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He Pou a Rangi
Climate Change Commission
Wellington

SUBMISSIONS ON THE COMMISSION'S DRAFT ADVICE ON THE SECOND EMISSIONS REDUCTION PLAN

INTRODUCTION

1. Lawyers for Climate Action NZ Inc ('**LCANZI**') is a non-profit group of over 500 members and supporters, predominantly made up of lawyers and law students. We advocate for legislation and policies to ensure Aotearoa New Zealand meets or exceeds its commitment under the Paris Agreement to achieve net zero carbon emissions as soon as possible and no later than 2050. More information about us can be found on our website: https://www.lawyersforclimateaction.nz/.

2. LCANZI welcomes the opportunity to make submissions on the He Pou a Rangi: Climate Change Commission's ('**Commission**') Draft Advice on the Second Emissions Reduction Plan ('**Draft Advice**'). Link. The Commission's advice is critical to the Government's ability to comply with the second and third emissions budgets, as is required under the Climate Change Response Act 2002 ('**Act'**).

3. Our submission follows the general structure of the Draft Advice and speaks to:

    a. Fundamentals for success;
    b. Creating low emissions options; and
    c. Enabling system transformation.

4. We make our submission in light of the Prime Minister's acknowledgment that a cause of the devastation seen over Anniversary weekend 2023 and from Cyclone Gabrielle is climate change. More generally, our submission is made in the context of the Government's declaration of "climate emergency" in 2020.

5. Ultimately, we believe that to avoid the worst and most irreversible consequences of climate change we need to not just declare a climate emergency, but act like we are living through one. This requires us as individuals, businesses, local and central government and as a responsible country to make radical changes to the way our economy and society operates. We must do this if we are to achieve the equitable transition to the low carbon future that we need, at the speed and scale required.

6. We strongly support the role of the Commission and its advice that "the Government must take a long-term view". This requires bi-partisan, cross-party commitment to climate action. We believe the Commission should more strongly emphasise this in its final recommendations.

FUNDAMENTALS FOR SUCCESS

Summary

7. The first part of the Commission's Draft Advice relates to the fundamental elements of success that underpin Aotearoa New Zealand's climate action. LCANZI agrees that getting these fundamentals right is critical for meeting our climate objectives, as they will lay the foundation for effective action across all emissions budget periods. In summary, we submit that the following are fundamental to successful transition to an equitable net zero Aotearoa New Zealand:

a. The Government must provide clarity as to the gross emissions reductions and carbon dioxide removals, especially for agriculture. This must include committing to a specific level of gross emissions for the second and third emissions budgets;
b. There must be strong weight given to, and clear articulation of, the importance of taking actions to reduce emissions;
c. The industrial free allocation policy must be urgently reassessed;
d. Mitigation and adaptation pathways must consider the Crown-Māori relationship, te ao Māori, and specific effects for Iwi and Māori of transition and climate change;
e. There must be strong emphasis placed on climate adaption as well as mitigation, with this emphasis to become more sophisticated as climate disclosure practices mature;
f. There must be wholesale changes made to the Emissions Trading Scheme ('**ETS'**), including:
    i. To not treat emissions and removals equally; and
    ii. Address the existing oversupply of NZUs.

Key fundamentals

8. We agree with the Commission's recommendations that in the second emissions reduction plan the Government must provide clarity on the outcomes it is seeking on gross emissions reductions and carbon dioxide removals, especially for agriculture. This must include committing to a specific level of gross emissions for the second and third emissions budgets and ensuring that policy choices align with delivering this outcome. LCANZI supports the Commission's proposal that the Government also communicate indicative levels of gross emissions and carbon dioxide removals out to 2050.

9. We agree that these actions must guide policy development and send clear signals to businesses and households about the importance of taking actions to reduce emissions.

10. The Commission also highlights that the industrial free allocation policy within the ETS is not consistent with the 2050 net zero long-lived gas emissions target and does not appear to be proportional to the risk of emissions leakage, noting the global context has significantly shifted since industrial free allocation was first introduced. We agree and believe that the industrial free allocation policy must be urgently reassessed.

11. We also underline that in producing an this emissions reduction plan, the Minister must include a strategy to consult with and recognise and mitigate the effects on Māori caused by climate change and an unjust, inequitable transition.

12. Similarly, the Commission recognises that the Crown and Iwi/Māori need to work in partnership to accelerate progress towards the 2050 targets and collectively build climate-resilient communities. LCANZI agrees that mitigation and adaptation pathways that consider the Crown-Māori relationship, te ao Māori, and specific effects for Iwi and Māori can lead to more enduring and equitable outcomes.

13. The Commission proposes recommending that the second emissions reduction plan accelerates Iwi/Māori emissions reductions and climate change adaptation initiatives by exploring and implementing a mechanism to allocate resourcing direct to Iwi and increase funding to Māori landowners. The Commission has also proposed recommending that the plan support Iwi/Māori to drive the integration of mātauranga Māori into policy design, development, and implementation at central and local government levels by providing sufficient resources. We agree with these recommendations.

14. While transitioning to a low emissions and resilient future will improve the health and wellbeing of all New Zealanders, the Commission also recognises that the cost and impacts of the low emissions transition may not be experienced equally. Often those least able to take advantage of low carbon alternatives, therefore potentially facing higher costs, will also be most at risk from the physical impacts of climate change.

15. To address the compounding needs of different groups arising from mitigation and adaptation, the Commission has proposed recommending that the Government expand the scope of the Equitable Transitions Strategy to include adaptation. We strongly agree, noting that the existing climate disclosure obligations are, currently, primarily focused on mitigation. Whilst this is understandable given the maturity of climate strategy, planning and disclosure across our economy, we submit that greater emphasis must be placed on entities disclosing credible and accurate adaption strategies or transition plans in time.

16. Emissions pricing will have greater impacts on low-income households than high-income households, as higher income households likely have more capacity to adapt. The Commission has previously advised (in its 2023 NZ ETS settings advice) that developing targeted, complementary policies will better enable Aotearoa New Zealand to address issues of social and economic equity and tackle climate change in parallel.

17. Rather than using the NZ ETS price control settings or otherwise delaying climate action, the Commission has proposed recommending that the Government utilise existing mechanisms to manage transitional impacts as it develops its Equitable Transitions Strategy. We strongly agree, given that further delay in climate mitigation and adaptation actions will, in the longer-term, have a deeper impact on low income households.

18. Given its central role in Aotearoa's current climate landscape, we make specific submissions as to the ETS as a fundamental part of successful transition to net zero.

Emissions Trading Scheme

19. The ETS is one of three pillars New Zealand depends on to meet these budgets. The ETS, which covers all emissions outside agriculture and has been operating for over a decade, is arguably the most important pillar. As the Commission notes, the ETS was central to the first emission plan, and the Government has committed to aligning the NZ ETS settings with emissions budgets.[1]

20. Unfortunately, the ETS has been rendered ineffective for two reasons. The first is the problem with the oversupply of New Zealand Units ('**NZUs'**) within the ETS, which was exacerbated by the Government's *Climate Change (Auctions, Limits, and Price Controls for Units) Amendment Regulations 2022* ('**2022 Amendment Regulations'**). The second problem is the inclusion of forestry removals within the ETS, which despite repeated Commission concerns, has seen no change by the Government.

21. Estimating the costs of decisions as well as the costs of inaction is a key part of the Commission's role in advising the Government on the second emissions reduction plan. As detailed below, the effects of the 2022 Amendment Regulations, and the Government's inaction on forestry, raise serious questions around the economic feasibility and intergenerational equity of the plan.[2] These effects will impact the Government's future decisions on taxation, public spending and borrowing.[3] As such, the costs of ongoing delay should be estimated and included in the 2023 Draft Advice.

2022 Amendment Regulations

22. Each business covered by the ETS must surrender a quantity of NZUs each year, corresponding to the quantity of their covered greenhouse gas emissions. An NZU represents one metric tonne of carbon dioxide, or the equivalent of other greenhouse gases. The ETS employs two complementary forces to drive lower emissions; a higher NZU price, which channels investment and behavioral changes away

[1] Climate Change Commission, *Advice on NZ ETS unit limits and price control settings for 2024-2028*, (2023 ETS Advice) 2023 at 6.
[2] Section 5ZC(2)(b)(iv) and (vii), Climate Change Response Act 2002.
[3] Section 5ZC(2)(b)(viii), Climate Change Response Act 2002.

from polluting activities, and a lower unit volume, which gradually reduces the number of units companies can surrender in order to pollute. The Government has a critical role in limiting NZUs, by setting the amount available for sale at regular auctions, as well as the amount and price of additional NZUs should auction prices exceed a level pre-determined by the government (namely the Cost Containment Reserve, or CCR).

23. In 2022, the Commission undertook an extensive analysis of the quantity of available and planned NZUs, and the price at which the Government would release additional units, in its *Advice on NZ ETS unit limits and price control settings for 2023-2027* ('**2022 ETS Advice**'). This advice recommended reducing units auctioned each year, and increasing the price at which more units would be made available from the CCR. In each instance the Commission considered the status quo as an option, and determined that the status quo was insufficient to meet New Zealand's emission requirements.

24. However, last December the Government rejected the Commission's advice, choosing to maintain the status quo in the 2022 Amendment Regulations. Under the legislation, these settings are largely fixed in 2024 and 2025 and can only be freely changed for 2026.[4] The Commission updated its advice in 2023,[5] detailing the price and volume adjustments that would be needed in 2026 and beyond for the ETS to meet New Zealand's emission reduction targets.[6] In order for the ETS to regain the ability to meet emissions requirements, the Commission calculated the need for abrupt changes in 2026 in both the auction volume (from 15.3m in 2025 to 8.5m in 2026) and the CCR price (from $103 to $205).[7] To place the 6.8m drop in NZUs to be auctioned in context, it is about half of the emissions of the entire New Zealand transport sector.

25. The 2022 Amendment Regulations, and the extent to which the 2023 ETS Advice is followed, will have a large impact on the Government's strategic directions in forming the second emission reduction plan. The Commission did not include the impact of the 2022 Amendment Regulations in its 2023 Draft Advice, an omission that must be corrected, for the advice to be robust.

26. Further, the Government's decision to depart from the Commission's recommendations has introduced uncertainty into the market, and raised serious doubts as to the Government's commitment to the ETS as an emissions reduction mechanism. As the Commission notes, such uncertainty will undermine the scheme's effectiveness, delay action, and "ultimately lead to a more disruptive transition with higher costs and more significant impact."[8]

27. Delaying change, especially when the costs will be larger in the future, has clear implications for intergenerational equity. Disrupting the proper functioning of the ETS will certainly have an impact on decisions on taxation and public spending. As such, those costs should be estimated by the Commission and included in its 2023 Draft Advice.

Removals via Forestry

28. The ETS allows NZUs to be produced by forestry on a one-for-one basis; forest owners are issued an NZU for each ton of carbon their forests remove from the atmosphere. NZUs produced by forestry are identical to those auctioned by the government, and they can be surrendered by polluting companies

[4] Under the legislation, the first year these settings can be freely changed is 2026; the settings are fixed in 2024 and 2025 unless certain conditions are met. The CCC has rendered its advice assuming those conditions will not be met, as it does not believe they will be, see for example Climate Change Commission, *Advice on NZ ETS unit limits and price control settings for 2024-2028,* 2023 at 53.
[5] Climate Change Commission, *Advice on NZ ETS unit limits and price control settings for 2024-2028*, 2023.
[6] Climate Change Commission, *Advice on NZ ETS unit limits and price control settings for 2024-2028*, 2023 at 6.
[7] The 2026 price is the lower price of the two-tier system. The CCC complete recommendation details a two-tier system, but suggests the price of the lowest tier is used if the government prefers a single tier system. Climate Change Commission*, Advice on NZ ETS unit limits and price control settings for 2024-2028*, 2023 at 49.
[8] Climate Change Commission, *2023 Draft advice to inform the strategic direction of the Government's second emissions reduction plan*, 2023 at 46, 47, 51, 56.

to cover their emissions. New Zealand is the only country that allows such extensive use of removals in its ETS.

29. NZUs produced from forestry are relatively cheap. The Commission has found that a pinus radiata forest delivers NZUs at a cost of $25-$50.[9] The increase in NZU price in excess of $50 has driven rapid afforestation, as land owners have planted 60,000 hectares of forest to harvest carbon at that price.10 This effectively places a cap on the emissions price; should the price rise above $50, more forests will be planted to meet the demand for NZUs by emitters.[11] The Ministry for the Environment has found there is enough suitable land to continue such planting for decades.[12]

30. The Commission has also found that most of the opportunities to reduce the emission of greenhouse gases, ie to stop or reduce the production of the gases by emitters, cost in excess of $100 per tonne of CO2e. Effectively, as long as the ETS continues its current forestry removal policy, emitters will have no incentive to change their behaviour or to invest in plant and processes to emit less greenhouse gas.

31. The key problem with these settings is that removing carbon via forestry is not the same as reducing emissions. While the ETS treats emissions and removals equally, there are substantial differences in their place in the carbon cycle. Fossil fuels are part of the slow carbon cycle, where compressed biomass has been stored underground for millions of years.[13] When those fuels are burned, the carbon released into the atmosphere lasts for hundreds of thousands of years. In contrast, carbon captured by trees is part of the fast carbon cycle, which is measured in a lifespan and consequently the risk of reversal is high.[14] Trees are vulnerable to forest fires, disease and pests, and further, as the Commission has noted, "changes in climate may affect tree growth rates, increase wind throw and wildfire, and enable more pathogens to spread."[15] The costs of maintaining or replanting these forest carbon sinks fall on future generations, while the 'savings' of not curtailing current emissions is enjoyed by the current generation.

32. The Commission, in its first report in 2021, was clear that unconstrained removals through forestry would limit New Zealand's ability to reach its climate change goals:[16]

> An approach that does not constrain carbon removals by forests would not drive meaningful decarbonisation before 2050 and would instead use up land resources for the purpose of offsetting emissions in areas where there are proven options to reduce gross emissions.

33. The Commission repeated its warning in 2022:[17]

> Maintaining a common emissions price for carbon removals by forests and gross emissions reductions risks a downwards correction back to an NZU price that would be insufficient to drive meaningful decarbonisation. This would undermine investments in reducing gross emissions, erode market participants' confidence, and severely damage the scheme's

[9] Climate Change Commission, *2023 Draft advice to inform the strategic direction of the Government's second emissions reduction plan*, 2023 at 53.
[10] Climate Change Commission, *2023 Draft advice to inform the strategic direction of the Government's second emissions reduction plan*, 2023 at 55.
[11] The CCC has found that New Zealand has enough land suitable for forestry that it could plant enough trees to hold the price at $50 through 2035 and beyond. Climate Change Commission, *2023 Draft advice to inform the strategic direction of the Government's second emissions reduction plan*, 2023 at 56-57.
[12] Climate Change Commission, *2023 Draft advice to inform the strategic direction of the Government's second emissions reduction plan*, 2023 at 57.
[13] NASA. *The Carbon Cycle*. www.nasa.gov. See also Hoglund et al. 2022. *Nature restoration and carbon removal are not the same*. www.climatechangenews.com.
[14] Ibid.
[15] Climate Change Commission. 2021. *Īnāia tonu nei: a low emissions future for Aotearoa*. Wellington: Climate Change Commission at 316.
[16] At 91.
[17] Climate Change Commission. 2022. *Advice on NZ ETS unit limits and price control settings for 2023-2027*. Wellington: Climate Change Commission at 25.

> effectiveness…. Without changes, future emissions budgets would likely deliver a far smaller reduction in gross emissions than currently planned by the Government in the emissions reduction plan.

34. And yet again in March 2023:[18]

> This, combined with the relatively low cost of carbon dioxide removals by forests compared to the cost of reducing gross emissions, means that the NZ ETS is likely to continue to drive extensive afforestation rather than gross emissions reductions… Under the current structure of the NZ ETS, forestry can displace the gross emissions reduction efforts in other sectors, thus disincentivising the very behaviour the scheme seeks to promote.

35. Despite these repeated warnings, the Government has made little to no progress on addressing the issues with forestry. The Commission continues to note this lack of policy direction in its 2023 Advice,[19] and includes two separate, explicit, recommendations urging the government towards a clear policy on forestry removals.[20]

36. At this stage, further recommendations are not enough. Given the Government's inaction to date, it is critical that the Commission analyse, estimate and publish the costs associated with the continued lack of policies around forestry removal from the Government. The Commission alludes to some of these costs in its 2023 advice, but offers no figures.[21] Policy delays and confusion around forestry will render the ETS increasingly ineffective and irrelevant as a tool to reduce gross emissions. This could ultimately shift those reductions from the current "polluter pays" policy to one where the cost is borne by the taxpayer which could ultimately cost more and will certainly be less transparent.[22]

37. After three years of government inaction, the Commission must cost the scenario where the government continues to do nothing. These costs of inaction are very real, and they need to be calculated and publicized by the Commission in order to inform the Government (and the public) in the making of the second emissions reduction plan.

CREATING LOW EMISSIONS OPTIONS

38. The second section of the Commission's draft advice contains specific proposed recommendations for different sectors, all with a part to play in meeting the second emissions budget. We make submissions below, roughly grouped by sector.

Agriculture

39. With regard to the advice on agricultural emissions, we refer to our 18 November 2022 submission on the Commission's pricing consultation paper. The positions taken in our submission, which we would encourage the Commission to adopt in its advice, was that:

    a) A farm-based levy for agricultural emissions should be introduced;

[18] Climate Change Commission, *Advice on NZ ETS unit limits and price control settings for 2024-2028*, 2023 at 26.
[19] Climate Change Commission, 2023 *Draft advice to inform the strategic direction of the Government's second emissions reduction plan,* 2023 at 126.
[20] Climate Change Commission, *2023 Draft advice to inform the strategic direction of the Government's second emissions reduction plan,* 2023 at 54 and 132.
[21] Climate Change Commission, 2023 *Draft advice to inform the strategic direction of the Government's second emissions reduction plan*, 2023 at 62.
[22] Climate Change Commission, 2023 *Draft advice to inform the strategic direction of the Government's second emissions reduction plan*, 2023 at 62.

b) Methane emissions must be cut drastically, from 33.3 Mt CO2e in 2010 to around 17.9 Mt CO2e in 2030 to achieve an overall reduction in New Zealand's gross emissions between 2010 and 2030 of around 30%.
c) Methane emissions be subject to a cap and trade mechanism, but with a genuine and meaningful cap (unlike the ETS).
d) Bespoke sequestration rules should not be developed for farming.
e) Synthetic nitrogen emissions should be fully priced at import/manufacture.

40. On the last point, LCANZI suggests that the advice should include the recommendation made by the commission in its *Progress towards pricing agriculture emissions* (July 2022) paper to bring synthetic nitrogen fertilizers into the ETS with pricing at manufacturer or importer level. There is a precedent for this in the EU ETS. This would be a relatively easily implemented first step in pricing agricultural emissions.

41. We agree with the Commission's recommendation that the Government advance the agricultural emissions pricing system to enable recognition of multiple gross emissions-reducing practices and technologies and drive gross emissions reductions in line with the 2050 target.

42. We also agree with the Commission recommending that the Government enhance advisory and extension services to farmers to accelerate the adoption of emissions-efficient practices, appropriate land-use diversification, and emerging technologies to reduce gross emissions. LCANZI agrees. The Government should also partner with Iwi/Māori and Māori-collectives to further develop and fund Māori-focused advisory services targeting the specific needs of Māori-collective landowners.

43. We note your comments about the difficulties in achieving an optimal balance of agricultural land use changes that will reduce emissions. In this regard, we suggest that part of the problem with the current approach is that it relies too heavily on market forces to drive change.[23] We suggest that there should be more emphasis on planning regulations which would allow central and local government to have a say on the agricultural and forestry uses that land can be used for.

Built environment and urban development

44. LCANZI agrees that the way towns and cities are shaped impacts emissions across land use, transport, buildings, energy, and waste through our built environment. Existing urban form in Aotearoa New Zealand is not compatible with our climate challenges and significant change is required for the second budget period.

45. We note that local government plays an important role in facilitating this change. Councils make decisions on land use, urban form, road and transport services, provision of housing, the three waters (currently), waste management, flood risk management and coastal management.

46. There is a need to invest in capacity and capability across all of government (local and central) to support systems change to enable the paradigm shift to move our communities to equitable and low-carbon ones. Local and central government need to work in partnership and ensure alignment across the dozens of plans, strategies and directions that drive the way towns and cities are shaped to ensure climate action is prioritised. In this regard, LCANZI suggests that a recommendation be made that central government provide more guidance to local government, including providing a National Environmental Standard for dealing with the effects of climate change.

47. The Commission's proposed recommendations include incentivising comprehensive retrofits to deliver healthy, resilient, low emissions buildings, prohibiting the new installation of fossil gas in buildings where there are affordable and technically viable low emissions alternatives, and implementing an

[23] P 92

integrated planning system that builds cities upward and mixes uses while progressively avoiding climate risks. We agree, but note that at the core of this will be the proposed new resource management system. LCANZI has made submissions that overall, the Natural and Built Environment and Spatial Planning Bills do not prioritise climate action. We have asked that these bills when enacted, prominently require decision-makers to take climate action.

48. To enable the emissions reduction plans to be implemented effectively, Government must identify funding mechanisms (other than rate increases) that enable local government to deliver on central government directions.

49. LCANZI is concerned that there is a lack of alignment and consistency in policy documents such as the National Policy Statement on Urban Development 2020 ('**NPS UD**'), aspects of which conflict with the Commission's advice. Although climate change is both an objective and policy of the NPS UD, these aims conflict with other aspects of the NPS UD such as requiring councils to allow for development moving 'out' as well as 'up'. The NPS UD requires local authorities to be 'responsive' to private plan changes for development in locations, or at times, not previously anticipated. This impacts the ability of councils to plan for future growth, align land use and infrastructure funding and provision, and achieve a quality compact urban form – to reduce emissions. Most such private plan changes are for new greenfield development. Misalignment in government policy direction and enablement of out of sequence and unplanned growth challenges the quality, compact urban form approach and contributes to development patterns becoming more fragmented with the associated infrastructure implications (uncertainty, higher holding costs, greater risk of underutilised assets). It also redirects funding away from more climate positive development. LCANZI recommends giving prominent statutory weight to strategies and plans which seek to achieve low-emission outcomes for urban development and transport planning. This could include limiting the scope of out of sequence plan changes, limiting greenfield growth unless it contributes to lowering emissions (e.g., reducing reliance on private cars) and avoiding development on unsuitable land.

50. LCANZI is also concerned there is no mention of urban tree protection nor growing more urban trees in the Draft Advice. We believe this is crucial to combating the effects of climate change and mitigating the negative impacts of urbanisation. The provision of shade and reduction of heat island effects in built-up areas through urban trees is of importance, as well as their role in carbon sequestration. Given that climate change is here, we strongly recommend that the power for local councils to implement general tree protection regulations in their plans be reinstated. This will ensure that urban trees receive the protection they deserve and provide opportunities to grow more trees, so that they can play their full role in mitigating climate change and supporting adaptation to the impacts.

51. In relation to this, we encourage the Commission to consider the role of urban forests, especially on public land (such as Council parks, reserves and streets) in carbon sequestration.

52. In our submission to the Natural and Built Environment and Spatial Planning Bills, we asked that the Climate Adaptation Bill to address the complex issues associated with managed retreat be drafted and introduced as quickly as possible. We reiterate that here.

Energy and Industry

53. The Commission's Draft Advice identifies that the largest share of emissions reductions in the second emissions budget period will come from energy and industry. Therefore, getting the settings right to support electrification for these industries is crucial.

54. The Commission's proposed recommendations include prioritising and accelerating renewable electricity generation build. LCANZI agrees and notes we supported the proposals on consenting improvements for renewable electricity generation and transmission.[24]

55. The Commission estimates that if renewable generation build is six months behind the Commission's updated demonstration path, emissions would increase on average by 0.9 MtCO2e and a 12-month delay would increase emissions by 1.8 MtCO2e across the second emissions budget period. This is because fossil gas generation will need to operate more to meet projected demand. Continued uncertainty and build delays will make it challenging to meet emissions budgets. LCANZI agrees with these concerns.

56. The Commission also recommends a proposal to ensure that electricity distribution networks can support the growth and variability of supply and demand. This will require appropriate consenting and network planning processes to support the deployment of new renewable electricity, backed by energy efficiency and demand-side management. Again, LCANZI agrees and supports proposals on consenting improvements for electricity transmission across all electricity distribution networks (not just those of Transpower). To ensure these projects are adequately funded (and such improvements have appropriate resilience and redundancy), the Government should also ensure that financing rules are favourable to the development of critical infrastructure (such as bank risk ratings).

57. The Commission also recommends that the Government pursue widespread process heat decarbonisation and establish mechanisms for other industrial sectors to decarbonise, as industrial emissions reductions are crucial to meeting the second emissions budget. Industrial emissions can be reduced faster than the Commission originally assumed in *Ināia tonu nei*. Recently, LCANZI supported the proposal for the Glenbrook Steel Mill to receive $140 million from the Government Investment in Decarbonising Industry (GIDI) Fund to replace coal with electricity to recycle scrap steel. However, barriers will need to be addressed and policy support must be broadened to address large industrial sites like those in the mining and construction sectors.

Transport

58. For the second emissions reduction plan, the Commission says it is critical that the Government focus simultaneously on actions needed to meet the second emissions budget and to enable meeting the third. Transport is a clear example of this. For the second emissions budget period, the Commission propose recommending that the Government rapidly resolve the existing barriers to scaling up vehicle charging infrastructure, and at the same time develop incentives to accelerate the uptake of zero emissions commercial vehicles including vans, utes, and trucks.

59. We agree, but also note that mode shift, more efficient utilisation of existing infrastructure and wholesale cultural change regarding urban mobility should also be key focusses to decarbonise our transportation network.

60. While the decarbonisation of the vehicle fleet has an important part to play, it will be insufficient to meet the transport emissions reduction goals, particularly in the short to medium term given likely global constraints in the availability of electric vehicles (and related infrastructure). Nor will reliance on fleet decarbonisation address other key challenges facing the sector such as inequity of accessibility and transport choice, safety, congestion, street level amenity, and availability of road space for walking and cycling.

[24] Ministry of Business, Innovation and Employment (MBIE) and the Ministry for the Environment (MfE) proposals for changes to strengthen national direction on renewable electricity generation (REG) and electricity transmission (ET) under the Resource Management Act 1991 (RMA). Link

61. In our view, reducing transport emissions will instead require unprecedented levels of investment in public and active transport supported by radical and far-reaching policy and institutional reform.

62. The greatest opportunities to reduce emissions through increased uptake of walking, cycling, and public transport are in major population centres, which account for 65% of national light vehicle kilometres travelled. This means the emissions reductions for these centres will have to be significantly more ambitious than national targets. Meeting these targets will require transformational change and new tools. Incremental change and existing tools will simply not meet the targets.

63. The Commission is recommending that the Government simplify planning and increase the funding of integrated transport networks that optimise public and active transport. For major population centres, we believe the Government must complete cycleway networks by 2030 and take steps to complete rapid transport networks by 2035.

64. In addition, we strongly support the Government's view that VKT reduction through mode shift is critical to reducing transport emissions and improving other transport outcomes as set out in Aotearoa New Zealand's First Emissions Reduction Plan (2022). However, we believe the VKT reduction targets must be even greater, especially in our major population centres. To achieve this, the current settings must be radically transformed to substantially increase funding for public transport projects and services, enable innovation, and encourage a wide range of supporting actions to build a consensus on the need for urgent change. Such a radical transformation will reduce VKT, but unlikely enough by 2035. It is therefore critical to look beyond better travel options to encourage avoiding travel altogether or combining trips – the quickest and most cost-effective approach to reducing transport emissions.

Waste and Food

65. Additional action is also required in the waste sector, including F-gases. Emissions from waste can be reduced by decreasing the production of waste, phasing out the landfilling of organic waste, reducing the embodied emissions from waste, avoiding and preventing fossil-fuel waste generation, and ensuring highly efficient gas capture at landfills where organic waste is accepted.

66. We agree that a cohesive long-term waste infrastructure plan for Aotearoa New Zealand to deliver appropriate facilities is needed now to support these objectives. We envisage that such a strategy would help deliver the numerous co-benefits of a coherent and circular waste framework, as well as unlock joint funding streams and opportunities. It will be important that the low-carbon waste system in Aotearoa New Zealand supports (and funds) all sizes of organisation involved in our waste streams. Accordingly, prohibitively large minimum investment hurdles for government funding should be steered away from to enable an equitable and community-led approach to waste management.

67. For the second emissions budget period, the Commission recommends that the Government apply regulatory and policy instruments to achieve the optimal use and efficiency of landfill gas capture systems and technologies at all landfills. At the same time, it should improve the accuracy and transparency of landfill gas capture data by executing a review of relevant regulatory and policy tools. We agree

68. Measures should be advanced to increase industry-wide knowledge of – and confidence in – low Global Warming Potential gas alternatives and to promote their uptake across different sectors in the economy. We agree that this must include establishing a robust policy and regulatory framework to promote the management and handling best practice of F-gases and refrigerants, enabling effective enforcement.

69. As part of improving our waste network, we strongly agree that organic waste going to landfill must be addressed. We believe that solutions which deliver co-benefits (such as more efficient food production and transportation, and ultimately less food waste) alongside organic waste reduction should be

prioritised when considering how (and who) we should fund to achieve our organic waste reduction targets.

ENABLING SYSTEM TRANSFORMATION

70. In the Commission's Draft Advice, it has also included recommendations relating to some key enablers that will support a low emissions system transformation. These include enhancing the research, science, innovation, and technology system, broadening, deepening, and accelerating climate funding and finance, and fostering a more circular economy and sustainable bioeconomy.

71. We agree that a strong research, science, innovation, and technology system is fundamental to transition Aotearoa New Zealand to a thriving and resilient low emissions future.

72. Strengthening this system requires further targeted investment. We agree. This will ensure that the climate change science capacity and capability developed over the last decade through funding mechanisms like the National Science Challenges will support an equitable path to achieving the 2050 targets and a resilient economy.

73. We also agree that it will require creating a regulatory environment that both enables and incentivises early adoption of green technology to drive innovation, backed by openly available social, economic, and climate change data and information.

74. In *Ināia tonu nei*, the Commission highlighted that investment will be needed across the economy to support the transition to low emissions, and access to finance and investment capital will underpin emissions reductions in every sector.

75. While work is underway for enabling and investing in a low emissions economy, meeting emissions reduction targets will depend on broadening, deepening, and accelerating current efforts in both the public and private financial sectors. We agree that this work must include ensuring adequate funding is present for initiatives to lower emissions, aligning all public investment with climate goals, developing a unifying strategy to support decision-making, and encouraging and enabling private investors to urgently shift to sustainable finance.

76. As noted above, the Reserve Bank's policies relating to risk weightings will importantly unlock much needed funding into climate action (and sustainability-related) projects, which otherwise may struggle to compete for funding against projects which yield higher returns in the short term.

77. We also agree that ultimately, a fair, inclusive, and equitable transition involves putting people at the centre of funding and finance.

78. A more circular economy and sustainable bioeconomy can promote long-term resilience, generate business and economic opportunities, and provide environmental and cultural benefits domestically and abroad. We agree that failing to move towards this future could put Aotearoa New Zealand's global competitiveness at risk and continue to build pressure in respect of other crises – be that biodiversity, or plastic pollution, etc. Provided our society determines that our economy must continue to grow (in the traditional sense of GDP), moving to a circular economy is essential to enabling this future.

79. So, in turn, we agree that establishing and implementing a sustainable bioeconomy strategy, supporting the participation of Iwi/Māori in the bioeconomy, improving information gaps, and ensuring appropriate resourcing and support are tangible steps the Government can take to support this growing aspect of our economy.

80. Similarly, implementation of the circular economy strategy and a commitment to actions like enhancing product stewardship will help avoid the creation of pollution, use of fossil fuel and resources being sent

to landfill through design and support renewable materials and the use of low carbon alternatives. As part of this, we agree that this must include developing complementary right to repair legislation for electronic products.

81. While absent (at least directly) from the Commission's recommendations, we also strongly believe that a clear, honest assessment by companies and the Government (local and central) around their climate performance will also enable successful transition to net zero. We do not have scope to allow misinformation or greenwashing to stall progress on climate action. Accordingly, we believe the Government should encourage the Commerce Commission and Financial Markets Authority to closely scrutinise the market and individual businesses on their climate claims.

CONCLUSION

82. LCANZI welcomes the opportunity to make these submissions on the Draft Advice and hopes that these have been of assistance to the Commission.

NGĀ MIHI

LAWYERS FOR CLIMATE ACTION NZ INC.