



Submissions form

We seek your feedback on the specific proposals in the Zero Carbon Bill.

Either email this submission to ZCB.Submissions@mfe.govt.nz (Microsoft Word document (2003 or later) or PDF) or post to Ministry for the Environment, PO Box 10362, Wellington, 6143.

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Personal / organisation details

You must provide either a company name or given name(s)

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Submitter type, pick one:

Business / Industry

2050 target

1. What process should the Government use to set a new emissions reduction target in legislation?

Pick one:

- the Government sets a 2050 target in legislation now
- the Government sets a goal to reach net zero emissions by the second half of the century, and the Climate Change Commission advises on the specific target for the Government to set later.

Optional comment

Z is in favour of long-term policy certainty that provides clarity to New Zealanders and business about policy objectives and opportunities. Our commitment to being at the centre of the climate change solution has been embedded in this business for as long as we've been around. The more we can plan for investing in carbon-reducing and -mitigating activities, the more certain we will be to do so. We very deliberately chose the Paris target of a 30% reduction by 2030 for our own organisation's operational emissions to send a message that we see ourselves as being part of the solution and intending to move – and quickly – on that intention.

Whilst we are supportive of learning from the United Kingdom's Zero Carbon Act model (which favoured the second option, above) we believe there are two significant points of difference which lead us to prefer the first option:

1. The UK's process was enacted 10 years ago. In that time, global emissions have risen by nearly 30%. We don't have time to allow for our legislative process to play catch-up.
2. In the past decade, we as a country have invested a considerable amount of policy muscle and technical know-how around how to meet our international obligations. We feel we are in a position now to expedite enacting that.

We do recognise, however, that for our industry, being able to pass through the cost of a higher price on carbon will likely impact our customers disparately. The likely uneven distribution of costs of a higher price on carbon across different households is a vital consideration, and should be taken into account when defining a domestic policy response.

We support the government's recognition, in the discussion document, that a planned transition over time gives us the best chance of minimising the impact on our jobs and livelihoods so that it is just and fair for all New Zealand communities and regions.

Meaningful policy certainty will aid in informing business decisions that would make commercial and environmental sense. For instance, business would have greater confidence when making investment decisions on new carbon abatement solutions. Specifically, a binding and ambitious New Zealand target would provide a signal to business



that investments of the scale Z has made in New Zealand's first commercial-scale biodiesel plant, will be supported and provide confidence for further possible investment decisions, such as to scale up biodiesel production and invest in new bio-jet opportunities.

A risk with the government setting a specific target later, after advice from the Climate Change Commission, is that we will not harness the recent momentum that has been generated among consumers and business to address carbon emissions and tackle climate change. The 12 July announcement on the Climate Leaders Coalition by 59 CEOs, convened by Z Energy CEO Mike Bennetts, committing to measuring and reporting their greenhouse gas emissions and working with suppliers to reduce emissions, with the aim of helping to keep global warming within 2 degrees, as specified in the Paris Agreement, is a key indicator of businesses willingness to take action as never before.

Companies like Z have extensive supply chains and supply partners that can build exponentially on the current momentum for addressing climate change and maximise potential benefits.

2. If the Government sets a 2050 target now, which is the best target for New Zealand?

Pick one:

- net zero carbon dioxide:** Reducing net carbon dioxide emissions to zero by 2050
- net zero long-lived gases and stabilised short-lived gases:** Long-lived gases to net zero by 2050, while also stabilising short-lived gases
- net zero emissions:** Net zero emissions across all greenhouse gases by 2050.

Optional comment

Z supports an all-sectors, all-gases limit by 2050. We do, however, recognise the complexity of including short-lived gases in a net-zero target straight away. A recent [paper](#) published by New Zealand climate change science and policy experts (including Professor Dave Frame and Dr Adrian Macey) found that modifying the use of global warming potential (GWP) to better account for the differences between short- and long-lived gases can better link emissions to warming.

We would suggest a cap on short-lived gases with a re-concerted effort on innovative solutions (such as biological methane inhibitors) that would not only address these highly destructive gases, but offer an innovative commercial opportunity for the New Zealand agricultural sector.

The discussion paper does not identify these possible solutions, however, and far more clarity would be needed on what constitutes first-principle considerations as how these gases might be dealt with effectively.

We believe innovation will be driven by necessity. We will only be able to reduce emissions in all sectors if we have coherent, predictable government policies that match our global policy ambition. This will

need to include efforts to support enduring and long-term political accord to encourage and stimulate alternative energy investment, and a meaningful price on carbon that will engender real behavioural change. A high and rising price on carbon is the single most important regulation which could be introduced in order to transition to low emission economy. The BEC2050 scenario work found that a higher carbon price did drive fuel substitution, particularly in the electricity sector. A high and rising carbon price should be supported by industry-specific regulations that deal with the unique characteristics of each sector.

3. How should New Zealand meet its targets?

Pick one:

- domestic emissions reductions only (including from new forest planting)
- domestic emissions reductions (including from new forest planting) and using some emissions reductions from overseas (international carbon units) that have strong environmental safeguards.

Optional comment

We support domestic emissions reductions in the first instance, along with supporting New Zealand-grown, enduring forestry offsets. Any inclusion in the New Zealand Emissions Trading Scheme of international carbon units should be very tightly monitored, and include only those emissions that genuinely reduce emissions, and support socio-economic co-benefits, in those countries who genuinely can't afford to meet their own obligations. This could include (but not be limited to) projects that reduce emissions in developing Pacific Island nations, and in developing economies whose aid-related development project could also enable tangible and long-lasting emission reductions.

Z believes further economic modelling is required on this question. It may be the case that utilising offshore units may deliver emissions mitigations at a lower overall direct cost of mitigation, but at a greater reduction to NZ economic dynamism, innovation and ultimately, net GDP. The government should provide clear guidelines on credible offshore units that would be acceptable in the NZ ETS to avoid duplication of due diligence by those on the demand side of NZ ETS obligation purchasing.

We would also recommend a minimum number of New Zealand Units (NZUs) in order to stimulate domestic abatement action, and re-invest in the New Zealand economy and stimulate the domestic job market, with a preference for domestic abatement actions over those offshore.

In practical terms, it will take time to incentivise and plant the new forests needed to reduce emission based on domestic reduction only.

Careful consideration is needed to ensure reductions from forestry are coherent and can be used to provide a good balance between long-term native forestry stock and sustainable plantation forestry. The government's aspiration to plant a billion trees could require large tracts of agricultural land to be afforested, that will no doubt have infrastructural implications.

A host of non-forestry related domestic carbon abatement actions will be needed for New Zealand to reduce its domestic emissions at the scale necessary. Some specific options Z would like to see regard biofuel opportunities, namely on the scale-up of biodiesel production and the establishment of a domestic bio-jet industry in New Zealand. Biofuels have the potential to deliver material carbon abatement, regional development and GDP benefits for New Zealand; but to work at scale, they either need to be implemented under a framework which makes them competitive with fossil fuel (as customers have choice and fossil fuel products drive mainstream fuel prices today), or mandated (removing competition and in effect, customers carry the cost).

4. Should the Zero Carbon Bill allow the 2050 target to be revised if circumstances change?

Pick one:

yes

no.

Optional comment

Allowing for revision would counter the ability for long-term policy certainty. However, if "circumstances" were very tightly defined, and limited to either force majeure-type events, a changing global context which would expose New Zealand to being extremely at risk competitively; or conversely, to *increasing* our ambition, this might be considered feasible.

Z Energy understands the need for a degree of flexibility in setting the target. The introduction of disruptive technology that accelerates emissions reductions or improvements in mitigation technologies may make a target set out to 2050 seem relatively undemanding in the future.

However, the target should only be revised in very limited circumstances after agreement from the Climate Change Commission, as it is important to have a long-term goal to aim for that is easily and clearly understood. The reasons for change must also be transparent and the implications of changes communicated effectively to provide the certainty needed.

Emissions budgets

5. The Government proposes that three emissions budgets of five years each (ie, covering the next 15 years) be in place at any given time. Do you agree with this proposal?

Pick one:

yes

no.

Optional comment

Z is supportive of learning from the UK's experience in enacting the Zero Carbon Act there; the Act has been [deemed](#) to have performed very well there. The UK legislation has driven action, including the setting of five carbon budgets that collectively cover the period 2008-2032. Regular reporting to Parliament has enhanced transparency and accountability, and the independent Committee on Climate Change is highly regarded. However, although the UK met its first carbon budget and is on track to meet budgets to 2022, they are not on track to meet the subsequent budgets to 2032. The UK's experience shows that ambitious climate change legislation is possible, given the right preconditions. The Act does appear still to be a valuable tool for helping to achieve long-term climate change goals by setting a clear emissions reduction pathway via the carbon budget system and by providing a framework that ensures climate change stays across the political agenda, with procedures and reporting obligations driving ongoing action and improving transparency and accountability. A recent Productivity Commission [report](#) examining the UK Carbon Act found that the UK Act provides a useful model to consider but that care would need to be taken to ensure legislation is appropriately tailored to suit the New Zealand context. Detailed policies that will deliver a step change will be needed to meet future carbon budgets.

Three cycles (or 15 years) of carbon budgets would enable us to invest in carbon-lowering solutions with certainty; while aligning the time frames to our Nationally Determined Contributions under the Paris UNFCCC Agreement.

An increasing number of businesses have either set or investigating the opportunities for setting either voluntary or science based targets. These long-term targets typically cover a 10- to 15-year period so the use of this time frame is a good indicator for business for planning investments and change related projects for emissions reduction.

Importantly, locking-in such certainty over a 15-year period would de-politicise the commitment of successive governments to climate change solutions, and provide for the policy certainty business investment requires.

6. Should the Government be able to alter the last emissions budget (ie, furthest into the future)?

Pick one:

- yes, each incoming Government should have the option to review the third budget in the sequence
- yes, the third emissions budget should be able to be changed, but only when the subsequent budget is set
- no, emissions budgets should not be able to be changed.

Optional comment

As the Minister for Climate Change himself states in the Discussion Document: "The Zero Carbon Bill is designed to create certainty." Changing emissions budgets would fundamentally undermine the purpose and intent of the Bill, and remove the guided pathway to reducing emissions it would enable.

However, we recognise that not allowing for flexibility increases the risk of subsequent governments distancing themselves from the legislation. The UK Carbon Act established a Climate Change Committee to allow for flexibility over subsequent governments; and the independence of the Committee on Climate Change there is highly valued.

The scope of such flexibility would need to be very clearly defined, so as not to occur as shifting goal posts. The legislation is a valuable tool for helping to achieve long-term climate change goals by setting a clear emissions reduction pathway via the carbon budget system and – critically - provides a framework that ensures climate change stays on the political agenda, with procedures and reporting obligations driving ongoing action and improving transparency and accountability.

Nonetheless, as the Productivity Commission report points out, the legislation only provides the *framework* for implementation; it is not a substitute for ongoing political commitment to a low emissions economy. New Zealand's Zero Carbon Bill should lock-in the non-partisan outcomes the legislation can provide for.

7. Should the Government have the ability to review and adjust the second emissions budget within a specific range under [exceptional circumstances](#)?

Pick one:

- yes
- no.

Optional comment

We do not believe that 'exceptional circumstances' could be tightly defined enough in order to be considered truly exceptional.



There is a real risk that this could be litigated or argued to include facing a higher cost than anticipated.

8. Do you agree with the [considerations](#) we propose that the Government and the Climate Change Commission take into account when advising on and setting budgets?

Pick one:

yes

no.

Optional comment

Z supports the proposed considerations and believes they represent the real and present issues that should be addressed by the Climate Change Commission.

We agree that budgets alone will not achieve our targets; but are keen to see pragmatic and expedient action. We do not support a structure that would be at risk of 'paralysis by analysis'. We support the approach of the Climate Change Commission setting the overarching framework in terms of budgets and targets, with the intent of the government implementing the detailed policy, but only envisage this working if that detail is clear enough to be helpful, and roles and responsibilities are clearly defined and understood. We support the findings of the (2018) Productivity Commission report, outlining local government, iwi and business initiatives to mitigate emissions.

Government response

9. Should the Zero Carbon Bill require Governments to set out plans within a certain timeframe to achieve the emissions budgets?

Pick one:

yes

no.

Optional comment

The Zero Carbon Act's supporting policies and institutions must go further than providing the 'building blocks' to a smooth transition. Business planning happens on an annual cycle; by definition, this is out of step with three-year government terms. Business also makes long-term investment decisions (invariably those with a higher CapEx up-front investment) on much longer than 3-year horizons. In order to prevent clumsy and ineffectual implementation, and further delay, clear and certain plans must be visible in order for businesses like Z to take into account their costs and opportunities in a timely manner.

We also call for the 'certain timeframe' within which emissions budgets must be achieved to be very clearly defined; and again, call for an ambitious, and predictable pathway.

10. What are the most important issues for the Government to consider in setting plans to meet budgets? For example, who do we need to work with, what else needs to be considered?

Comment

A recent report from the New Zealand Productivity Commission identifies the core building blocks to a low emissions future: emissions pricing, laws and institutions, regulations and policies, and the right innovation and investment settings. We would expect any consultation undertaken in setting budgets would include inputs from expert economists, regulators, legal professionals, local government advisers, business, and iwi and tangata whenua.

Considerations in setting emissions budgets should include:

1. Whether it is better to adopt initially aggressive emission reduction budgets versus more smoothly spaced-out emissions reduction in subsequent emission budgets.
2. The ability of emissions budgets to be met and inspire continuous improvement. If emission reduction is viewed as too easy, then emission reductions will not be perceived as meaningful; but if emission budgets are unrealistic this may be harmful to achieving long-term action on emissions reduction.
3. Which areas will be able to provide the biggest emission reductions and which areas can perhaps be brought into the process when later emission budgets are set.
4. The policies and government initiatives which would accelerate investment and business activities including voluntary action to reduce emissions.
5. Which measures are likely to enrol and maintain wider commitment to emission reduction within the sectors affected by emission budgets.

However, the fact cannot be emphasised enough that we have no time to spare when it comes to effecting policies that will begin to stabilise, and ultimately reduce, our emissions. Z is not in support of further long consultation rounds that, in effect, repeat those that have already been undertaken in the past decade in order to get us where we are. New Zealand is a small place. We know who our key stakeholders are, and we know what they're asking for. In Z's case, that means policy certainty that leads to a meaningful price on carbon that will encourage long-term change, see us meet our international obligations, and support our efforts to invest in technologies that will allow us to reduce our, and our customer's, carbon emissions.

Climate Change Commission

11. The Government has proposed that the Climate Change Commission [advises on and monitors](#) New Zealand's progress towards its goals. Do you agree with these functions?

Pick one:

yes

no.

Optional comment

Absolutely. Z Energy was an early and vocal supporter of the suggestion from the previous Parliamentary Commissioner for the Environment, Dr Jan Wright, that New Zealand follow the UK's lead in establish a Climate Change Commission under a Zero Carbon Act.

We concur with the discussion document's list of desirable expertise, and would support the consideration that the permanent Commission include a representative with strategic business expertise, who could input on possible impacts on business competitiveness of planned policies.

The nature of the advisory and monitoring role of the Commission is also important. We believe the Commission should be an active participant in government process rather than issuing infrequent and retrospective analyses. One example may be inclusion of a official role in the legislative and regulatory process, formally advising on the compatibility of legislation and regulation with the Zero Carbon Act and prior Commission advice.

12. What role do you think the Climate Change Commission should have in relation to the New Zealand Emissions Trading Scheme (NZ ETS)?



Pick one:

- advising the Government on policy settings in the NZ ETS
- makes decisions itself, in respect of the number of units available in the NZ ETS.

Optional comment

Z supports a strong, clear, and independent role for the Climate Change Commission. Z also recommends including a requirement in the proposed legislation that the government should have to explain where and why it has deviated from the advice of the Commission.

When considering whether to give the Climate Change Commission decision-making powers, Z Energy notes the observation of the Productivity Commission and current Parliamentary Commissioner for the Environment that decision-making powers are not normally granted to bodies of this nature. The main role of the Climate Change Commission should be advisory and endorsed by successive governments to prevent future governments from limiting the mandate of the Commission.

Decisions made by the Climate Change Commission should be of a defined scope for the NZ ETS and limited to clearly defined technical areas rather than perceived as political in nature or deliberately in opposition to government policy making functions.

13. The Government has proposed that Climate Change Commissioners need to have a range of [essential and desirable expertise](#). Do you agree with the proposed expertise?

Pick one:

- yes
- no.

Optional comment

As above, Z supports expertise-based appointments to the Climate Change Commission, and would also recommend the inclusion of a business competitiveness expert. In addition, Z Energy strongly recommends including expertise from the youth sector, in order to represent our future workforce and society, and ensure the future-proofing of any policy outcomes.



Adapting to the impacts of climate change

14. Do you think the Zero Carbon Bill should cover adapting to climate change?

Pick one:

yes

No

Optional comment

Absolutely. Z is firmly of the view that our coastal erosion-prone, island nation, has a particular interest in clear and present action on climate change adaptation, and we are keen to see more action in this area. Professor Will Steffen, (ANU Emeritus Professor) who visited New Zealand last year, clearly explained how the Paris 1.5° target will be missed by miles at current levels of policy commitment. He illustrated in detail that the later we leave it to act, the less time we have to transform our economies - to the point that it'll be impossible. And his modelling showed that unavoidable and catastrophic climate change may be as little as 3 years away. Leaving *starting* to decarbonise the economy until 2020/2025 makes it technologically and economically unfeasible. Focusing the policy lens on adaptation to, rather than longer-term mitigation of, climate change, brings that reality into closer relief.

Adaptation to the effects of climate change is of particular and immediate significant to Z and to our customers, as many of our Retail sites are near coastal erosion-prone areas, as of course are our terminals, and the New Zealand Refinery.

Adaptation to the impacts of climate change is critically important for major utility and fuel providers. Awareness of the risk posed by a lack of action on adaptation is needed both across the business community and other impacted organisations.

The current risk of not adapting to climate change is not well understood, and could pose a major future cost to business and customers e.g. through increased insurance premiums. There is currently no agreed format for assessing the risks and sharing knowledge on adaptation. An agreed approach to both risk assessment and reporting of adaptation results would accelerate action.

A national adaptation plan is needed to coordinate efforts in different sectors, close gaps in current understanding, and to avoid costly duplication of effort by different organisations working in similar areas. The proposed reporting power is essential to provide a broader understanding the progress towards effective adaptation.

However, we would not be in support of this plan effectively adding another layer of governance to this already complex area, and risking slowing progress down further. Where central government agencies are responsible for developing policy relating to particular infrastructural effects (i.e. MPI for agricultural consequences of extreme weather events relating to climate change; Ministry of Transport and Land Transport NZ for effects on transport infrastructure) they should continue to be empowered to do so.

15. The Government has proposed a number of new [functions](#) to help us adapt to climate change. Do you agree with the proposed functions?



Pick one:

yes

no.

Optional comment

Z Energy strongly supports this suggestion. As the Discussion Document says: *Climate change exacerbates existing risks and creates new risks.* At the moment, these risks are ill-managed, and lack of co-ordinated response over the years has had devastating effects. We strongly support any action that sees local government strengthening their ability to be able to respond and adapt quickly to the predictable extreme events resulting from our changing climate.

16. Should we explore setting up a targeted adaptation reporting power that could see some organisations share information on their exposure to climate change risks?

Pick one:

yes

no.

Optional comment

We do not see this as a priority at this time, and would rather see effort expended on reporting and identifying efficiencies focused on local and regional government.