

CLIMATE CHANGE COMMISSION

Level 21, Aon Centre
1 Willis Street
Wellington

7 April 2020

Hon James Shaw
Minister for Climate Change
Parliament Buildings
Wellington

Dear Minister

I am writing to offer the Climate Change Commission's assistance as the Government plans for economic recovery following the coronavirus pandemic.

First, the Commission wishes to acknowledge the impact of the current crisis on the health and wellbeing of New Zealanders, the efforts of those on the front line of the national response, and the challenges of shaping our recovery path within an uncertain global context. It is a tough time for New Zealand and for the world, and the Commission recognises its responsibility to respond, alongside others, to this crisis.

The Government's response to the coronavirus pandemic will have three time horizons:

1. Providing immediate relief to those in need,
2. Putting in place measures to stimulate the economic recovery in the medium term, and
3. Putting in place measures to manage the impacts on future generations in the long term.

As the Government turns its mind to the economic recovery, we encourage you to put a climate change lens across the measures you choose to implement. We believe the Government can maintain its commitment to a productive, inclusive, sustainable, and climate-resilient economy. Applying the values of manaakitanga (respect and care for others) and kaitiakitanga (active guardianship) can help us to find our way as a country.

An economic stimulus package can either speed up or stall our progress on climate change. Smart investment decisions in low-emissions practices, technologies and infrastructure can create jobs and will ensure people are better off both now and in the future. Smart decisions will also reduce exposure to the physical impacts of climate change. Conversely, investments that lock New Zealand into a high-emissions and exposed development pathway will only compound today's crisis with a future one.

As the Government's independent climate change advisor, the Commission offers the following principles for the Government to use in decisions to help deliver an economic recovery that keeps New Zealand on track to achieve our climate goals. These principles align with our responsibility under the Climate Change Response Act 2002 to consider economic, social, cultural and environmental

matters. The principles draw on lessons from the Global Financial Crisis from key international experts, including the economist Lord Stern.¹

Principle 1: Consider how stimulus investments can deliver long-term climate benefits

Climate change is an economic, social, cultural and environmental issue. Investments that provide both immediate benefits and long-term climate benefits for New Zealand's workers, households, communities and regions will deliver economic prosperity that is inclusive, sustainable and climate-resilient.

Investments in long-lived assets must not lock New Zealand into a high-emissions development pathway or one that increases exposure to the impacts of climate change. The public and private sectors should future-proof investments and avoid stranded assets by factoring long-term emissions prices consistent with climate goals into their investment analysis, and by ensuring a climate change lens is part of their decision-making, including in infrastructure and spatial planning decisions.

Principle 2: Bring forward transformational climate change investments that need to happen anyway

The Government will achieve multiple wins if the investments it makes in the coming months can reduce necessary spending in the future while creating new jobs, reducing emissions and building an economy resilient to climate change impacts. Accelerating these essential investments will improve cumulative gains to the economy, society, and the environment.

Principle 3: Prepare our workforce for the jobs of tomorrow

Investment in education and retraining will prepare displaced and future workers for the new job opportunities that will emerge from the transition to a low-emissions and climate-resilient economy and society. This will also help to revitalise educational institutions affected by the pandemic.

Principle 4: Work in partnership

We encourage Government to shape its economic recovery plan in partnership with iwi/Māori consistent with the principles of Te Tiriti o Waitangi. We also encourage active collaboration with businesses to leverage private-sector action and finance, and with the research community to identify new opportunities and tools.

Principle 5: Maintain incentives to reduce emissions and adapt to climate change

The economic transformation will be driven by decisions made both by Government and the private sector. Maintaining the integrity and continuity of market, regulatory and policy measures aligned with long-term climate change goals will guide both public and private investment and innovation in a direction that future-proofs New Zealand. A clear and credible signal for low-emissions investment through the Emissions Trading Scheme, including through continuing to pursue the current reform programme, will remain key.

Principle 6: Change how we measure the success of economic recovery

The Government has been developing wellbeing indicators to sit alongside the traditional economic indicators. The Government should use the full suite of these indicators to measure how New Zealand is recovering and progressing towards an inclusive, low-emissions, and climate-resilient future.

¹ Bowen, Fankhauser, Stern and Zenghelis, 2009, *An outline of the case for a 'green' stimulus*, London: Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy.

Using these principles to guide investment in economic recovery can generate dividends for both present and future generations in the form of:

- clean energy and energy efficiency,
- improved transport systems,
- sustainable land use,
- resilient infrastructure,
- an empowered workforce,
- accelerated innovation, and
- improved wellbeing.

In this letter, we have not sought to identify specific projects and programmes for the Government to focus on. The Commission is still in the process of gathering evidence and carrying out analysis to form its advice. However, the Commission's advice on the direction of policy required in the Government's first Emissions Reduction Plan will be guided by these principles, alongside the criteria outlined in the Climate Change Response Act 2002. The principles above, if used to guide Government decisions in the interim, will help align stimulus investments and policy choices with emissions reduction and adaptation opportunities.

As part of developing its advice to Government under the Climate Change Response Act 2002, the Commission will work with officials, iwi/Māori, and stakeholders to explore how these principles can be applied in practice. We look forward to keeping you updated as we progress this important work.

If you would like to discuss further how the Climate Change Commission may be able to provide more specific assistance, the Commissioners and Commission staff are more than willing to make ourselves available.

Yours sincerely



Rod Carr
Chair, Climate Change Commission
On behalf of the Climate Change Commission

CC: Hon Grant Robertson, Hon Phil Twyford, Hon Megan Woods, Hon David Parker, Hon Nanaia Mahuta, Hon Damien O'Connor, Hon Shane Jones, Hon Eugenie Sage