



TRANSPOWER

Keeping the energy flowing

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Ministry for the Environment
Wellington
By email: ZCB.Submissions@mfe.govt.nz

Discussion document: Our Climate Your Say

We welcome the opportunity to submit on the Ministry for the Environment's (MfE) discussion document *Our Climate Your Say*. We appreciate the chance to shape the Bill prior to its passage through Parliament and consider this opportunity for early engagement should provide evidence to better support the policy settings in the Bill. We commend the MfE's level and breadth of early stakeholder engagement.

Our submission first outlines our view of the transition ahead then discusses the four submission areas in turn. We also respond as appropriate to the questions presented in the discussion document and submit to the same questions online.

Energy sector transition

We agree with MfE that the energy sector "will play a huge role in the transition"¹ and consider that role includes decarbonisation of the economy supported by renewable electrification. As owner of National Grid infrastructure and the operator of the electricity system in real time, our recent publication, [Te Mauri Hiko – Energy Futures](#), highlights opportunities and challenges and starts the conversation towards enabling a sustainable energy future for New Zealand.

We support the Zero Carbon Bill to drive New Zealand's global commitment under the Paris Agreement and to create certainty for investment towards a low emissions electricity system. However, because New Zealand's hydro-dominated electricity system creates dry year risk we urge that the climate change goals for the energy sector must accommodate supply security along with renewable targets, to support cost-effective economic activity.

The energy transformation New Zealand needs will be possible through an investment environment that is sufficiently attractive for utility investors and for consumer-led investment by households and small businesses. An electrification transformation will require government and industry leadership including to drive new opportunities for employment and training.

The Net Zero emissions target

We consider that the net zero target for 2050 should be set in legislation 'now' rather than using the proposed Climate Change Commission (CCC) to advise on the target for the Government to set 'later'.

¹ Page 52 Discussion document.

As stated in the discussion document “*The Zero Carbon Bill is designed to create certainty. It is intended to provide a long-term and stable policy environment, with a clear emissions target and a guided pathway to get us there*” [Minister Shaw message]. The role of the future Act is to provide certainty so an approach to leave ‘later’ could compromise the certainty objective.

Nevertheless, we do consider the Bill should provide for the target to be changed, in exceptional circumstances. We note the UK Climate Act 2008 provides for the power to amend the target if there have been developments in scientific knowledge about climate change, or European or international law or policy that make it appropriate to do so. Some flexibility may be necessary to reflect any need for greater or reduced savings as indicated by climate science or if global financial or political events disrupt the whole scheme.

We consider the target should bring methane (CH₄) into scope given that almost half of New Zealand’s emissions are methane. As costs of climate change mitigation may be non-linear (and unknown) mitigation actions should not fall mainly in one sector. We support a target that seeks to reduce carbon dioxide (CO₂) and stabilise methane (CH₄).

We also support being able to obtain emissions reductions from overseas where those reductions have been assessed as meeting environmental safeguards.

Transpower supports

- Setting the target in legislation now (Question 1 first choice)
- Target of Net Zero for long-lived CO₂ and stabilise ‘short-lived’ CH₄ (Question 2 second choice)
- Using emissions reductions from overseas assuming strong environmental safeguards (Question 3 second choice)
- The target being able to be revised should circumstances change (Question 4 first choice).

Emissions budgets

Transpower supports the proposal for emissions budgets across 15 years with each intermediary period of five years. We consider a five-yearly cycle will ensure budgets apply across political cycle boundaries and are relevant concerns for all governing parties.

We agree with the view that the UK Climate Act 2008 is a useful precedent for the matters to consider² when setting budgets, but matters will need to reflect New Zealand circumstances [page 44]. We consider different mixed member proportional (MMP) governments may approach budgets in different ways, reflecting their MMP policies and values. Legislation could oblige Government to explain what issues were taken into account when developing plans and policies for the budgets.

When responding to budgets advice from the Climate Change Commission, we agree with the suggestion that the timeframe for the Government response should be defined (the paper posits a 6 – 12-month timeframe).

² The discussion document conveys the matters as: scientific knowledge; technology; economic circumstances and likely impacts on competitiveness of sectors; fiscal circumstances and likely impacts on taxation, public spending and borrowing; social circumstances and likely impact on fuel poverty; energy policy and likely impact on energy supplies and carbon and energy intensity of the economy.

We acknowledge that “exceptional circumstances” may render changes to budgets necessary and consider some flexibility is necessary given governments of the day and technological and economic realities. We consider the third emissions budget should be reviewable only when the subsequent budget is being set, to maintain investor confidence that regulatory settings are contiguous and won’t suffer from policy disjoints. For any justifiable change to the second budget the circumstances would need to be more exceptional, almost a “force majeure” type rationale.

Transpower supports

- Emissions budgets set for 15 years for five-year periods (Question 5 first choice)
- Changing the third budget only when the subsequent budget is set (Question 6 second choice)
- Changing the second budget within a specific range in exceptional circumstances (Question 7 second choice)
- The considerations that the Government and the Climate Change Commission take into account (Question 8 first choice)
- The Government to set out plans within a certain timeframe (Question 9 first choice)
- When setting plans to meet budgets, Government should be responsible for identifying the issues it has taken into account (Question 10).

Climate Change Commission and functions

We agree with the Government’s proposal for a Climate Change Commission (CCC) that has a range of essential³ and desirable⁴ expertise. We consider appointments need to include a mix of economic, industrial, commercial, academic and policy representatives, and that those appointed are independent or capable of acting independently.

We support the proposal that the CCC acts in an advisory and monitoring role. The alternative approach for decision-making power would give an unelected body too much sway over decisions that affect every sector of the economy and is akin to usurping democracy.

We consider the advisory role should extend to the emissions trading scheme also.

Transpower supports a Climate Change Commission that

- advises and monitors (Question 11 first choice)
- advises on policy settings in the NZ ETS (Question 12 first choice)
- has a range of essential and desirable expertise (Question 13 first choice).

Adapting to the impacts of climate change

We support the Government’s objective for understanding New Zealand’s climate change risk and adaptation readiness, but agree with the statement that the plan and reporting

³ Essential expertise: climate change policy (including emissions trading); resource economics and impacts (including social impacts, labour markets and distribution); te Tiriti o Waitangi, te reo me ona tikanga Māori and Māori interests; climate and environmental science including mātauranga Māori; experience with addressing adaptation challenges like planning, insurance and local government; risk management; engineering and/or infrastructure; community engagement and communications.

⁴ Desirable expertise: business competitiveness; knowledge of the public and private innovation and technology development system.

“would bring administrative and compliance costs...”⁵. To be able to assess the value of a National Adaptation Plan (NAP), we consider more work is needed to quantify and qualify the benefits against the new administrative process costs and compliance costs that would be incurred. We also seek clarity on how NAP processes under the [Paris Agreement](#) Article 7 are intended to apply to developed countries, to understand likely precedent.⁶

Recently, the Climate Change Adaptation Technical Working Group⁷ concluded that: “.... (our) recommendations for effective adaptation are about having a clear, planned approach to action on climate change adaptation. Our stocktake identified that New Zealand currently has no coordinated plan to adapt to climate change”.

We consider effective adaptation is about how public bodies and utilities take into account climate change risks into long-term planning. As owner of the National Grid, durability and resilience for the long term are critical. We design and construct the Grid to withstand flooding, significant snow and storm events (all more likely under climate change), and a 1: 2,500-year earthquake.

We consider that before creating new disclosure obligations, public bodies and utilities should be given the opportunity to voluntarily disclose climate change risk management actions, through already established mandatory and voluntary disclosure avenues. Using existing mechanisms would be a lower-cost way to derive the information sought.

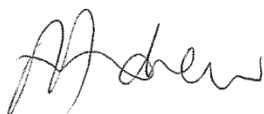
Transpower New Zealand – Tū Mai Aotearoa

Finally, Transpower New Zealand – Tū Mai Aotearoa – is committed to playing our part to tackle climate change and help New Zealand transition to a low emissions economy.

On July 12 we joined with many other businesses to declare publicly our stand together on a mission to reduce emissions in New Zealand. We are actively seeking to reduce our own greenhouse gas emissions from our plant (sulphur hexafluoride gas used in circuit breakers) and from road and air travel, and we publish a [Carbon Footprint Report](#) each year.

We consider the Zero Carbon Bill will be vital to support New Zealand’s commitment to the international community. We look forward to the Bill’s progress and the opportunity for further input.

Yours sincerely,



Alison Andrew
Chief Executive

⁵ Page 50 [Discussion document](#)

⁶ For example, the discretion afforded by the words “as appropriate” statement 9 under Article 7

⁷ May 2018 report “[Adapting to Climate Change in New Zealand](#)”