

# Call for evidence



We are calling for evidence on options available to reduce greenhouse gas emissions over the period 2022 to 2035.

## Why are we doing this?

The Interim Climate Change Committee is the precursor to the proposed Climate Change Commission, expected to be established in late 2019 under the Zero Carbon Bill<sup>1</sup>. The Bill provides a framework to help New Zealand deliver on the objectives of the Paris Agreement.

A key part of the proposed Commission's work will be to advise the Government on emissions budgets.

Emissions budgets set the total emissions of all greenhouse gases permitted in the relevant budget period. The Government will set emissions budgets based on the proposed Commission's advice.

## Why are we doing this now?

We are running this call for evidence now as foundation work for the proposed Climate Change Commission to enable it to start work immediately as soon as it is set up.

It will help identify relevant information for developing these emissions budgets, and to maintain a broad, robust and transparent approach in developing the proposed Commission's evidence base.

We have been asked to do this through our [Terms of Reference](#). This work is also outlined in our letter to the Minister for Climate Change on 7 May 2019 [here](#).

## What are we looking for?

We are looking for high-quality, credible, evidence that will support the proposed Commission's work on emissions budgets. This is likely to include knowledge and evidence of technologies and options to reduce emissions, and the economic, environmental, cultural and social impacts of them. We are not looking for personal views or opinions.

## What if I have already made submissions on similar topics?

If you have already submitted evidence as part of consultation run by Government agencies, such as the Zero Carbon Bill or the Ministry of Transport's Clean Car Standard and Discount, then we are happy for you to point us to those submissions, noting the key information or material that relates to our call for evidence.

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<sup>1</sup> Climate Change Response (Zero Carbon) Amendment Bill:  
<http://www.legislation.govt.nz/bill/government/2019/0136/latest/LMS183736.html>.

## **What will we do with the evidence we gather?**

We will use this information to inform our initial work on emissions budgets and add to the evidence base the proposed Commission will draw upon.

## **Confidentiality and data protection**

All or part of any written response (including the names of respondents) may be published on our website [www.iccc.mfe.govt.nz](http://www.iccc.mfe.govt.nz). Unless you clearly specify otherwise, we will consider that you have consented to both your name and response being published.

Please be aware that any responses may be captured by the Official Information Act 1982. Please advise us if you have any objection to the release of any information contained in your response, including commercially sensitive information, and in particular which part(s) you consider should be withheld, together with the reason(s) for withholding the information. We will take into account all such objections when responding to requests for copies of, and information on, responses to this document under the Official Information Act.

The Privacy Act 1993 applies certain principles about the collection, use and disclosure of information about individuals by various agencies, including the Interim Climate Change Committee. It governs access by individuals to information about themselves held by agencies. Any personal information you supply to the Committee in the course of making a response will be used by the Committee only in relation to the matters covered by this document. Please clearly indicate in your response if you do not wish your name to be included in any summary of responses that the Committee may publish.



## Call for evidence: response form

We are looking for responses that are evidence-based, with data and references included where possible. Please limit your response to each question to a maximum of 400 words, plus links to supporting evidence, using the template provided. Please answer only those questions where you have particular expertise or experience.

We recommend that you refer to the Climate Change Response (Zero Carbon) Amendment Bill when considering your answers, which can be found [here](#).

If you have any questions about completing the call for evidence, please contact us via [feedback@ICCC.mfe.govt.nz](mailto:feedback@ICCC.mfe.govt.nz). Please include a contact number in case we need to talk to you about your query.

Please email your completed form by **12 noon, Friday 15 November 2019** to [feedback@ICCC.mfe.govt.nz](mailto:feedback@ICCC.mfe.govt.nz). We may follow up for more detail where appropriate.

### Contact details

<b>Name and/or organisation</b>	<b>Mercury</b>
<b>Postal Address</b>	
<b>Telephone number</b>	
<b>Email address</b>	

### Submissions on similar topics

<b>Please indicate any other submissions you have made on relevant topics, noting the particular material or information you think we should be aware of.</b>
<b>Answer:</b>  <i>Submission to MBIE on 'A Vision for hydrogen in New Zealand Green Paper', 25/10/2018.</i>  <i>Submission to the Electricity Price Review Panel via the Energy Markets Team at MBIE, 'Electricity Price Review Options Paper', 22/3/2019.</i>  <i>Submission to the Environment Select Committee on the Climate Change Response (Zero Carbon) Amendment Bill, 19/7/19.</i>

*Submission to the Electricity Price Review Panel via the Energy Markets Team at MBIE, 'Electricity Price Review', March 2018.*

*Submission to Ministry of Transport on 'Clean Car Standard and Clean Car Discount Discussion Paper', 18/8/2019.*

*Submission to New Zealand Productivity Commission on 'Transitioning to a Low-Emissions Economy Draft Report', 8/6/2018.*

*Submission to MFAT on 'New Zealand's priorities in the international climate change negotiations', 3/4/2018.*

*Submission to MfE on 'Improvements to the New Zealand Emissions Trading Scheme consultation', 21/9/2018.*

*Submission to New Zealand Productivity Commission 'Inquiry into Opportunities and Challenges of a Transition to a Lower Net Emissions Economy for New Zealand', 2/10/2017.*

### **Commercially sensitive information**

***Do you have any objection to the release of any information contained in your response, including commercially sensitive information?***

***If yes, which part(s) do you consider should be withheld, together with the reason(s) for withholding this information.***

***Answer: No.***

### **Questions for consideration:**

#### **Section A The first three emissions budgets**

Under the proposed Zero Carbon Bill, the proposed Commission will have to provide advice to government on the levels of emissions budgets over the coming decades.

Currently, the Zero Carbon Bill requires budgets to be set from 2022-2035 (three separate budgets covering 2022-2025, 2026-2030, and 2031-2035). When preparing this advice the proposed Commission will have to consider the implications of those budgets for meeting the

2050 target. The Commission will also need to consider the likely economic effects (positive and negative) of its advice.

**Question 1:**

***In your area of expertise or experience, what are the specific proven and emerging options to reduce emissions to 2035? What are the likely costs, benefits and wider impacts of these options? Please provide evidence and/or data to support your assessment.***

***Answer: See the work undertaken by the NZ Productivity Commission and other countries that are ahead of NZ in planning for economy wide emission reductions, for example the UK and Ireland. Ireland's Climate Action Plan 2019 may be of particular value given Ireland is one of the few countries that has agriculture sector emissions to address. There is economic literature that supports the argument that a far higher price on carbon than we have currently will help to internalise emission costs as an efficient, (least cost emission reductions first), way of incentivising emission reductions. We see the NZ ETS as playing an important role in reducing emissions across sectors of the economy out to 2035.***

***We suggest consideration of recent submissions to MBIE on the Resource Strategy, particularly those from PEPANZ, GNS Science and CRL Energy which touch on gas supply issues and how these impact on renewable electricity generation and the ability for New Zealand to achieve its emissions reduction targets at least cost. Currently the electricity sector is experiencing elevated wholesale market pricing due to ongoing gas supply issues which has resulted in increased generation and higher emissions from coal fired generation. While these issues are not related to the Government's offshore oil and gas policy settings, they serve to indicate the potential impacts on the electricity market if gas availability were to become permanently reduced.***

***Mercury understands that the current dynamics in gas sector in terms of both exploration and availability of existing gas supplies may point to the current situation continuing meaning emissions from the electricity sector could rise. This suggests that any emissions targets for the energy sector will need to be set bearing in mind gas supply information and Mercury supports the ICCC engaging closely with the gas industry to understand the current dynamics.***

***As the ICCC have noted in their analysis, gas plays an essential role in firming hydro generation and supporting expansion from intermittent renewables. Reduced gas availability runs the risk that imported coal will instead need to be utilised driving up emissions and also the price of electricity in the wholesale market (See response to question 9). This would in turn reduce the rate of electrification in the transport and process heat sectors as renewable electricity becomes less cost competitive with fossil fuels.***

**Question 2:**

***In your areas of expertise or experience, what actions or interventions may be required by 2035 to prepare for meeting the 2050 target set out in the Bill? Please provide evidence and/or data to support your assessment.***

***Answer: See response to question 1 and our recent submissions.***

**Question 3:**

***In your areas of expertise or experience, what potential is there for changes in consumer, individual or household behaviour to deliver emissions reductions to 2035? Please provide evidence and/or data to support your assessment.***

***Answer: Mercury has consistently supported reforms to electricity network pricing to send signals to consumers around the peak electricity usage. Evidence to support this approach includes the New Technologies Study prepared by Concept Consulting, particularly Part 1, March 2016, Emission Impacts (Part 2, June 2016 addresses Economic Impacts, and Part 3, March 2017, addresses Social Impacts). With respect to the transport sector see also the report prepared by Concept Consulting in March 2018 "Driving Change – A study on the issues and opportunities of mass-EV uptake in NZ." All the reports can be found at <http://www.concept.co.nz/publications.html>***

**Question 4:**

***When advising on the first three emissions budgets and how to achieve the 2050 target, what do you think the proposed Commission should take into account when considering the balance between reducing greenhouse gas emissions and removing carbon dioxide from the atmosphere (including via forestry)?***

***Answer: The Commission will need to weigh up the costs and benefits along with the long-term practicality of planting forestry on land in NZ and the implications significant land use change would have on rural communities. We would also have to ensure that any forests are replanted. The Parliamentary Commissioner for the Environment has published a report on these issues.***

***Consideration could be given to expanding the NZ ETS to allow for credits to be created from riparian and wetland restoration. The ability to look at these broader***

***removal activities not currently recognised under the ETS that wouldn't create the same conflicts, could support a move to regenerative agriculture practices and provide broader water quality / biodiversity value.***

**Question 5:**

***What circumstances and/or reasons do you think would justify permitting the use of offshore mitigation for meeting each of the first three emissions budgets? And if so, how could the proposed Commission determine an appropriate limit on their use?***

***Answer: Once there is an established international process for trading international carbon credits NZ could participate. We would want the carbon credits to represent genuine, independently verified emission reductions. It may be appropriate to cap the level of international units permitted to be traded, assuming any are available. It will be important to utilise least cost abatement options, which may include use of international carbon credits while NZ adopts abatement technologies at a rate that avoids unnecessary cost.***

**Section B Emissions reduction policies and interventions**

The proposed Commission will also need to consider the types of policies required to achieve the budgets it proposes. This consideration should include:

- sector-specific policies (for example in transport or industrial heat) to reduce emissions and increase removals, and
- the interactions between sectors and the capability of those sectors to adapt to the effects of climate change.

**Question 6:**

***What sector-specific policies do you think the proposed Commission should consider to help meet the first emissions budgets from 2022-35? What evidence is there to suggest they would be effective?***

***Answer: Policies to encourage the electrification of transport, particularly cars and public transport. Electric vehicles are cheaper to run and don't produce carbon emissions as well as improving air quality and reducing NZ's dependence on fossil fuel imports. Increasing uptake of electric vehicles in NZ suggests such policies may be effective.***

***With respect to the energy sector see our response to Question 1 and our submissions.***

***Question 7:***

***What cross-sector policies do you think the proposed Commission should consider to help meet the first emissions budgets from 2022-35? What evidence is there to suggest they would be effective?***

***Answer: The NZ ETS given it is already in place and covers most sectors of the economy. General policy to encourage and support building more renewable electricity generation such as strengthening the national policy statement for renewable electricity generation, more flexible conditions on consents for wind generation to accommodate changes in technology between a consent being granted and the development being built. See our recent submissions and the work undertaken by the NZ Productivity Commission. In addition, see our points around expanding the NZ ETS to include riparian and wetland planting to provide broader cross sector value, (response to Q4).***

***Question 8:***

***What policies (sector-specific or cross-sector) do you think are needed now to prepare for meeting budgets beyond 2035? What evidence supports your answer?***

***Answer: see response to question 7.***

## **Section C Impacts of emissions budgets**

The proposed Commission will need to consider the potential social, cultural, economic and environmental impacts of emission budgets on New Zealanders, including how any impacts may fall across regions and communities, and from generation to generation. Potential impacts may be either positive or negative.

***Question 9:***

***What evidence do you think the proposed Commission should draw upon to assess the impacts of emissions budgets?***

**Answer: Any/all credible, relevant modelling that is available. The NZ Productivity Commission and the ICCC itself undertook modelling for their respective reports recently. MfE undertook modelling as an input to the regulatory impact statement for the Climate Change Response (Zero Carbon) Amendment Bill. Transpower has undertaken scenario modelling for its strategic planning and the Business NZ Energy Council has undertaken modelling on potential energy futures out to 2060.**

**We would particularly recommend that the Commission seek information from the natural gas sector about short, medium and long-term supply dynamics as noted in our response to question 1. Gas is an important transitional fuel for decarbonisation but we are seeing a short term dynamic whereby NZ is burning more coal for electricity generation due to a lack of gas availability this not only increases our direct carbon emissions from having to import coal from Indonesia but also our indirect (transport) emissions as the coal needs to be shipped to NZ and then transported by truck and/or train.**

<https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/electricity-statistics/>

**Question 10:**

**What policies do you think the proposed Commission should consider to manage any impacts of meeting emissions budgets? Please provide evidence and/or data to support your assessment.**

**Answer: Revenue recycling through the NZ ETS.**

#### **Section D Other considerations, evidence or experience**

**Question 11:**

**Do you have any further evidence which you believe would support the future Commission's work on emissions budgets and emissions reduction policies and interventions?**

**Answer: No**

Please email your completed form to [feedback@ICCC.mfe.govt.nz](mailto:feedback@ICCC.mfe.govt.nz) by **12 noon, Friday 15 November 2019**.

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