

SUBMISSION

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LGNZ.**

Te Kāhui Kaunihera o Aotearoa.

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Climate Change Commission Draft Advice

Local Government New Zealand's submission on the Climate Change
Commission's Draft Advice to Government

March 2020

We are. LGNZ.

LGNZ is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and promote the good governance of councils and communities. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities. Our purpose is to deliver our Vision: "Local democracy powering community and national success."

Introduction

Local Government New Zealand (LGNZ) thanks the Climate Change Commission (the Commission) for the opportunity to submit on its 2021 Draft Advice for Consultation (the Draft Advice).

As New Zealand's local government peak body, LGNZ has prepared high-level sector input for the Commission's consideration. We acknowledge the need for a range of policy tools that enable New Zealand to mitigate and adapt to the effects of climate change. In our view, new policy should complement existing emissions reduction tools - namely the New Zealand Emissions Trading Scheme (NZETS). LGNZ also submits that any obligations foisted on local government by the Draft Advice's national policy change account for scale and have appropriate national funding. Finally, we recommend that our views are taken in concert with specific councils' and council groups' comments, to give consideration to their comments to address how the Draft Advice affects their particular localities and areas of oversight.

Our submission is broken into general comment and feedback to specific questions. We also request that our comments be considered alongside those with more technical expertise's submissions. Where we are silent on a question, this should be taken as deferral to those with more insight, rather than acquiescence (e.g. Consultation question 3 on the breakdown of the emissions budget, and Chapters 7, 8 and 9).

General comments

Policy bite or kicking the can

In reviewing the work of the Commission it is noted that many of the rules-based actions (as opposed to the market-based actions undertaken through the Emissions Trading Scheme) defer any real action for many years. This relies too heavily on the actions of a future government to have the necessary support to pursue what may be unpopular policies at that time, and hence increases their political risk. We recommend the Commission consider making the "pain" of climate change policies bite earlier, principally through raising the carbon price. This will spur action sooner, and may indeed mitigate the need to undertake unpopular and risky policies in future.

Funding

Local government will play an essential role for New Zealand to reach the carbon emission reductions targets. However, the Draft Advice's recommendations would require it carry out a range of new obligations in an already financially challenging context, to say nothing of the additional burden COVID-19 has had on council budgets. This issue is exacerbated by the fact that local government has fewer options to raise funds than central government. Raising rates is one option that we expect central government will recommend.

However, this will likely cause financial hardships for those communities who are also likely to experience the worst aspects of climate change.

To address the funding issue and to avoid equity issues associated with rates increases, LGNZ recommends that the Commission accounts for the cost the national emission reduction recommendations contained in the Draft Advice would impose on local government. These costs should then be met by a new national fund to ensure local government can help New Zealand to meet its carbon emissions targets as outlined in the Draft Advice.

Scale

The Commission correctly identifies that a comprehensive and mutually reinforcing package of policies is needed to achieve the emissions reductions. We also agree that the package will need to achieve the three types of intervention listed to enable change (see p 104 of the Draft Advice). However, in forming this package we recommend that direction explicitly refer to the need for appropriate scale (i.e. how national policies trickle down into local action).

To ensure the Draft Advice accounts for how scale impacts policy design, we recommend the Commission acknowledge the role that local government will play in forming policy. This means affording significant weight to councils' feedback throughout the report and amending the sector specific policies to reflect councils' input on the necessary actions, particularly those contained in Chapter 6.

Urban form and transport

The key objectives of urban development are to maintain affordability, freedom to locate and mobility (fast and low cost transport) as the footprint and densities of cities inevitably increase to ensure well-functioning labour markets. At the same time, urban growth is accompanied by costs that function as constraints to development. Specifically, in relation to urban transport systems that contribute to maintaining the value proposition of urban life, there are three main costs: congestion, pollution concentration and greenhouse gas (GHG) emissions.

LGNZ acknowledges that the costs brought about by the use of urban transport systems need to be managed. However, focusing on centrally determining urban form (by way of constraining land use) may run counter to affordability objectives, because constraining the supply of land in the face of high demand always results in high land prices. We recommend that the Commission undertake more extensive work to understand the trade-offs and the relative priorities before developing firm policy direction.

Promoting pollution free transport is a good strategy, but there is not only one way to achieve this. Adopting any strategy must ensure that it reduces the net-costs across the entire system (across sectors), factoring in social and economic costs created by poor functioning land and labour markets with high house prices, as well as the true cost created by urban development under path-dependant conditions of existing urban forms, including:

- Already congested and transport systems that are over capacity at existing densities;
- Cost of upgrading depreciated three waters infrastructure to enable intensification of land use;
- The lack of availability of public utility space that could have been protected in advance if long-term spatial planning had been undertaken, but has not been;
- The increasing costs and constraints imposed by engineering and development economics to solely accommodate demand through of intensification;

- The inability of government to provide for the amount of public transport to prevent congestion at higher densities; and
- The cost of transport emissions created by more congested commuting with longer times, because constraining land supply disallows business to disperse and households to locate closer to places of work.

We propose analysing the costs and benefits of alternative approaches to achieving pollution free transport, including development of new transport systems and technological advancement, which can reduce pollution while at the same time advancing productivity and housing affordability objectives.

Comments on specific questions

Question 1 - Principles to guide advice

We support the Commission's principles that guide the Commission's Draft Advice. However, we note that the role for market mechanisms, specifically the NZETS, should be included as one of the principles that underpins the Draft Advice. The Commission correctly acknowledges that market incentives need to be strengthened to reduce emissions late in the report. It also correctly points out that emissions pricing is a powerful tool to this end.

LGNZ also notes that the split gas approach could mislead readers as it could be read as painting a dual picture of the extent of emissions. For this reason, if possible, we propose that the Commission considers expressing biogenic methane (currently as Mt CH₄) alongside an equivalent measurement of carbon dioxide (Mt CO₂e) throughout the report.

Question 2 - Emissions budget levels

We recommend that timeframes per the emissions budget table found under recommendation 1 is expressed at consistent periods for clarity's sakes. Currently emissions budget recommendation 1 covers three years, while emissions budgets 2 and 3 cover four year periods. We also recommend that the Commission explain how the emissions budget levels interacts with the NZETS as this is only clarified towards the end of the Draft Advice.

Question 4 - Limit on offshore mitigation for emissions budgets, with conditions

We agree with the approach outlined in recommendation 4 in principle. In the first instance, New Zealand should take a proactive approach to reducing its own emissions. This will avoid creating equity problems by imposing our reduction obligations on still developing countries. That said, New Zealand may want to leave options open to meet our emissions targets as a last resort, with stringent conditions attached to ensure there is sufficient incentive to focus on domestic reductions. This is allowed under our international agreements and legislation that provide for offshore mitigation.

Question 5 and 6 - Cross-party support and joined up government

LGNZ supports the need for cross-party support and a joined up government approach for New Zealand to meet its emission reduction targets.

We note that cross-party support should not hamstring the Minister for Climate Change from directing New Zealand's efforts to reduce its emissions. We emphasise the need for political debate to occur recognising the urgent need for New Zealand to take action to curb its emissions to prevent discourse from unnecessarily slowing action.

These comments apply similarly regarding the recommendation to introduce Vote Climate Change. Recognising the need for a dedicated central government fund to achieve the targets, LGNZ recommends that this should be established no later than 31 March 2022 so as not to defer the public service taking operational steps to achieve New Zealand's emissions targets.

Question 7 - partnership with iwi/Māori

LGNZ applauds the Commission's efforts throughout the Draft Advice to draw on the He Ara Waiora framework to understand wellbeing from a Te Ao Māori a mātauranga Māori perspective.

As identified, the Commission must act to remove barriers and progress actions to give effect to the Treaty partnership. To genuinely reflect the Te Tiriti o Waitangi principles as articulated by the Courts and the Waitangi Tribunal, all changes brought about through the Draft Advice requires the Crown and Māori to work in partnership in the governance, design, delivery, and monitoring of health and disability services.

Achieving enabling recommendation 3 requires the Crown support Māori to co-design the Draft Advice. This goes well beyond stakeholder engagement. However, Māori presently face significant barriers (resourcing, time, capacity) to submit on the extensive technical measures contained in the Draft Advice. Additionally, local government faces significant resource constraints when engaging with iwi/hapū to determine how the Draft Advice affects its obligations to its own communities.

We recommend that the Draft Advice account for the need to adequately resource Māori to co-design how New Zealand can achieve the emission reductions. Furthermore, we submit that the Draft Advice recognises local government's need for appropriate funding to (a) partner and engage meaningfully with Māori throughout New Zealand in fulfilling its roles per the Draft Advice's recommendations; and (b) promote the interests of Māori in co-designing emissions reduction efforts. We argue that this will not create the risk of consultation fatigue; instead it recognises the need for every governance level to own how New Zealand reduces nationwide emissions as they represent the communities that comprise New Zealand.

Question 8 - Central and local government working in partnership

A strong, reciprocal relationship between local and central government will be critical for New Zealand to achieve the Draft Advice's ambitions. For this relationship to emerge, local government needs representation at the decision-making table and appropriate funding to ensure it can hold up its part of the emissions reduction bargain.

Local government's ability to provide fulsome comment on the extensive, technical recommendations detailed in the Draft Advice is hampered by its capacity and resource constraints. Consequently, we recommend that the Commission provide local government with a more prominent role in determining the Draft Advice's design and implementation. This would have the added benefit of enabling continued input from local government as the policy process continues, which is otherwise limited by the Draft Advice's abridged consultation period.

Local government will play a critical role in implementing several aspects of the Draft Advice as many of its recommendations (e.g. those captured under question 14) would impose a variety of additional obligations on

councils. Councils' current funding models are stretched and will not cover the new requirements to be imposed. For this reason, LGNZ reiterates that the Commission recommends new funding allocations accompany the new responsibilities that will be imposed on local government.

Finally, the Draft Advice appropriately identifies that several pieces of legislation will need to be aligned so that emissions can be reduced. The Land Transport Act will need to be included in this recommendation given its obvious relevance to the Draft Advice's recommendations concerning transport. We anticipate that the Commission should involve local government when designing these changes, given its existing role in the transport sector. Additionally, any new legislation will need to be accompanied by guidance to ensure that local government can give effect to it.

Question 9 - incorporating the views of all New Zealanders

We recognise the role that inclusive policy development has to play in determining how to prioritise meeting our emissions budgets. We are encouraged to see that the Draft Advice raises the prospect of a citizens assembly to inform how to make judgements on value driven issues, and determine how to make trade-offs when determining which climate actions and policies to pursue. The Commission's contemplation of this measure underpins the need for grassroots local involvement to address the problems posed by climate change.

LGNZ anticipates that, given local government's proximity to New Zealanders, any citizens assembly will necessarily make use of its assets, resources and capacity. Consequently, we recommend that the Commission factor in any costs imposed on local government and determine appropriate funding tools when forming mechanism(s) to enable citizen engagement. LGNZ also recommends that the Commission refers to a variety of resources when forming this mechanism to work effectively to steer policy and avoids industry capture. We highlight two potential resources below.

In January 2019, Oxford City Council members declared a climate emergency and created a citizens assembly to consider carbon targets and reduction measures. Importantly, climate change was treated as a 'given' and the Assembly was not asked to consider whether it is a reality. This involved a randomly selected representative sample of 50 residents who explored options to cut carbon emissions through a combination of presentations from experts and facilitated workshops. You can read more about the Oxford City Council approach [here](#).

In 2020, the Organisation for Economic Cooperation and Development (OECD) published a report titled *Innovative Citizen Participation and New Democratic Institutions*. This report explores process models and trade-offs in participation design choices and the relative benefits they bring. The OECD report also identifies good practice principles for decision-making. The Commission can access a summary of the report [here](#).

Questions 10 and 11 - Locking in net zero

LGNZ supports the Commission's approach to meeting its proposed emissions budgets. We agree in general with the relative benefits of exotic and native forests. However, we ask that the Commission pays heed to scientific input on the risks associated with permanence of carbon emissions removals using forestry. We submit that overstating these risks could unnecessarily limit the potential for forestry's role in reducing New Zealand's carbon emissions.

These scientific views considered giving forestry its appropriate role; we support efforts to drive down gross emissions as per the Commission's transformation pathways to lock in net zero emissions by 2050.

Question 12 - Our path to meeting the budgets

LGNZ encourages the Commission to review submissions from across local government to account for its various approaches to meeting its proposed budgets within each sector. Making changes to each sector will require extensive local government involvement. Consequently, we recommend that the Commission better elaborate the funding tools that will be made available to local government to carry out the changes it proposes.

LGNZ understands the Commission's need to delineate the path to reduced emissions for each sector (i.e. transport, buildings, electricity, natural gas, etc). However, further consideration should be given to how changes to these sectors affect one another as they are interdependent, not independent. We also note that local government will play an important role in each of these sectors and emphasise that this should be further borne out in the Draft Advice to ensure a full picture of the carbon emissions reductions process is captured. We provide various comments on some of the sectors in our answers to questions 14-18 below.

Additionally, under question 12 the Commission identifies that timber can displace emissions intensive materials such as steel and cement in buildings, however it does not expand on this or provide sources for further reading. We suggest that the Commission elaborate on this statement. We also strongly recommend that the Commission engage with councils and industry to determine the extent that timber can be used similarly and carefully consider how it can align any recommendations in this regard with the Building Act and Building Code.

Question 13 - An equitable, inclusive and well-planned climate transition

Any transition must be equitable so far as possible. As per our answers for questions 7 and 8, this will require that central government funds adequately and works closely with local government and iwi/ hapū to understand how changes will affect New Zealand's communities.

The framework spelled out in the Commission's necessary action offers a good start to determine a transition strategy. However, we recommend that the timeframe as contained in the progress indicator - 31 December 2023 - be brought forward to 2022. Failing to do so will likely defer our carbon reduction path and New Zealand will miss the Commission's targets.

To streamline its transition strategy and best account for equitable local considerations, we recommend that the Commission gives weight to the comments from across the local government sector in response to the Draft Advice. From there we recommend both branches of government work with iwi/ hapū to co-design a transition plan that (a) determines communities and regions particularly affected by climate change and the transition to a low emissions society; and (b) how to develop transition planning in those areas.

Questions 14 - Transport

LGNZ notes on the transport sector discussion that the Draft Advice captures the important role that light vehicles will play in decarbonising land transport. However, we submit that there is value in specifying that the vehicles New Zealand uptakes are zero emission rather than hybrid to maximise carbon reductions. Additionally, the extent to which regional councils are able to change their bus fleets to zero emission depends on their scale. Electrifying the national bus fleet will require national funding. It will also need to be targeted time-wise due to councils' procurement obligations.

LGNZ supports the bold aspiration in the recommendation by the Commission to transform the light vehicle fleet to electric by 2050. However, these need to be balanced for different types of communities. Rural communities for example travel far greater distances, which will limit the effectiveness of electric vehicles as a transport solution compared with metro communities. We urge the Commission to adopt a flexible approach to ensure that policy aligns to ability to adopt the recommendations where it makes sense to do so.

We are pleased to see that the Draft Advice acknowledges substantive underinvestment in infrastructure and services for public transport, walking and cycling. We support a large increase in funding from the NLTF on public and active mobility, including for the national public transport network. It should be noted that there were no increases of petrol tax (fuel excise duty) and road user charges signalled in the first three years of GPS 2021. This would indicate that a large funding increase across selected activity classes could lead to reductions in other activity classes. This may have unintended consequences such as a continuation of under investment in the ongoing maintenance of New Zealand's roading network. We signalled in our submission on GPS 2021 that higher funding assistance rates (FARs) for some councils will be needed for the next three years. The Commission can access our GPS 2021 submission [here](#).

Road maintenance is an ongoing challenge for both Waka Kotahi and councils. A transformation of the light and heavy vehicle fleet from combustion to electric will need to consider the additional weight and impacts on road surface condition of local roads and state highways. Our concern is there does not appear to be a consideration of the impacts of the weight differential between both light and heavy electric vehicles on the vehicle axle loadings and pavement wear on local roads. Heavier vehicles cause more damage to the New Zealand roading network. A Waka Kotahi [research report](#) affirmed that when you double axle loading it does 16 times more damage to roading networks.

We agree with the proposal to shift freight from road to electric rail by electrifying both the Auckland to Wellington and Hamilton to Tauranga railway lines. However, we would like to see a greater percentage of freight tonne kilometres switched to rail by 2030 to further reduce road use impacts on the roading network. It is also not clear if the money required will come from the NLTF.

Question 15 - Heat, industry and power

In 2020 the Ministry of Business, Innovation and Employment (MBIE) ran a consultation on [building for climate change](#), on which LGNZ submitted. MBIE's consultation sought input on how the building and construction sector can contribute to New Zealand's goal of net zero carbon emissions by 2050. This canvassed how to [transform operational efficiency](#) and [whole of life carbon emissions reduction framework](#). You can find LGNZ's submission [here](#). We encourage the Commission to consider how its Draft Advice aligns with the outcomes of MBIE's building consultation.

Question 16 - Agriculture

We also understand the Commission's approach in pitching reductions in agriculture under current technological conditions. To summarise, we view the Draft Advice as maximising reductions by encouraging farmers to move to current best practice. While we agree with this position in the short term, the role that local government will play in encouraging behavioural shifts should be given more emphasis. This is so as central policy can be imparted most effectively through established relationships at the local level. The Draft Advice should be amended to recognise the importance of using established relationships to generate change.

Question 17 - Forestry

Any adjustments to how forestry is managed should account for appropriate land use to mitigate surrounding risks, e.g. erosion, fire and pest control. This will require significant local government and industry engagement. While engagement presents challenges it also raises opportunities - for instance several councils hold mapping data - the Commission should consider how central government can make use of this to find efficiencies and paint a national mapping picture of forestry options more quickly.

Question 18 - Waste

LGNZ acknowledges that preventing waste at source is the most effective way to reduce emissions. In January 2020 we submitted on the need for an increased and expanded waste landfill levy. This reflects a remit passed by LGNZ's members in 2018 that called for the Government to expand the waste disposal levy and progressively raise the levy rate in order to reduce total waste to landfills. We invite the Commission to review our submission [here](#).

We note that local government is only partially responsible for collecting waste. Therefore, we recommend that the Commission consider how local government can partner with the private sector and community to reduce waste emissions.

Question 19 - Multisector strategy

LGNZ is pleased that the Commission acknowledges the important role that market incentives and the NZETS play to reduce carbon emissions. However, as stated above we recommend that the Draft Advice give more emphasis on how government policy complements the NZETS. In our view, this involves expressing the NZETS in the emissions budgets at the outset of the Draft Advice (i.e. including market mechanisms as one of the principles to guide the Commission's advice). Doing so will recognise behaviour change as one of the fundamental pillars required for New Zealand to meet its carbon reduction targets in line with the Commission's budgets. LGNZ notes that introducing behaviour change policies will require specific actions to support households and business to make changes to reduce their emissions.

We recommend that the Commission incorporate guidance on how any changes to the NZETS will accord with New Zealand's international obligations. We also recommend that any changes to how forestry operates with regard to how exotic and native forests are used in the NZETS reflect technical input in relation to Question 17. It is critical that the Commission's advice creates incentives to invest in carbon sequestration in a sustainable manner.

The Commission correctly identifies the need to establish a sound market governance regime as soon as possible. It notes that this will involve working with an interagency team, include MBIE. This team should also include other agencies including Ministry for the Environment, the Financial Conduct Authority and potentially the Commerce Commission given the risks that the Draft Advice identifies.

Establishing alignment of instruments and building consistency will be challenging. We would encourage early engagement with Regional Tourism Organisations of New Zealand and its members, LGNZ and its members when integrating policy making across climate change and tourism. There needs to be consideration about compliance costs associated with designing and implementing any new requirements to build climate change considerations into new policies, regulations and fiscal proposals. Both local government and the tourism sector are facing unprecedented financial challenges.

Any investigations into emissions reduction potential for tourism should consider carefully the economic impacts on local communities reliant on international tourism. For the year ended March 2020 tourism was New Zealand's largest export industry. Expenditure was \$41.9 billion, up 2.45 on previous year. The sector employed 8.4 per cent of New Zealand workforce. It is estimated that there is now a \$12.9 billion gap per annum without international tourists. This economic shock has resulted from the COVID-19 pandemic. It will take a long time for these communities to recover.

We hope that this response is useful in your deliberations. LGNZ staff are happy to continue to work with the Commission in relation to the Draft Advice. If you would like to engage further, please contact John Stewart, Senior Policy Advisor, Advocacy on 04 924 1222 or john.stewart@lgnz.co.nz in the first instance.