



2 September 2017

Low-emissions economy inquiry  
New Zealand Productivity Commission  
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To whom it may concern

### **Submission: Low-emissions economy**

Thank you for the opportunity to comment on the above document.

The Manufacturers' Network (previously known as the New Zealand Manufacturers and Exporters Association, NZMEA) is a group of globally competitive New Zealand manufacturers who want to grow their business, and New Zealand's economy, through collaboration, innovation and the exchange of knowledge and ideas.

The Manufacturers' Network is New Zealand's only focused and independent voice for manufacturers, representing over \$6 billion in sales per year, with an export value of around \$3 billion. Our organisation has a 137 year history of supporting manufacturers in New Zealand.

The organisation also includes in its membership affiliate organisations such as the Wood Processors and Manufacturers Association, Et (the merged Engineering Printing & Manufacturing and Service and Food Workers Unions), the Heavy Engineering Research Association (HERA), and Plastics New Zealand.

### **Comments on Inquiry**

A core component of helping to build a low-emission economy at the same time as ensuring our country and people can prosper is through creating a higher-value economy, where the goods and services we produce move up the value chain, creating higher value for their input (emission) costs.

We believe the Productivity Commission should put particular emphasis on policies and conditions that can move our economy down a higher-value and more productive path.

Although manufacturing has a relatively low carbon footprint in New Zealand, especially for those at the higher-value add end of the spectrum, there are opportunities for this to be lowered while improving productivity at the same time. Much of this lies in increased adaptation of productivity-improving technology and the continued development of process innovation.

*Q11: What are the main opportunities and barriers to reducing emissions from the use of fossil fuels to general energy in manufacturing?*

In terms of technology and improved processes for manufacturing, we are moving into an exciting time of huge opportunities, as well as competitive risks if New Zealand manufacturers cannot keep up.

The first point noted under "Energy for manufacturing" for manufacturers to improve energy efficiency is particularly important – "integrated control systems, using sensors to adapt process conditions". There is significant work going on in this area worldwide, with new technology getting closer to being cost-effective for New Zealand manufacturers, and many areas already adapting these to improve their productivity.

The reason this area is so critical is because it not only offers opportunity to significantly reduce emissions, but it is also a pathway towards increasing our productivity and leveraging a key pathway that our manufacturers stay competitive – process innovation.

*Q22: What type of support for innovation and technology would best help New Zealand transition to a low-emission economy?*

Any effective incentives and support to continue to work in the area of process improvement will likely reach the core aim of improving productivity and lowering emissions.

One such way of supporting process innovation, particularly those that directly offer opportunities to lower emissions and increase productivity, would be by making this a core part of Callaghan Innovation's mandate, expanding the amount of grants available to such activities.

Secondly, lowered emissions could also be achieved by helping manufacturers invest in new technology, which can improve productivity and lower the relative emission cost of each unit produced. Among those, introducing an accelerated depreciation tax regime for capital goods deployed to improve productivity and energy efficiency would be a key step forward.

*Q36: What are the essential components of an effective emissions-mitigation strategy for New Zealand that will also be economically and politically sustainable?*

As noted previously, we believe any effective and sustainable emissions reduction strategy in New Zealand needs have a focus on creating an environment where our economy can move towards more high-value output, which inherently has lower emissions per dollar of value created in the country. This needs to be conducted along with policies to help improve our economy's productivity.

In terms of putting a price on emissions, such as through the ETS, to ensure this works effectively and actually encourages lower emission and higher value production, the cost of emission must be spread equitably across all emitting sectors depend on the size of emissions. Allowing one large sector to remain outside of this, as agriculture largely does currently, restrains economic incentives to move towards other forms of production which are higher value with lower emissions per dollar of value created, such as manufacturing.

Finally, much of New Zealand's non-food manufacturing activity consists of making components for capital goods and building and construction, rather than, for example, consumer products. And a fair share of the components made are then used by other manufacturers as part of a high-value goods supply chain. This means that transport within New Zealand is important for that supply chain to function well.

The reality is, however, that New Zealand's goods transport system is both very expensive and inefficient from an energy perspective. It can easily be more expensive to ship goods inter-island within New Zealand, for example, than to ship the same goods to Sydney, Hong Kong or Singapore. Protecting and enhancing rail transport in New Zealand, and significantly improving coastal shipping, would constitute a major improvement in terms of both cost and energy efficiency.



Thank you for the opportunity to provide comment on the inquiry, and we wish to remain involved as the Productivity Commission continues this valuable work.

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The Manufacturers' Network