



New Zealand Productivity Commission Issues Paper: Low-emissions economy

Submission from the Environmental Protection Authority

September 2017

Introduction

1. This submission highlights the role of the Environmental Protection Authority (EPA) within the climate change system, and focusses on three main points: (1) the need for cohesion across government; (2) the importance of incorporating operational perspectives early; and (3) the need to think about new ways for New Zealand to move to a low-emissions economy. We are happy to provide further information if required.

About the EPA

2. The EPA is a Crown agent established under the Environmental Protection Authority Act 2011. We contribute to environmental stewardship and environmental management alongside the Ministry for the Environment and local authorities. The EPA's vision is: 'An environment protected, enhancing our way of life and the economy'. We protect people and the environment by delivering robust, objective decisions on environmental matters, and ensuring compliance with rules.
3. Of particular relevance to this inquiry, the EPA administers the Emissions Trading Scheme (ETS) and New Zealand Emissions Trading Register, including processing emission returns and allocation applications for the non-forestry aspects of the scheme. We participate in and help represent New Zealand's interests in the work of international bodies dealing with climate change, chemicals, and ozone-depleting substances governed by international conventions. Also potentially relevant to the inquiry, the EPA regulates new organisms, and regulates hazardous substances and chemicals (including specific ozone-depleting substances).

Key Messages

4. There are opportunities for climate change policy to drive new and more efficient behaviours throughout New Zealand.
5. The EPA believes that a shared long-term vision across government is necessary for encouraging the move to a low-emissions economy. We already face challenges by having multiple agencies, with varying responsibilities and priorities, working on the same climate change issues. A single, shared long-term vision will help to avoid sector-based tensions, and support discussions on how New Zealand wants to position itself more broadly – for example, where will New Zealand's future economic growth, wealth and opportunities be driven from;



and how does climate change (and other environmental considerations) contribute to or impact on these?

6. Whatever New Zealand-wide approaches we end up with, the resulting vision and governance for climate change should be set up in a way that is adaptable, enduring, and delivers policy certainty and long-term signals as much as possible.
7. Transitioning to a low-emissions economy requires getting the fundamentals right. In the case of the ETS, the recent review identified the need to improve: operational efficiency; market information and oversight; and compliance and enforcement tools (including people capability).
8. The EPA can advise on the complex nature of implementation, and provide cost advice on policy options that government may want to consider. The EPA understands the intricacies of operating the ETS, and is the only agency that has access to everyone involved in the scheme, as each person has to interact with us in one way or another. This gives us a unique perspective and role in communicating about the ETS and climate change more broadly.
9. Our operational experience positions us as ready, willing and able to cost-effectively implement improvements to the ETS. The New Zealand Emissions Trading Register was recently updated to provide a more secure, flexible and scalable system. This will enable the EPA to implement new policy initiatives, such as the inclusion of agriculture into the ETS, the trade of other environmental commodities (water, for example), or the auctioning of emissions units. If an auctioning function was introduced outside the register that the EPA administers, there would need to be strong linkages between the two systems.
10. The added complexities from the cross-agency nature of the ETS must also be understood. For example, when considering how to reduce agricultural emissions, it may be necessary to invest upfront in stronger cross-agency connections if the ETS is to be expanded to include surrender obligations, or trade in other environmental commodities such as water.
11. The role of regulators is fundamental when considering innovation and technology. The EPA, for example, is responsible for approving (or not) the release of new organisms into New Zealand. As climate change issues become more urgent we believe now is the time to encourage the wider, complex debate around new technologies, including genetic modification. Science is evolving rapidly and New Zealand needs clear central leadership of these issues to remain current and agile.
12. As a national independent regulator, the EPA is well positioned to lead the challenging discussions around these new technologies and contribute to other climate change discussions. The EPA has considerable experience balancing difficult trade-offs, using a socially-inclusive approach that uses evidence, science and mātauranga Māori to inform the decision making processes.

