate change will have significant impacts on New Zealand's communities, iwi and the private sector, particularly if we don't act as a matter of urgency to address and minimise those impacts.

To be effective, the nationwide strategy for lowering emissions needs to, over time, be inclusive, equitable and incorporate all sectors and groups within society, and should start with a coalition of the willing. LGNZ recognises that different sectors may arrive at a low emissions position faster than others, and that the advantages and burdens of transition will not apply equally to all. Care will need to be taken to ensure that the transition to a low emissions economy does not result in further inequalities. That needs to be balanced against the need for urgent action, given that it is future generations who will disproportionately bear the costs if we fail to act as a matter of urgency.

The co-benefits of the transition need to be recognised and enhanced so that a multitude of benefits results, as opposed to the transition being antagonistic to other national and local goals.

Local government has a shared vision for what prosperous communities will look like in 2050 and beyond. That vision is for communities that are environmentally, socially, economically and culturally prosperous. Climate change presents challenges, opportunities and benefits for New Zealand's communities. In mitigating the impacts of climate change, New Zealand can address the challenges and make the most of the benefits and opportunities that exist to ensure that communities are environmentally, socially, economically and culturally prosperous in a climate constrained world.

## Appendix A

Local government leaders' climate change declaration and local government position statement on climate change