

Climate Change Commission opens consultation on its draft advice to the Government on the second emissions reduction plan.

The Climate Change Commission is seeking consultation on its draft advice to the Government on the strategic direction of New Zealand's second emissions reduction plan.

Under the Climate Change Response Act 2002, the Climate Change Commission (Commission) is required to provide policy advice to the Government on the direction of the upcoming emissions reduction plan (ERP) at least 24 months before the beginning of the emissions budget period to which that ERP relates.

With the second ERP taking effect in 2026, the Commission has now delivered its draft advice for consultation prior to submitting its final report to the Government at the end of the year.

The theme of the advice continues to emphasise the importance of decreasing New Zealand's reliance on net emissions reductions and instead increasing gross emissions reductions. Chair of the Commission, Rodd Carr, reiterates that:

"...the role of forests in managing emissions needs to be addressed, and with urgency. Under current policies, there is a high risk that relying too heavily on carbon removals from forests will undermine the gross emissions reductions that New Zealand needs to maintain net zero long-lived emissions post-2050".

Structure of the advice

The draft advice is divided into three parts:

1. **the fundamentals elements for success** that New Zealand needs to get right in order to meet its climate change reduction objectives;
2. **creating low emissions options** for the sectors of the economy set to play a part in meeting the second emissions budget; and
3. **enabling system transformation** by enhancing research, science and innovation in New Zealand, accelerating the development of green technologies, increasing climate funding and finance, and fostering a more circular economy and sustainable bioeconomy.

Fundamentals for success

The Commission recommends that the Government clarifies on the outcomes it is seeking on gross emissions reductions and carbon dioxide removals. This involves committing to a specific level of gross emissions reductions and ensuring that policy decisions are geared towards achieving this outcome.

The Commission recommends the Government revisit the design of the incentives created by the New Zealand Emissions Trading Scheme (ETS) to ensure that it supports the desired level gross emission reductions. It believes that the current ETS settings are likely to result in extensive afforestation in the near term to offset emissions, which risks slowing efforts to reduce gross emissions at their source.

Moreover, the Commission believes that the ETS alone will not provide the necessary incentive in the long term for reaching net zero long lived gas emissions across the economy by 2050. This is because extensive afforestation will increase the supply of "New Zealand Units" (NZUs), decreasing the price of NZUs, therefore decreasing the cost of emitting. It also argues that allowing the ETS to continue as is, will limit the Government's ability to ensure that the supply of NZUs is consistent with the gross emissions available to emit under New Zealand's emissions budgets.

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The Commission recommends that the Government commit to a specific level of gross emissions reductions for the second and third emissions budgets, no less ambitious than 362 MtCO₂e and 322 MtCO₂e respectively.

The partnership between the Crown and Māori is also reiterated. The emissions reduction plan must support and drive the integration of mātauranga Māori into policy design, development, and implementation at central and local government levels by providing sufficient resources.

Creating low emissions options

The Commission has provided specific recommendations for several key sectors of society. These recommendations include:

- ensuring that pricing agricultural emissions is not delayed and enhancing advisory and extension services to farmers to accelerate the adoption of emissions efficient practice, appropriate land-use diversification, and emerging technologies;
- in relation to the urban environment, incentivizing comprehensive retrofits to deliver healthy, resilient low emissions buildings, prohibiting the new installation of fossil gas in buildings where there are affordable and technically viable lower emissions alternatives, and implementing an integrated planning system that builds cities upwards, not outwards;
- accelerating renewable electricity generation, and developing electricity distribution infrastructure at a speed that will support the deployment of new renewable electricity;
- pursuing widespread heat decarbonization and establishing mechanisms for industrial sectors to decarbonize;
- rapidly resolving existing barriers to scaling up vehicle charging infrastructure and developing

incentives to accelerate the uptake of zero emissions commercial vehicles including vans, utes and trucks;

- simplifying planning and increasing the funding of integrated transport networks that optimize public and active transport; and
- decreasing the production of waste, phasing out the landfilling of organic waste, reducing the embodied emissions from waste, avoiding and preventing fossil-fuel waste generation and ensuring highly efficient gas capture at landfills where organic waste is accepted.

Enabling system transformation

In order to enable system transformation, the Commission notes that targeted investment and the creation of a regulatory environment that enables and incentivizes early adoption of green technology will be required.

To achieve this, the Government must ensure that adequate funding is available for:

1. initiatives to lower emissions, aligning public investment with climate goals;
2. developing a unifying strategy to support decision making; and
3. encouraging private investors to urgently shift to sustainable finance.

Consultation period

Consultation on the Commission's draft advice is now open, and will close on 20 June 2023.

The Commission's final advice is then scheduled to be provided to the Minister for Climate Change near the end of the year.

Want to know more?

If you have any questions about New Zealand's climate change policies or the ETS, please contact a member of

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our specialist [carbon and climate change](#) teams.