



Draft Second Emissions Reduction Plan

Submission to the Ministry for the Environment

Council workshop

July 2024



Summary

- Central Government's second Emissions Reduction Plan outlines actions to reduce emissions from 2026-2030
- Focuses on ETS as primary lever
- Many actions have limited detail, with future announcements expected
- Proposes discontinuing 35 actions from the first Emissions Reduction Plan

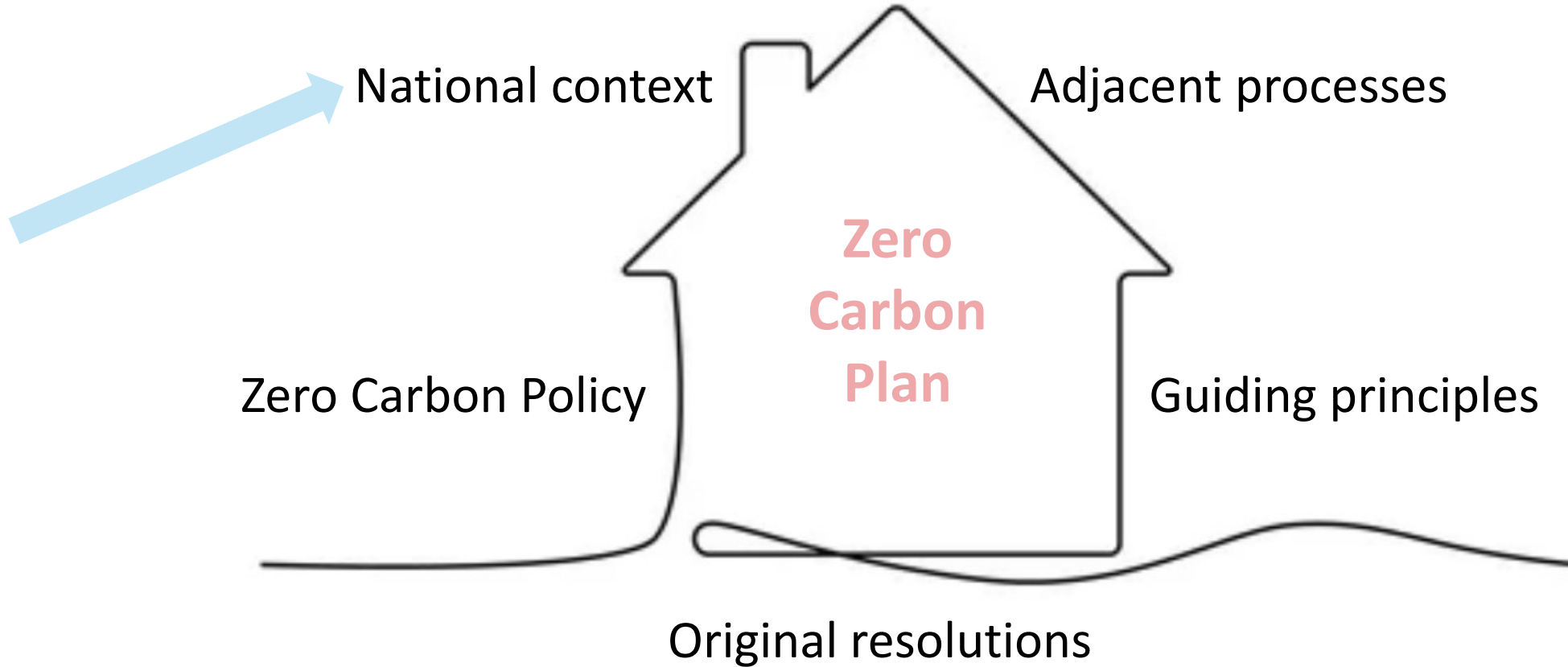
Links:

- [Consultation at a glance](#)
- Full [discussion document](#)
- Discontinued policies from first Emissions Reduction Plan can be found in [Annex three \(p.118\)](#)
- [Technical appendix](#)



Context & background

Relevance for the DCC



National context

CLIMATE CHANGE RESPONSE ACT

Target in law

Net zero by 2050

(excl. biogenic methane)

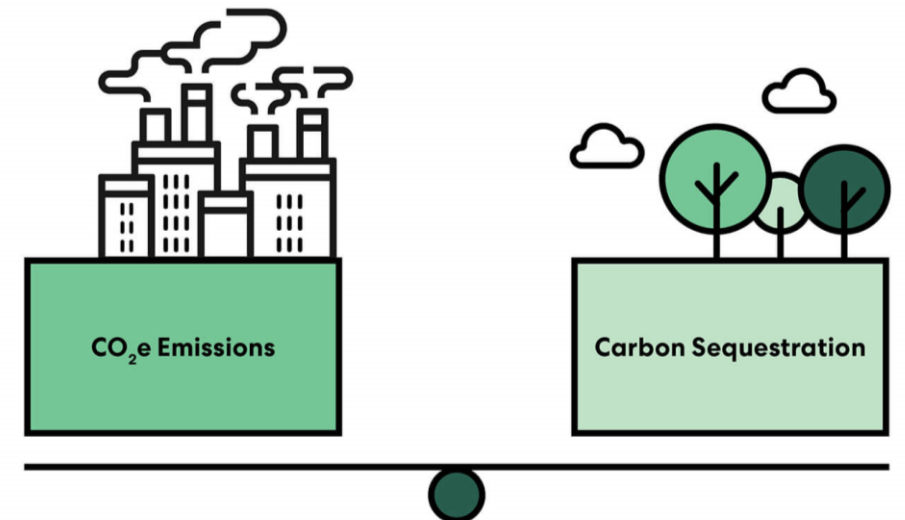
Mandatory Government **emissions budgets** and **reduction plans**

Carbon Neutral
Government
Programme

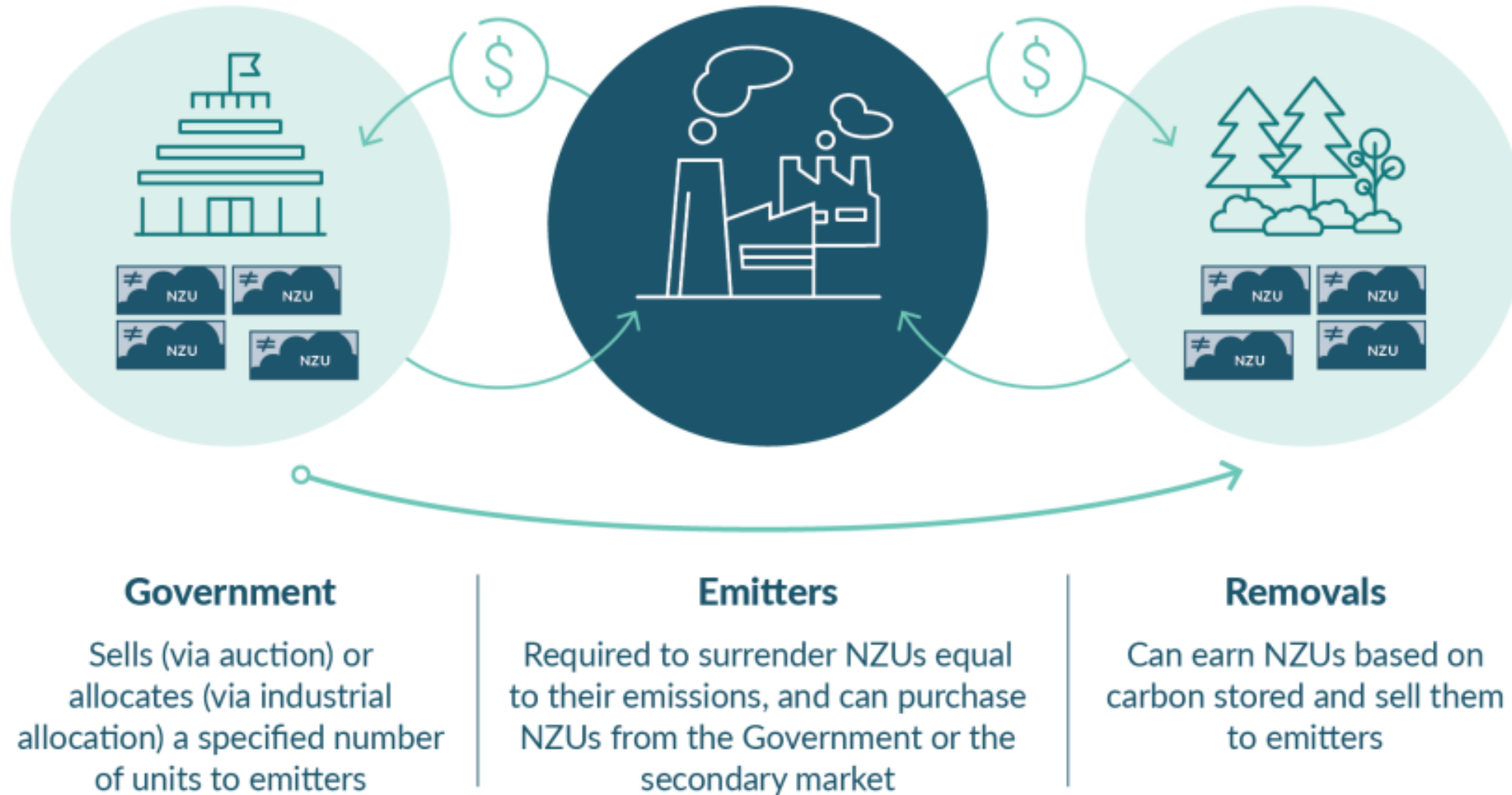
Emissions Trading
Scheme

He Pou a Rangi Climate
Change Commission
advice

Aotearoa's first & second
**Emissions Reduction
Plan**



The Emissions Trading Scheme (ETS)





Basis for submission

Zero Carbon Plan

- Maps out the changes needed to become a Zero Carbon city, and the actions the DCC will take to help bring about those changes
- Notes all levers need to be pulled
- Modelling includes:
 - a high level of central government investment and action across all sectors, particularly transport
 - alignment with 2023 agriculture / sequestration policy

Zero Carbon Policy

- States DCC seeking to align with 1.5c pathways
- States that in pursuit of targets, DCC will focus on gross emissions reduction

Zero Carbon Guiding principles

Collaborative
Constructive
Transparent

Think long-term

Uphold the Treaty
of Waitangi

Maximise
benefits for
people, planet,
economy

Consider spheres
of influence

Consider value

Evidence-led





Differences in approach

DCC (Zero Carbon Policy, Zero Carbon Plan & guiding principles)	ERP2
Prioritise gross emissions reduction , with offsetting/sequestration where necessary. This enables long-term net zero.	Net-based approach (requires significant amounts of offsetting/sequestration which cannot be sustained domestically). Modelling falls short of NZ's long-term and international targets .
Prioritise actions with higher value , accounting where possible for the costs and consequences of both action and inaction.	Least cost (however, does not appear to consider costs of offsetting).
Evidence-led approach emphasises technology & solutions that are already proven and available, acknowledging urgency of action.	Technology-led (includes solutions not yet proven, developed and/or available).
Maximise co-benefits for people, planet, economy. Consider impacts on equity and wellbeing .	ETS market-based (disproportionate impacts on lower-income households, offshore offsetting takes co-benefits offshore).

Emissions Reduction Plan Summary

Pillar 1



Infrastructure
is **resilient** and
communities
are well
prepared

Pillar 2



Credible
markets
support the
climate
transition

Pillar 3



Clean energy is
abundant and
affordable

Pillar 4



World-leading
climate
innovation
boosts the
economy

Pillar 5



Nature-based
solutions
address climate
change



Six sectors

- **Transport**
- **Energy**
- **Waste**
- **Agriculture**
- **Forestry and wood processing**
- **Non forestry removals**

Plus chapters on

- Strengthening the ETS
- Financing climate change
- Helping sectors adapt
- Addressing distributional impacts
- Tracking progress against targets



Proposed overarching submission points

Submission point

Zero Carbon basis

1. Urging **central government leadership** to meet our international obligations and get NZ on track for its longer-term targets.

Principle: thinking long term
2. Urging accelerated action to **reduce gross emissions**.

Zero Carbon Policy & principle: thinking long term
3. Ensure a coherent approach to climate change that considers both mitigation and adaptation

Principle: thinking long term, maximising co-benefits
4. To achieve the proposed “least-cost” approach, action needs to **account for all costs**. Including to NZ’s reputation, businesses, exporters of not meeting its NDC (or costs of offsetting), lost benefits (e.g. health improvements from active transport), costs borne by communities, and costly adaptation burden for future generations.

Principles: considering value, maximising co-benefits





Submission point

Zero Carbon basis

5. Urging central government to **ensure more consistent policy, funding and regulatory platform** for emissions reduction. Changing approach to emissions reduction undermines local government and businesses' ability to predict, plan, and invest in climate mitigation opportunities.

Principles: collaborative, constructive, transparent, maximising co-benefits, considering spheres of influence

6. **Community level action should be supported and enabled. Welcoming partnership opportunities** with Government to pilot interventions and make faster progress towards local emissions reduction targets.

Principles: collaborative, constructive, transparent, maximising co-benefits, considering spheres of influence

7. Consider the limited suite of **levers and tools available to local government** to achieve emissions reduction – and commit to expanding these, including funding opportunities.

Principles: collaborative, constructive, transparent, considering spheres of influence

8. The **ERP has limited detail** on many actions. DCC would welcome opportunity to submit on full detail.



Sector chapters

- *Government proposals & key changes since last ERP*
- *Suggested submission points*



Transport

Government proposals

- Key focus is on increasing EV charging infrastructure – 10,000 public chargers by 2030 – and role of the ETS

Key changes since last ERP

- Funding for active and public transport redirected to roads (primarily in North Island)
- ERP2 only models a 1% decrease in transport sector emissions
- Does not consider other opportunities, such as:
 - EV price barriers and incentives
 - safety improvements to reduce death and injury
 - enabling transport choices, and co-benefits for health and wellbeing
 - role of Government in public transport policy and funding
 - other modes such as rail





Transport

Proposed submission points

- **Government should significantly increase its ambition to reduce transport emissions.** NZ's transport emissions are 5th highest in world per capita. ERP2 only models a 1% transport emissions decrease; this is insufficient.
- **Transport policies need to be broader** than EV charging and relying on the ETS. There are many other barriers to EV ownership and other sustainable transport choices.
- **Enabling travel choice should be a key part of the ERP.** There is a clear body of evidence for walking, cycling and public transport interventions that can significantly reduce emissions and have numerous co-benefits.
 - Public transport is shaped by Government transport policy and investment. Focus of public transport is AKL/WGTN only. South Island and **Dunedin should not be omitted.**
 - The ERP2 and GPS significantly reduce walking and cycling investment. **Investing in new roads is contradictory** as it will lock in increased emissions.





Waste

Government proposals

- Use the Waste Minimisation Fund to invest in resource recovery infrastructure and solutions (including for organic, construction & demolition waste, resource recovery facilities, energy recovery).
- Develop and implement schemes for businesses, manufacturers and consumers to take responsibility for the products they produce and buy (product stewardship schemes).
- Investigate improvements to organic waste disposal and landfill gas capture.

Changes since last ERP

- ERP2 does not include a circular economy or waste hierarchy focus. The actions related to circular economy have been discontinued.
- Community behaviour change and enabling businesses to reduce waste are no longer a focus.





Waste

Proposed submission points

- The waste hierarchy is best practice and should inform ERP2. Circular economy should be re-established as a focus.
- Provide more support for regional local reuse & recycling infrastructure, particularly in the lower South Island. This prevents waste to landfill/sent offshore, increases resilience, provides jobs.
- Actions in ERP2 are insufficient; Government should also:
 - support right to repair by introducing legal requirement on products
 - ban hard to recycle products and make single-use cups a priority banned product
 - implement mandatory product stewardship schemes, particularly for priority products
 - introduce a container deposit scheme
 - support food rescue programmes and education
 - regulate to prevent organics entering landfill and make food scrap collection mandatory in urban areas and for businesses (phased once the necessary infrastructure is established)
 - require waste minimisation plans for construction and demolition
 - invest in solutions for timber diversion





Agriculture

Key changes since last ERP

- Bill in parliament to cancel entry in ETS from 2025.

Government proposals

- New proposal to introduce alternative pricing for emissions by 2030 - no further details available.
- Support tools and technology to reduce emissions by food/fibre production. ERP assumes methane technologies commercially available from 2025 e.g. effluent management, low methane rams, supplements.
- Policy encourages conversion of sheep/beef land to exotic forestry through pricing, while limiting conversion of highly productive farmland.
- Enable regulatory pathways for agricultural mitigation tools, including: streamlining processes for approval of emerging tools/tech, improving regulatory environment for genetic technologies.





Agriculture

Proposed submission points

- Gross emissions reduction should be prioritised. This will reduce the amount of sequestration needed and would protect productive farmland from conversion to forestry.
- Relying on technology not yet proven in NZ risks failure to deliver reductions. There are existing practices available to reduce emission. Support farmers to utilise these with the resources and incentives to use land in a resilient, low emissions way.
- Failing to deliver emissions targets contributes to worse climate change impacts for farmers e.g. floods, droughts, sea level rise. Agricultural exports are also vulnerable to export markets if NZ does not meet its emissions targets.





Forestry & wood processing

Changes since last ERP

- Cancelled ETS review that was looking at how the ETS can support indigenous biodiversity and balance gross/net emissions reduction

Government proposals

- Limiting forestry registration in ETS from highly productive farmland conversions
- Investigating private partnerships for planting on Crown land
- Support wood processing by improving consenting framework
- Address regulatory barriers to enable building with wood





Forestry & wood processing

Proposed submission points

- Gross emissions reduction should be prioritised, with removals only for hard-to-abate emissions
- DCC supports improved biodiversity, resilience, and amenity/recreation value wherever possible for sequestration
- Timber should be utilised locally to: create jobs, reduce transport emissions, enable more carbon stored in harvested wood products, and greater biofuel availability





Non-forestry removals

Non-forestry removals are sequestration in ways other than trees – such as wetlands, on-farm vegetation, marine ecosystems, carbon mineralisation, direct air capture, carbon capture utilisation and storage (CCUS)

Government proposals

- Support non-forestry removals
- Consult separately on options to remove barriers to using CCUS
- More work is needed to understand the role that non-forestry removals could play

Changes since last ERP

- This is a new focus area (listed as something to be investigated in ERP1)





Non-forestry removals

Proposed submission points

- Gross emissions reduction should be prioritised, with removals only for hard-to-abate emissions
- DCC supports non-forestry removals that have co-benefits for indigenous biodiversity, ecosystem health, and community wellbeing
- Any approach needs to avoid disbenefits or perverse outcomes; concern that CCUS may result in increasing overall emissions by increasing gas production





Energy

Government proposals

- Doubling Renewable Energy* by fast-tracking consents. Details to be announced soon.
- Allowing CCUS into the ETS. This may lower the costs of natural gas production, potentially delaying transition to renewables.

Changes since last ERP

- Government Investment in Decarbonising Industry (GIDI) and support for commercial heating decarbonisation defunded.
- NZ battery project stopped.
- Reversal of offshore oil/gas exploration and new fossil-fuel generation ban.

* Unclear if this means renewable electricity (136 PJ) or renewable primary energy (363 PJ)





Energy

Proposed submission points

- Support high-emitters to transition, e.g. through the GIDI and EECA support
- Provide more support for warm, dry housing – particularly in Southern regions
- Do not support new fossil-fuel baseload generation
- Ban offshore oil and gas exploration



ETS & funding & financing



The Emissions Trading Scheme (ETS)



ERP notes using the ETS as a key lever disproportionately impacts on low socio-economic households

Government

Sells (via auction) or allocates (via industrial allocation) a specified number of units to emitters

Emitters

Required to surrender NZUs equal to their emissions, and can purchase NZUs from the Government or the secondary market

Removals

Can earn NZUs based on carbon stored and sell them to emitters





Changes to the ETS

Changes since last ERP

- Lower ETS price projected out to 2035.

Government proposals

- ERP2 notes the effectiveness of the ETS depends on its credibility. To help achieve this, Government will communicate about the ETS and implement government policies that align well with the ETS.
- Further changes are being worked on. Details are not yet confirmed:
 - unit and price control settings
 - industrial allocation
 - strengthening ETS market governance
 - limiting the new NZ ETS forests on productive farmland.





Changes to the ETS

Proposed submission points

- Using the ETS as the primary lever is insufficient for achieving climate outcomes; the ETS has not been operating effectively over recent years and market confidence has been damaged.
- Using the ETS as the primary lever will have a disproportionate impact on lower socio-economic groups. This approach is incompatible with promoting community wellbeing and an equitable transition.
- Government should pursue emissions reduction interventions alongside the ETS in order to speed up the transition, meet domestic and international targets, provide choices to NZers, and improve wellbeing and equity outcomes.
- Government should undertake other climate interventions and ensure these are complementary to the ETS (and the waterbed effect avoided), by lowering the ETS cap by the projected emissions reduction modelled for the interventions.





Funding and finance of climate mitigation

Changes since last ERP

- Ring-fenced Government funding for climate change through the Climate Response Emergency Fund (funded by ETS revenue) is no longer available.

Government proposals

- The Government plans to work with the private sector to identify priority actions to address barriers to climate-aligned or “green” investment. There is limited detail presented.

Proposed submission points

- Re-establish ring-fenced funding for climate action funded by NZ ETS revenue. Provide funding from this to local government for climate action, focussed on community-led actions that increase wellbeing and addresses equity.
- Local Government is a key delivery partner and is funding constrained. Enhanced local government funding is critical to achieving the transition.



Next steps



Submission

- Draft proposed to be circulated in advance
- SPEC consideration 20 August (due to MfE 21 August)

Zero Carbon Implementation Plan

- Refining Zero Carbon Plan implementation plan to reflect national changes and identify best interventions for DCC
- Build changes into High and Medium Zero Carbon Plan 2030 implementation packages for Council consideration through 9YP



Questions & feedback

