JacksonStone House
3-11 Hunter Street
PO Box 1925
Wellington 6140
New Zealand

Tel: 04 496-6555
Fax: 04 496-6550
www.businessnz.org.nz

BusinessNZ
GROWING PROSPERITY AND POTENTIAL

19 July 2018

Ministry for the Environment
PO Box 10362
WELLINGTON 6143

via email: ZCB.Submissions@mfe.govt.nz

Our Climate Your Say: Discussion Document

BusinessNZ is pleased to have the opportunity to provide a submission to the Ministry for the Environment ('MFE') on its discussion document entitled 'Our Climate Your Say!', dated June 2018.[1]

Introduction

BusinessNZ welcomes MFEs discussion document outlining its thinking and choices in how New Zealand delivers its part in the global effort to address climate change while encouraging others to take action.

While the challenges of greater ambition are clear, this is only matched by the size of the opportunities. Greater ambition is not only increasingly accepted but welcomed by business with many of our members signed up to the Sustainable Business Council science-based targets pledge. As such, we support a Carbon Zero Bill.

But the question remains how to reflect our enhanced ambition as a nation and what the supporting institutional structures we will require to help deliver it might look like. Business wants greater predictability and policy durability but how this is achieved matters. A lot. Too slow and we will fail to position ourselves to seize the burgeoning domestic and global opportunities. Too fast and we risk creating economic, regional and community dislocation similar to the reforms of the 1980s. We already know that the distribution of the risks and benefits will not be symmetrical, but unevenly distributed.

Therefore, it is important when doing this that New Zealand can maximise the opportunities and minimise the costs and risks of transitioning to a lower net-emissions economy. The discussion document and the supporting reports and modelling form an important step in helping the country coalesce around a higher level of ambition, but more needs to be done to assure us that unlike previous targets (such as our current 2050 target) the new proposals are more than political slogans or vapourware with little practical substance, or worse, foreshadow the implementation of policies aimed at achieving them regardless of the economic and

[1] Background information on BusinessNZ is attached in Appendix One.

social consequences. While we recognise and appreciate the impatience of some to move more quickly, much still needs to be done. But this will not stop business leaders doing what they do best – leading. They do not need government to do this.

In the following submission, we have sought to provide some views on where MFE can usefully focus further effort as it now concentrates on the development of the Zero Carbon Bill and its passage through the House.

The Emission Reduction Target

The consultation document outlines three potential options, being:

- **Net zero carbon dioxide by 2050:** this target would reduce net carbon dioxide emissions in New Zealand to zero by 2050 (but not other gases like methane or nitrous oxide)

- **Net zero long-lived gases and stabilised short-lived gases by 2050:** this target would reduce emissions of long-lived gases (including carbon dioxide and nitrous oxide) in New Zealand to net zero by 2050, while stabilising emissions of short-lived gases (including methane)

- **Net zero emissions by 2050:** this target would reduce net emissions across all greenhouse gases to zero by 2050.

On the face of it, these seem self-explanatory but they bear closer scrutiny. For example, we have developed the following table:

Table One: Proposed Targets and Current Target

Proposed targets	*1990 gross emissions*	*Post-target 1990 net reduction required by 2050*[2]	*2050 gross emissions*[3]	*Extra reduction required from 2050 gross emissions by 2050*[4]
Net zero CO_2	65.8m/t	25.5	87m/t	61.5
Net zero CO_2 & $N0_2$	65.8m/t	32.6	87m/t	54.4
Net zero all gases	65.8m/t	65.8	87m/t	21.2

Current 2050 target	*1990 gross emissions*	*2050 net emissions*	*2050 gross emissions*	Reduction required from 2050 gross emissions
50% reduction on 1990 base (all gases)	65.8m/t	32.9	87m/t	54.1

2 Numbers sourced from the Ministry for the Environment https://emissionstracker.mfe.govt.nz/

3 NZIER's own model forecast – see Appendix A with top of p56 stating: "*As these charts show, under the assumptions outlined above, our baseline, which includes strong ROW action, projects gross emissions to reach 87.0Mt CO2-e by 2050, a 9.7% increase on 2017 levels"*

4 Note that in 2016 emission offsets from land-use, land-use change and forestry accounted for a reduction to our gross emissions of around 28m/t.

This shows, as is expected, that the level of emissions to be reduced to net zero increases with each target. But that's where the clarity ends. For example:

- while the level needing to be net zero is clear (from column two in Table One) what is less clear is what needs to be done with the balance (column four). It seems unlikely that for the purposes of the target that these emissions are to be ignored. Perhaps the intention is that offsets and abatement are applied to the amounts in column two first, but this is unclear and the difference in approach matters substantially to the stringency of the eventual target and our ability to support it. This difference is highlighted when considering the current target. Column four clearly shows the level of emissions for which responsibility needs to be taken (via either use of offsets or actual abatement) to reach the net (in this case positive) target

- what 'net' actually means. This isn't as obvious as it might seem. For example, as with the current target, at one extreme the target could remain a 'responsibility' target whereby the government and those with compliance obligations buy offset units (both forestry and international units) to reach the target in the absence of abatement opportunities. Alternatively, there could be some limit placed on the use of offsets, requiring a certain level of actual emissions to be reduced. The difference between these two options matters to the extent of difficulty in meeting the target;

- following on from the preceding point about offsets, the application of forestry rules will be critical to the relative ease with which the net amount identified in column two can be addressed. Tantalisingly, the discussion document notes the following:

  > "Different ways can be used to account for forests against our targets. Options include accounting for new forests only, as in our current target accounting, or including all forests, as reported in Ministry for the Environment's Greenhouse Gas Inventory." (page 23)

  But there is no analysis that outlines the impact of these different ways to account for forests might be on the target options

- on page 38 of the discussion document, in the context of carbon budgets, it notes that:

  > "The accounting for both our Nationally Determined Contributions and for our domestic emissions budgets will need to be robust, transparent and aligned with international norms and clearly communicated to our international partners."

  Yet there is no analysis to add in the consideration of the target options to show how the target options would dovetail into the Nationally Determined Contribution. This is a serious omission

- when the Government offers up an emission reduction target, it needs to undertake and outline an analysis on burden sharing with other jurisdictions. It should also have a plan for how the cost would be kept as low as possible

for New Zealanders. Neither is evident. We also note that the three objectives of the work being undertaken neither refers to a growing economy (instead using the language of "continuing to develop and diversify the economy"), nor do they reference the level of ambition and action taken by New Zealand relative to those of our trade competitors

We find it hard to believe that these (and any number of other issues) haven't been thought of already by officials, but it would have helped had there been some light cast on them in the discussion document as they collectively speak to the extent of the ambition on the table, and hence, or reaction to it.

The Modelling

We have no confidence in the modelling or its reliability for the purpose of decision making with respect to an emissions reduction target. We are concerned that the modelling undertaken by both the Productivity Commission and MFE is being used as supporting, or justifying a target. The modelling provides a set of information that is highly assumption dependent and simply cannot, in any shape or form, be used as endorsing a particular course of action. Modelling, like the science, is informative but cannot be determinative.

The two models on which the MFE relies vary on the one hand between wishful thinking in terms of the uptake of new technology and a reliance on a 'then magic happens' approach to assumptions (such as the uptake of a methane vaccine and the assumption that all other jurisdictions are taking commensurate action), and truly alarming economic results on the other. The analysis by NZIER suggest that GDP will continue to grow but will be in the range of 10% to 22% less in 2050, compared with the current state of action on climate change. These are quite staggering in terms of trade-offs for uncertain (indeed only modelled) benefits and suggest caution.

We refer the MFE to the section on modelling in our submission to the Productivity Commission as it addresses the Vivid *et al* modelling. However, we have the additional comments to make below:

- the following table is replicated from the NZIER report. The key to this is which column reflects the status quo.

Table 2 Average economic growth across scenarios

Compound Average Growth Rate in real GDP, 2017-2050

	Baseline	Ag	Ag	Ag	Energy	Energy	Wide	Wide	Wide
Target	-	**50%**	**75%**	**ZNE**	**50%**	**ZNE**	**50%**	**75%**	**ZNE**
Average GDP per year, $bn	$386	$367	$359	$357	$359	$349	$377	$371	$370
Average GDP growth rate	2.2%	1.8%	1.6%	1.6%	1.7%	1.5%	2.1%	1.9%	1.9%
Difference in av. growth rate from status quo	+0.17%	-0.24%	-0.41%	-0.44%	-0.37%	-0.57%	-	-0.13%	-0.15%
Difference in av. growth rate from baseline	-	-0.41%	-0.58%	-0.61%	-0.54%	-0.73%	-0.17%	-0.29%	-0.32%

Source: NZIER report, Economic impact analysis of 2050 emissions targets, page vi

Traditionally, in terms of modelling, current policy settings form the baseline from which the 'delta' is observed. However, we note that in this case, NZIER state that:

> " .....we refer to the Wide Innovation, 50% target as the status quo in this report."

In terms of the above table, this is the third to last, and not the first column labelled Baseline. Referring to the Wide Innovation 50% target as the amended status quo effectively shifts the modelling goal-posts away from the more dramatic economic modelling results. As if to preserve some modicum of professional integrity, NZIER advise that this was not their choice, but that of officials, and goes on further to state that:

> "To the extent that this status quo is overly ambitious, then the marginal economic impacts we report in section 4.3 onwards will be under-stated."[5]

We note that:

a. the 'baseline' analysis is based on the Treasury's longer-term economic projections and assumptions, with the net zero target seeing productivity growth fall substantially, such that the average annual GDP growth falls by 0.3% not 0.4% (over 33 years this equates to a cumulative sacrifice of about 10% of GDP) and a cumulative loss in the billions of dollars

b. the altered status quo assumes a high degree of technological innovation. For example, it is assumed that by 2030 that a methane vaccine is readily available, commercially viable and widely adopted, reducing methane emissions by 30%. It is also assumed that energy efficiency improvements will be much faster and that (without subsidies or regulation) electric vehicles will make up 95% of all light vehicles on the road in 2050 and 50% of all heavy vehicles

c. while it is correct that the 50% reduction target is already government policy (putting aside for the moment that it is not legislatively binding) and that therefore the relevant baseline is to move from that and not the real status quo, it is also important to note that under current policy settings we have no hope of meeting that target, let alone a more aggressive one and to look to analysis that moves us from an amended status quo simply masks the true enormity of the challenge we face

d. officials' attempts to somehow 'split-the-difference' between the different models borders on the naïve (" ....we think that it is plausible that the relative costs and benefits of transition may fall somewhere in between the Vivid and NZIER results."[6]). While there is some cross-

5 NZIER report, page 13.

6 MFE discussion document, page 29.

over between the assumptions used in both models, the fundamental differences in the models – one a bottom-up energy and industry model versus a Computable General Equilibrium economy-wide model – render a 'splitting-the-difference' approach largely meaningless. This is not to say that either are without insight, just that it is extremely difficult to compare, let alone balance out their results

e. we are surprised that the challenges outlined in Table 2 of the discussion document do not seem to resonate more strongly. This says that as a country:

> "We could face:
>
> - slower rates of economic growth as a result of higher emissions prices and other transition policies
> - competitiveness issues in trade-exposed emissions-intensive industries
> - decline in output and jobs for higher emissions sectors
> - slower rates of growth in household incomes.[7]
>
> Individually these risks could be bad enough (as they are not certain), but in combination, would ordinarily be sufficient to halt any other economic policy proposal unless the opportunities were certain (which they are not).

The Target End Date

We are not convinced that there is any particular merit (other than political) to a 2050 end year for the proposed targets. We note that Vivid Economics in their report for GLOBE-NZ state that to:

> "meet the 2°C target of the Agreement with 50–66 per cent probability at least cost, and taking into account the current commitments made by countries in the period to 2030, modelling suggests that carbon dioxide emissions will need to reach net zero by **2060–80s**, and that total GHG emissions would have to reach net zero between **2080 and 2100**.'[8]
>
> (emphasis added)

While we applaud the level of ambition to drive to 2050, and note that it is likely to drive economic transformation, only Norway, Portugal and Sweden are seeking to achieve neutrality, or near neutrality, 2050 or earlier.

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7 MFE discussion document, page 25.

8 Vivid Economics Report prepared for GLOBE-NZ entitled 'Net zero in New Zealand Scenarios to achieve domestic emissions neutrality in the second half of the century', page 7, dated March 2017, quoting Rogelj, J. et al., 2016. Perspective: Paris Agreement climate proposals need boost to keep warming well below 2 ° C. Nature Climate Change, 534, pp.631–639. Available at: http://0-www.nature.com.wam.city.ac.uk/nature/journal/v534/n7609/pdf/nature18307.pdf.

We also wonder about the statement that a net zero target will "provide alignment to the Paris Agreement's global goal of reaching net zero emissions in the second half of the century" We note that the Paris Agreement in Article 4 (1) says:

> "In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible …… so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases *in the second half of this century*….. "
>
> (emphasis added)

All of the targets would achieve net zero carbon by the *start* of the second half of the century with the third and most stringent option doing likewise.

Evidence of a Low Emissions Pathway Needed

The fact that the proposed target will give taxpayers, business, industries and farmers clear, long term predictability about where domestic climate change policy is headed so that they can plan and invest accordingly is given some prominence in the discussion document. We have long argued for this as pivotal.

Businesses rarely act without a clear understanding of costs, risks and benefits. If market uncertainties grow too large, it is difficult for businesses to justify major investment. Business understands that even under the best of circumstances, perfect certainty is not a realistic outcome. Predictability is a much more reasonable expectation. For an increased likelihood that the target be achieved, business needs clarity not unpredictability of the policy settings that will underpin the pathway.

But a single, politically driven number by itself does not achieve this, or at least not in a positive way. MFE have provided for the transition in terms of an end date, but not the tools, especially new technology, to achieve it. A 32 year time horizon does not help bring new technology into New Zealand developed offshore if it is simply not available. Local businesses meanwhile will be facing progressively more stringent emissions policies, including an emissions price. In the absence of this new technology, investment and carbon leakage will occur.

To be useful for business, targets must be disciplined by consideration of how they might realistically be achieved and the broader implications of such efforts.

The net zero reduction targets all imply a substantial and dramatic shift in the New Zealand economy. In itself that is a useful signal. But other than the work underway by the Productivity Commission and the Interim Climate Committee, there is no information on the transition policy path this work implies for businesses over the medium to long-term. It is unclear what role the revised emissions trading scheme, currently also under review, will play.

BusinessNZ agrees that the emissions trading scheme should be relied upon to do a reasonable proportion of the heavy-lifting, but having a target that New Zealand cannot hope to meet with available technology other than via the purchase of overseas emission reduction units would not be in New Zealand's best interests. It is also clear that reducing New Zealand's relatively small industrial and transport emissions severely will not deliver the target.

A well-considered emissions policy pathway can both inform and make national commitments more credible, whether to other countries, or to long-term investors in energy, infrastructure and industry, by providing more detailed information on how the target will be achieved. A well informed target underpinned by a realistic emissions pathway can also provide a more fruitful venue for business to inform and gauge government expectations, resulting in greater clarity on investment requirements and policy implications for growth, competitiveness and jobs.

On the other hand, a target that is disconnected from a realistic - not simply assumed - emissions pathway, risks policies which are increasingly chaotic, short-term or stop and start over the target's timeframe, or worse result in a future government resiling from the set target and that this will act as a source of increased unpredictability that would be deeply unhelpful to businesses considering large, long-term investments.

How do we bring these themes together in a way that delivers the step change to decarbonisation required by the Paris Agreement and by the consumer-and technology-led drive to decentralise and digitalise? We appreciate that decarbonisation is vital to put the economy on a path to fulfilling the commitment made under the Paris Agreement. This is a growing focus and we need to make the necessary transition as an open trading nation and global citizen. As a country we have an opportunity to maintain and enhance our leadership in renewable electricity and also to look beyond to the wider energy landscape, to major sectors such as transport and industrial heat. Effort in these areas can improve our trilemma performance and help New Zealand remain internationally competitive and adaptive in a low emissions global economy, lifting our energy productivity and diversifying our export base.

Targets are helpful to the extent they have widespread buy-in, identify an overall direction of travel that helps frame the actions of market participants and embody the right balance of trade-offs between the range of potential outcomes sought. Such targets help business, local government and consumers gauge commitment levels. But targets can also make government a hostage to fortune. Mandatory targets with hard and fast plans to achieve them can easily become inflexible millstones that stifle innovation and misdirect resources. Balance is required.

The BusinessNZ Energy Council deep dive into 2030 energy targets for New Zealand, based on our BEC2050 scenarios work, helps shed light on these issues. We look to the work of the Productivity Commission and the Interim Climate Committee as they seek to frame how we might collectively think about the long-term transition to a low emissions economy, especially with respect to the energy sector. Businesses (and consumers) want targets to provide direction and investment confidence but they need to be backed by robust policies aimed at achieving outcomes. Targets without policies supporting the outcomes sought are pointless. For targets to be credible and to support a stable policy environment, we broadly need to understand how we might reach them.

New Acts or institutions do not in themselves help us address practical-challenges or accountabilities, especially as targets become progressively more stringent. The question government now needs to address with business as the primary solution provider is how effort can best be harnessed across the business sector to achieve

the necessary transformation, while balancing risks such as investment and carbon leakage. This needs to be done in an open and transparent way, especially as we seek to reconcile the aspirations of the sector with the emission-reduction commitments made.

BusinessNZ considers the case for the development of an emissions pathway to inform the long-term target is strong. The idea of a carbon pathway is not novel. New Zealand was a party to the UN decision at Cancun that decided that developed countries should develop low-carbon development strategies or plans. Once developed, BusinessNZ considers that there should be frequent tracking updates to show progress and note major developments– perhaps biannually – and regular reviews leading to updates based on future development and consultation processes (for more on this see below).

What we Propose

We agree that having a clear target is helpful to business in their decision making processes, but what happens if we set the target too high and find that it isn't achievable, or too low to move the needle? Or what if other jurisdictions do not take the action that they have promised to take? These questions lie at the core of implementing stable, long-term durable policy settings that don't become unstable through political intervention if they become unachievable, or need to be dramatically strengthened.

These questions (combined with the analysis outlined above) inform our position on the target and end date.

We believe that we should have a target set in the Bill, but not the targets set out in the discussion document. We propose a hybrid format that involves:

- legislating a pair of 'bookend' targets, being the current target of an all gases 50% reduction by 2050 and an 'anchor' net zero all gases target by 2100; and

- requesting the Climate Commission to advise on the target pathway between the two bookends.

We propose this formulation believing that it will:

- give time for the fuller suite of low emissions policies to emerge, and be tested in terms of their likely contribution towards an increase in the 50% reduction target;

- signal the seriousness of the challenge and provide for the Climate Commission to advise on the target pathway between the two points (leaving, for example, it to the Commission to advise as to whether the end date of 2100 can be achieved by an earlier date, but not to reduce the 50% reduction target or make the 'anchor' target later);

- provide for greater political durability – by avoiding the prospect that a future government walks away from an over-ambitious, unachievable target, and

minimise the prospect of unpredictable outcomes from ad-hoc politically motivated reviews;

- assist in providing business with greater predictability and underpin a smoother more effective long term transition[9]; and

- work in concert with the international negotiations over time regarding the expectation of progressively more stringent targets.

Emission Budgets and the Climate Commission

The discussion document sets out a number of potential features regarding emissions budgets and the extent to which they can be amended. We would make a couple of framing remarks, being:

- as Parliament is sovereign it is practically impossible to have one Parliament bind a future one. Given this, it is simply impractical to imply that neither the targets nor the budgets can be changed by a future Parliament;

- if you allow the target to be reviewed it makes sense to also allow the budgets to be reviewed (though depending on the circumstances driving the review of the target this would not necessitate a change in the budgets, nor would a budget review always necessitate a review of the target); and

- flexibility (however defined) is preferable to inflexibility. There is little or no point persisting on a particular pathway when it has become obvious that circumstances warrant a change.

It is important to note that a lack of predictability as perceived by business is not derived by flexibility per se but by system rigidity or a material change in direction. This is most likely to occur if the initial target is too ambitious and is reduced by a following government, only at the risk of being strengthened again later. This would cut to the very heart of the overall design integrity of the system being proposed and embodies the very antithesis of predictability and political long-term durability.[10]

Avoiding Mechanistic Responses

One of the key operational risks with respect to the setting of targets and budgets is that how the various pieces of the puzzle interact could become mechanistic insofar as if 'a', and 'b', then 'c' and 'd'. For example, the target and budgets are likely to automatically have implications for the balance of demand and supply in the emissions trading scheme, and therefore the price of units. This interrelationship is shown stylistically in the diagram below.

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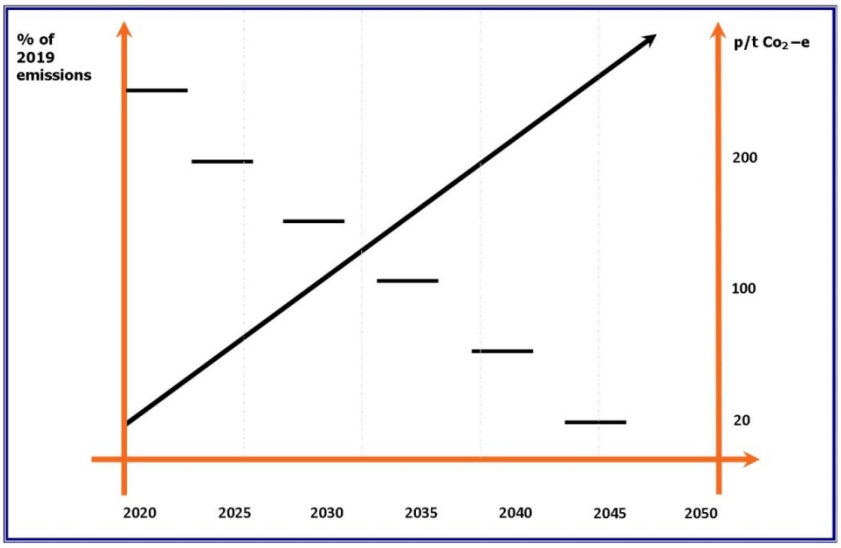
9 Note that we think that a smoother transition is achievable under this formulation as the forward target pathway is likely to be more predictable, and less subject to ad-hoc political reviews. We also think that this method would limit the number of overall reviews as they would only be able to occur if circumstances materially changed (to be defined), in which case we would suggest that a review could be undertaken by the Commission at any time subject to the defined criteria being met. The Commission should only have advisory powers with respect to the setting of targets.

10 This is, unfortunately, the very place we find ourselves in with respect to the oil and gas announcement to cease offering offshore petroleum exploration permits.

Figure One: The Relationship between Targets, Emission Budgets and the Price of Units



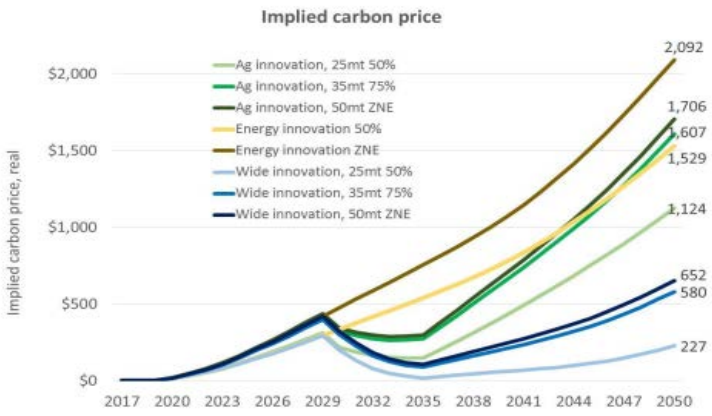
In essence, as the budgets tighten over time, the price of units will rise. While this would not be unexpected, the risk is that on the publication of the first three five-year budgets (say out to 2035), market participants will do what they do best – which is to make judgements based on their demand and supply circumstances, and the relative tightness of the overall market. While it is difficult to predict how the market will react precisely, a set of declining budgets aimed at an ambitious target will likely see forward prices rise, and dramatically.

Such a potential reaction can be addressed in advance with policies to protect the economy from a price shock, such as the price cap or some similar mechanism. But the issue with this is that it is not possible to control both price, and quantity. One of these (in this case quantity) is foregone in an effort to control price. Again, this is not totally surprising, but it will immediately highlight the fact that the target will not be able to be achieved and in doing so undermine the integrity of the system.

Some may think that the risk of a price shock is overstated. Here's NZIERs modelled carbon prices:

Figure 5 Implied carbon prices – levels

$ per tonne CO2-e



Source: NZIER

One implication of the interlocked nature of the system is to suggest that the Commission will be unable to set its budgets without understanding the implications of them for the allocation of units and the emissions price. However, we suggest that the Commission advise on the emissions trading scheme policy settings rather than determine them (for more on this issue see below).

The Commission – Advisory or Decision-maker?

We refer MFE to our Productivity Commission submission which essentially canvassed the same issue. As we set out in that submission, we state that if business wants durability and long term predictability of policy settings, and an absence of politicking, then the Climate Commission needs to be more than just an advisory body. But neither do we think that it should be 100% independent. Where the decision rights are set is a careful and nuanced task. One thing is however, clear, that being the Climate Commission cannot, indeed must not, both set the target and implement it. Decision-making on target setting should be firmly left to the politicians albeit, as proposed above, on advice from the Commission. BusinessNZ finds it curious that many are relaxed about leaving target setting to the politicians – with all of the attendant (and possibly ill-considered) implications, but then not trust an independent Commission to implement it, preferring instead to let the politicians back to determine how the target that they set in the first place, is achieved. This seems anachronistic.

In terms of expertise on the Commission, we note MFE suggests, following the UK example, that the Commission should take account of the following factors when setting its emissions budgets:

- economic circumstances and, in particular, the likely impact of the decision on the economy and the competitiveness of particular sectors of the economy

- energy policy and, in particular, the likely impact of the decision on energy supplies and the carbon and energy intensity of the economy

However, when it comes to the skills required of the Commissioners, we note that the following expertise is desirable, but non-essential:

- business competitiveness

- knowledge of the public and private innovation and technology development system.

We would strongly contest that expertise in these areas are not essential, especially given the impact of the work of the Commission on the New Zealand business community and the heavy reliance being placed on the innovation ecosystem to deliver solutions.

International Units

These are going to be vital to achieving any of our targets out to 2050, especially as the targets become increasingly stringent. In the absence of low emissions technology, reliance on international units suggests that our target is too high, or

that the cost of the domestic abatement option are also too high. International units, if of a sufficiently robust level of environmental integrity, are a useful safety valve in the absence of lower cost domestic offset or abatement opportunities. In so being, rather than meaning less investment in reducing domestic emissions, their use would mean delaying transition choices that do not reflect the international cost of abatement, and therefore are inefficient.

Summary

There is strong business support across the economy for greater action, but that is not surprising given the low base of action from which we are now building. Business recognises that there are benefits from having a longer term emissions reduction target. But a poorly considered target risks either becomes an empty formality or unduly rigid and constraining. This highlights the very risk of an over ambitious target resulting in a future government reneging on it, or diluting it. There is an extremely careful balancing required to get this right. We are not sure that any of the options presented achieve this.

Setting the target is possibly the most important decision Ministers will make this year, because of the economic and fiscal costs it will end up imposing on New Zealand. If the Government is going to enshrine a net zero target in the Act then at a minimum, it needs to assure the community that it is realistic, achievable and will not impose an unreasonable and disproportionate burden on the economy.

Critical to providing this assurance is the provision of information of a sufficiently high standard that will enable interested stakeholders to make informed contributions to the debate. It is business that will be making investments and adjusting to different market circumstances at various stages along the way. Therefore information on such factors as progress of the international negotiations, comparability of effort, the net public benefit expected and the underpinning low-emissions pathway are core to the debate. The modelling output – other than saying that there are a range of assumptions that in certain combinations can result in the targets being met - hasn't helped in this regard.

In light of this, BusinessNZ is not in a position to determine whether the proposed targets are appropriate and instead recommends an alternate proposal. BusinessNZ urges MFE to see beyond the slogan of net zero by 2050 (whatever that actually means) to the real risks and benefits the targets implies for the future of New Zealand's prosperity. The target must be consistent with the speed of others' actions, based on a comparable metric such as the equalised cost of abatement, able to demonstrate benefits that are tangible and greater than the costs involved, and underpinned by an emissions pathway that can show it is ambitious yet still realistic.

BusinessNZ looks forward to working with the Ministry for the Environment to ensure that an appropriate outcome is reached.

Yours sincerely

John A Carnegie
Executive Director, Energy and Infrastructure
BusinessNZ

APPENDIX ONE: ABOUT BUSINESSNZ

BusinessNZ is New Zealand's largest business advocacy body, representing:

- Regional business groups EMA, Business Central, Canterbury Employers' Chamber of Commerce, and Employers Otago Southland
- Major Companies Group of New Zealand's largest businesses
- Gold Group of medium sized businesses
- Affiliated Industries Group of national industry associations
- ExportNZ representing New Zealand exporting enterprises
- ManufacturingNZ representing New Zealand manufacturing enterprises
- Sustainable Business Council of enterprises leading sustainable business practice
- BusinessNZ Energy Council of enterprises leading sustainable energy production and use
- Buy NZ Made representing producers, retailers and consumers of New Zealand-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.
In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the Business and Industry Advisory Council (BIAC) to the Organisation for Economic Cooperation and Development (OECD).

www.businessnz.org.nz