

# Climate Change Commission's final advice compared to BusinessNZ's position

22nd June 2021



# Taxonomy

The following slides use the taxonomy below to summarise how the Commission's advice compares to the BusinessNZ position, as outlined in our submission:

- ✓ – the changes align with our stated position
- ~ – the changes align with our stated position only partially
- X – the changes do not align with our stated position

# Role of the ETS in Emissions Reduction

| Business NZ position   | Climate Change Commission Advice  |
|--|---|
| The ETS should be the primary method of emissions reduction in New Zealand.            | The Commission suggests the ETS must sit alongside a range of other policies for targets to be met. ~   |
| Alternative policy instruments should have a clearly articulated net-positive benefit. | It is difficult to make a blanket statement regarding the range of policy levers proposed. There are a range of measures and naturally varying degrees of backing. These will be specifically unpacked. ~ |

# Government-Business Partnership

| Business NZ position   | Climate Change Commission Advice   |
|--|--|
| Advice must be framed as more of a partnership between business and government than in the draft advice. | This has been emphasised by the Commission at various stages of the report [12.3.4 in particular].  |
| An additional principle should be included to formalise and acknowledge this.                            | This was not explicitly included but is implied by the content of the report.                       |

# National Energy Strategy

| Business NZ position   | Climate Change Commission Advice   |
|--|--|
| There should be a strategy (or at the least a commitment to creating one) which focusses on decarbonising all sectors, developed in conjunction with business. | It is recommended that such a strategy be developed by Government, working with those involved in the energy sector. ✓ |
| Business should be provided with clarity on the expected role of low carbon and clean alternative fuels.   | There is no advice of substance in the report. Technological developments will likely drive policy in this area. ✗     |

# Renewable Energy Target

| Business NZ position   | Climate Change Commission Advice  |
|--|---|
| <p>Restate the cost of pursuing the 100% renewable electricity target so it can be seen in context.<br/>Leave this target as aspirational.</p> | <p>The Commission affirmed this. It further stated that the Government should consider replacing this target with an aim of achieving 95-98% renewable electricity by 2030. ✓</p> |
| <p>Ensure that proposed policy is able to deliver security of supply. This must be achieved in a cost-effective manner</p>                     | <p>It was acknowledged that this is a real risk as the result of our shifting towards renewables. Costs on business and individuals is mentioned. ✓</p>                           |
| <p>The Commission should explicitly acknowledge the role that fossil fuels may have as a back-up.</p>  | <p>Through its modelling, the Commission implicitly acknowledges the presence of this role. ✓</p>   |

# Repurposing Infrastructure

| Business NZ position  | Climate Change Commission Advice  |
|---|---|
| Remove consideration of banning new gas connections as this could lead to stranded assets.  | The Commission still considers this to be a viable option. <span style="color: red;">X</span>   |
| The Commission should recognise the important role that gas infrastructure and appliances will have in utilising alternative fuels. | It has been recommended that the role of pipeline infrastructure be a focus of the proposed energy strategy to be developed by the Government. <span style="color: green;">✓</span> |

# NZ's Transport Network

| Business NZ position   | Climate Change Commission Advice   |   |
|--|--|---|
| Research must be undertaken to ensure that the measures designed to shift demand or choices are effective.                   | There is an implicit need for research in the development of plans, but nothing explicit in regards to the proposed changes.                       | X |
| The development of a mobility strategy must provide clarity on the timelines over which lower-carbon options are introduced. | Emissions reduction from the transport network must happen regardless of technological availability.   | X |
| There should be a shift from supply-side interventions to actions which drive a demand response.                             | Lowering the cost of public transport is one of the policy levers available. Further funds should be allocated to public transport infrastructure. | ~ |

# Electric Vehicle Uptake

| Business NZ position   | Climate Change Commission Advice  |
|--|---|
| Commission recommendations need to align policy with how we might overcome EV supply challenges  | The Commission considers this issue and proposes that rolling out 'more conventional hybrids' in the interim could still achieve emissions budgets. ✓ |
| An emissions standard for vehicles should be introduced.   | *Recent Government 'feebate' scheme covers this. ✓  |
| There should be note made of the need for collaboration between the public and private sectors to roll out EV battery servicing and recycling. | This is noted by the Commission as a part of Recommendation 18. ✓   |

# Use of Alternative Low-Carbon Fuels

| Business NZ position  | Climate Change Commission Advice  |
|---|---|
| Recommendations regarding commercial vehicles and heavy freight should not be too prescriptive. This is technology development dependent. | This sentiment is shown in the report. It is acknowledged that the technological future in this area is uncertain. ✓  |
| The Commission should not discount hydrogen as a fuel source, especially in long-haul freight.  | This view was revised based on submissions and further evidence. The Commission noted that there were several submissions outlining green hydrogen projects currently underway. ✓ |

# Agriculture

| Business NZ position   | Climate Change Commission Advice   |
|--|--|
| There must be a long-term plan for research and development in this sector to aid business in reducing emissions.                                | It is specifically noted that R&D will be needed in the agricultural sector. ✓   |
| Policy recommendations must allow the sector to identify and pursue the most cost-effective emissions mitigation methods as these become viable. | The Commission recommendations go beyond this, stating that advisory services should be provided to farmers in order to help them reduce emissions in a cost-effective manner. ✓ |

# Forestry

| Business NZ position  | Climate Change Commission Advice   |
|---|--|
| Continue to have cost-effective exotic afforestation as an option.  | While the Commission recommends more exotic forests, it claims that this should be less than under current ETS settings. <span style="float: right;">~</span>                                    |
| Native forests are higher cost and less efficient at storing carbon. The role of natives should be investigated and subject to a cost analysis. | The relative higher-cost of native forests is acknowledged, but not given much weight. It is seen that the 'co-benefits' outweigh potential cost increases. <span style="float: right;">X</span> |
| Regulatory and policy changes in this should be staggered, especially involving land use constraints.   | This is not commented on directly by the Commission. There is however a general sense of urgency in the relevant chapter. <span style="float: right;">X</span>                                   |

# Waste

| Business NZ position  | Climate Change Commission Advice   |
|---|--|
| <p>A comprehensive study should be undertaken to inform an overall view of how waste fits into the Bioeconomy. The Commission should suggest this.</p>                    | <p>The Commission states that the Government ought to deliver a strategy for a bioeconomy. ✓</p>   |
| <p>Disposal of cars and car parts requires coordination. There are many small organisations capable of proper disposal but much automobile waste ends up in landfill.</p> | <p>It is noted that wider cooperation and coordination is needed in this area, as well as potential investment in scaling such operations. ✓</p> |

# Measuring Progress

| Business NZ position  | Climate Change Commission Advice   |
|---|--|
| Further clarification is needed around how the Commission expects government to deal with forests over 100 hectares that do not use the 'averaging' approach proposed. If this approach is used for national accounting only, how does the Commission propose to reconcile differences in sequestered carbon? | There are no comments on this issue in the report. <span style="color: red;">X</span>                        |
| The Commission should revisit its position on excluding benefits to pre-1990 forests.   | The Commission has continued with the draft advice position of exclusion. <span style="color: red;">X</span> |

# Summary of key changes

## The Role of the ETS

- CCC still sees the ETS as a policy lever which will have a reduced role going forward.

## Partnership

- There is clear recognition of the need for the Government to partner and cooperate with the private sector to reach emissions targets.

## New Zealand's National Energy Strategy

- It is advised that such a strategy be developed by government in conjunction with business. As such, there is little clarity on what the specifics will be.

## New Zealand's Renewable Energy Target

- The Commission affirmed its position that the 100% goal should be aspirational.
- It is implicitly acknowledged that fossil fuels will continue to play a role in ensuring security of supply.

# Summary of key changes

## Repurposing of Infrastructure

- The Commission has not excluded the possibility of a ban on new gas connections.
- This sits alongside a recommendation that the role of pipeline infrastructure be investigated by the Government as part of its energy strategy development.

## Electric Vehicle Uptake

- There is acknowledgement that supply may be an issue in this area.
- The recently announced 'feebate' scheme is more prominent than anything in the report.

# Summary of key changes

## Use of Alternative Fuels

- The Commission acknowledged it was too negative on the potential role of green hydrogen and other alternative fuels on the basis of submissions received.

## Agriculture

- It is recommended that farmers be provided with effective advice to assist in reducing emissions, alongside research and development.

## Forestry

- There is little regarding timeframes in this area.
- The Commission appears to ignore the relatively lower cost of exotic afforestation in favour of the 'benefits' provided by native afforestation.

# Summary of key changes

## Waste

- It is recommended that government ought to deliver a strategy for New Zealand's bioeconomy.
- It is seen that there must be cooperation between government and the private sector in dealing with EV waste among other things.

## Measuring Progress

- The Commission did not develop its view in this area in any meaningful or substantive manner.