

SUBMISSION ON EMISSIONS REDUCTION PLAN DISCUSSION DOCUMENT 2021

SUBMITTER DETAILS

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1. Introduction

- 1.1. This is a submission on the document “Te hau mārohi ki anamata / Transitioning to a low-emissions and climate-resilient future” (Discussion Document) prepared by the Ministry for the Environment (MfE).
- 1.2. The Environmental Defence Society (EDS) is a not-for-profit, non-governmental environmental organisation. It was established in 1971 with the objective of bringing together the disciplines of law, science, and planning to promote better environmental outcomes in resource management. EDS organises the annual Climate Change and Business Conference (CCBC). The CCBC provides a forum for progressive business leaders to share their ideas and innovative responses to the challenges resulting from climate change.

2. Summary of the Submission

- 2.1. EDS broadly supports the direction set out in the discussion document. We are optimistic that the discussion document substantively tackles transport, a high emissions sector. However, the agricultural policy options are weak and lack a sense of urgency. We are discouraged by the work of He Waka Eke Noa and request that agriculture formally enters the ETS. The section on forestry is underwhelming particularly in relation to work programmes and timelines on upscaling natives.
- 2.2. On forestry, we do not have time to wait two to three years to implement actions on native forestry. That will be too late. We need to start now and urgently address the perverse consequences of a high ETS price which is incentivising the planting of exotic permanent forests at scale across valued landscapes. We are concerned that increases in permanent exotic forestry will delay gross reductions in other sectors while displacing rural communities and degrading the environment.
- 2.3. We urge Government to immediately address the twin crises of climate change and biodiversity in a joined-up way and design policies that do not set up trade-offs or lead to perverse outcomes. Biodiversity loss and climate change are both driven by human economic activities. Siloed climate change policy can harm nature, but many measures exist that can make significant positive contributions in both areas.

- 2.4. We call upon the Government to prioritize investment in native forestry over offshore carbon sinks and domestic exotics in way that addresses longer-term sequestration needs as well as providing nature-based outcomes that reduce sediment, enhances indigenous habitat, create long-term jobs and sustain rural communities. The policy adjustments needed are complex and nuanced but doable.
- 2.5. We suggest that the Government creates an **Interagency Review Group** to consider these issues and make urgent and implementable recommendations. The Interagency review group should be led by the Ministry for the Environment and **conduct its review over no longer than 4 months**. Its terms of reference should require it to examine how to accelerate efforts to scale-up viable long-term native forest carbon sinks, reverse biodiversity loss, create local jobs and enhance adaptation resilience.
- 2.6. With respect to agriculture, we seek policy responses that are truly transformative. More robust approaches are needed to reduce biogenic emissions from the sector. Policy settings must include consideration of the retirement of livestock agriculture in landscapes inappropriate for this form of land-use.

3. Principles

- 3.1. EDS agrees with the principles outlined but urges the Government to pay close attention to two specific principles when forming policy. These principles will ensure that the biodiversity crisis is not exacerbated as a consequence of climate change initiatives:
 - A fair and equitable and inclusive approach should minimise the negative impacts of the transition including adverse environmental consequences.
 - Environmental and social benefits beyond emissions reductions should promote nature-based solutions, which can sequester carbon while building resilience to climate change and supporting biodiversity.
- 3.2. We underscore and support the statement that it is critical to have a coherent, strategic package of policies and that this should comprise a mixture of pricing, regulation, policies an investment
- 3.3. However, we note that the ETS often drives unintended consequences and perverse behaviour and while we seek amendments to the ETS (see Section 4), we prefer the adoption of targeted policy measures and strategic investments. The ETS is a blunt instrument and will not deliver a successful low emission future on its own consistent with protecting Aotearoa New Zealand's environment.
- 3.4. We do not agree with the reductive description of forests as offsets and feedstock for a future bioeconomy. This messaging is misaligned with the UNFCCC Glasgow Climate Pact which explicitly emphasises the importance of rapid, deep, and sustained reductions in global gas emissions and not the use of offsets, which delays reductions.
- 3.5. We also stress the importance of protecting and restoring New Zealand's native forests first and foremost before investing in offshore sinks. Instead of investing in other country's

forests, Government should direct substantial funding to new, sustainable, and large-scale forest restoration initiatives at home.

4. Emissions Pricing

- 4.1. EDS is concerned that the ETS is incentivising investment in unsustainable permanent exotic forestry. This behaviour and ongoing market failure must be addressed by immediate policy and regulatory changes including to the ETS. It is critical that price signals do not actively displace gross emissions reductions nor undermine biodiversity values.
- 4.2. EDS supports the new price management regime and alignment of volumes to emissions budgets. A higher emissions price will help to incentivise investment in climate mitigation technologies and practices.
- 4.3. However, as noted this higher price is currently driving the planting of permanent exotic forests which undermines efforts to reduce gross mitigation actions, degrades landscape values and produces sediment which pollutes waterways including coastal environments. Local communities also suffer when permanent exotic forestry replaces beef and sheep farming.
- 4.4. We do not support the short-term focus on permanent exotic forests when it comes at the cost of native forests which enhance and protect biodiversity and provide for longer-term mitigation and adaptation resilience. We note that whilst exotics fix carbon more quickly than natives, indigenous trees sequester more carbon over time. We consider that short-term imperatives should not trump longer-term superior outcomes. Much faster deployment of native forests over larger land areas could help achieve the short-term goals.
- 4.5. EDS agrees with the list of ETS policies options in the discussion document but has additional recommendations which should also be included in a review of the ETS.
 - Review and remove policy and **processing obstacles to determining eligibility** and registering native forests in the ETS
 - **Subsidise Field Measurements for natives** and catalyse rapid investment and uptake of improved field survey technology e.g., LIDAR
 - **Update MPI Carbon Look-up Tables** with regional sequestration rates by forest type well beyond 50 years
 - **Clearly define the Permanent NZU category** in the ETS as forests which demonstrate permanence through adequate **native forest regeneration**
 - Make active **forest and ecosystem management** including animal and plant pest control compulsory for the registering of Permanent NZUs
 - Ensure **ETS participants buy a minimum % of NZUs from Permanent NZU category**

- Create an accounting system for **non-ETS eligible carbon sinks**, such as native vegetation and other ecosystem types e.g., wetlands
- Recycle ETS revenue to significantly upscale the native forestry industry via a specific **Carbon and Indigenous Biodiversity Innovation Fund**. This will involve investment in R&D, infrastructure, technology, and market opportunities.
- Ensure the **Carbon and Indigenous Biodiversity Innovation Fund** provides a just **transition for Iwi** who have a special interest in developing native forest systems.

4.6. We urge that implementation of these recommendations starts now and not wait until December 2022. Not only does delay slow the process of establishing long-term carbon sinks but it continues to create market uncertainty. As stated in the Climate Change Commission’s Final Advice, it is important that any amendments to the ETS are carried out in a timely manner to avoid the perverse outcome of discouraging investments in forests we need, and conversely in forests we do not.

5. Planning

5.1. EDS strongly agrees that the development of the proposed Strategic Planning Act (SPA) and Natural and Built Environments Act (NBA) should align with climate mitigation and adaptation requirements. Below are our observations of the reforms regarding the inter-relationship. We request that the NBA and SPA support and encourage climate mitigation and resilience:

- The NBA exposure draft lacks details on how climate change will be treated.
- The planning system must provide spatial direction regarding where exotic plantations are allowed and prohibited.
- The NBA will need stronger explicit legislative policy support for compact cities to avoid urban sprawl.
- There should be an explicit link between the ERP, NBA and SPA to ensure that mandatory national direction on GHG reductions “pulls its weight” and is meaningful rather than just a tick box exercise to show “something” has been done.
- Concerning is the disconnect between the ERP and Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill. This misalignment should be addressed. We urge the Government to ensure future legislation is aligned
- Urban density needs to be located around transport nodes/where infrastructure is available or planned to ensure low carbon modes of transport are used by urban populations. NPS UD takes steps towards this but has been undermined by proposed

amendments to the RMA that permits density anywhere. This risks pockets of high density not serviced by low carbon transport options.

- Urban design is vital to create safe, walkable neighbourhoods to encourage low carbon modes of transport, to get benefits from passive solar heating from building orientation, to ensure accessible amenities close to density, to offer opportunities for urban greening/planting as urban renewal and intensification happens, and to provide design solutions to climate change adaptation (e.g., rooftop planting, low-heating materials/colours, water sensitive design). The proposed urban amendment bill to the RMA flies in the face of the urban design opportunities for climate change mitigation by allowing a development as permitted activities with very little controls

6. Research, Science and Innovation (RSI)

- 6.1. EDS supports the RSI system but is discouraged that there is no funding dedicated for the research and development of native forestry nor other nature-based solutions including blue carbon, wetlands, and ecosystems. This is a profound omission given the aim of the RSI system is to a) enhance our understanding of climate change and the scale of reduction to help the Government, communities, and business to adapt and manage the transition; and b) accelerate innovation in sectors; and c) design opportunities to grow a green economy.
- 6.2. We ask that the Government develops a R&D programme specifically related to upscaling a native forest industry immediately. This must include:
 - Feasibility of exotic monoculture-to-biodiverse native forest transitions, including restoration of clear-felled land and exotic plantations. This is a top priority given the increase in transition models
 - Export and domestic market opportunities for the sustainable harvesting of native timber and non-timber values
 - Economic and social support for landowners to change support landowners changing land use from agriculture to native forestry
 - Urgent development and implementation of biocontrol agents to address currently insurmountable plant pest issues (e.g., Old Man's Beard) which seriously hamper native forestry
 - A comprehensive programme of animal pest control to safeguard forest regeneration and ensure permanent native forests

7. Circular Economy

- 7.1. We support the move to a circular economy in particular the focus on reducing, reusing, and recycling in that exact order. Where non-fossil fuel energy is required in the transport and energy sectors, we support the development of bioenergy.

- 7.2. However, we emphasise that this must not come at a cost to protecting and enhancing biodiversity and would like to see explicit reference to this in all initiatives including Industry Transformation Plans, the Bioresource Processing Alliance, and the Sustainable Biofuels Mandate.
- 7.3. We stress that in developing a thriving bioeconomy the risks and opportunities are weighed in relation to the dual crisis of biodiversity and climate change. It is critical that we do not narrowly solve one issue only to create environmental downstream effects that could have longer-term impacts on the environment and New Zealand's adaptation resilience.
- 7.4. As such the development of biofuels must avoid using or introducing plant species that either are already weeds or have the potential to become weeds and disperse. This includes *Pinus radiata*. As noted in the latest PCE report, climate change will create conditions that will likely exacerbate the weed problem in Aotearoa New Zealand.

8. Transport

- 8.1. EDS endorses the emphasis on reducing transport emissions in the discussion document. The rapid deployment of electric vehicles internationally will enable transformation of our car and truck fleet in relatively short order. Moving to 100% (or close to that) renewables creates a sustainable and low emissions energy platform for that transformation.
- 8.2. We agree that aviation must decarbonise and support the investigation of sustainable fuel options. We are however concerned that the Government intends to establish an industry-led advisory body. This is inappropriate given full decarbonisation requires an examination of demand-side factors. Options that should be explored to reduce demand include:
 - Set a price floor on domestic travel. Halt the use of loss-leading airfares and other marketing practices that increase domestic consumption of travel
 - Conduct a strategic review of all airport expansions to ensure compatibility with the emission's reductions budgets
 - Improve low-emissions alternatives including regional bus and rail
 - Adopt the PCE's recommendations and introduce a distance-based departure tax that reflects the cost of emissions generated by passengers flying from New Zealand. Revenue generated by the tax should fund research efforts to reduce emissions from the aviation sector and provide a source of climate finance for Pacific Island countries. The Government should then build on the credibility that such a departure tax would demonstrate to pursue a plurilateral agreement with other ambitious countries.

9. Energy and Industry

- 9.1. We broadly support the discussion document's policy options for energy but would like efforts to first focus on lowering energy demand and improving energy efficiency. Thereafter we support the development of renewable energy sources, low emissions fuel, and offsetting via the ETS as the least preferable option.

- 9.2. The supply side must also be tackled. We urge the Government to ensure the proposed NBA prohibits resource consents being granted for new or expanded coal, oil, and gas activities. In the interim no new permits should be issued including for fossil fuel prospecting, or exploration.
- 9.3. EDS supports Government's present review of the Lake Onslow hydro and other initiatives that can provide sustained renewables generation across climate-impacted periods of drought. We recommend that all wind and solar infrastructure is guided by spatial planning so that it avoids harm to nature and sensitive landscapes. Infrastructure projects that increase emissions must be defunded.
- 9.4. As noted earlier (Section 4) we see the ETS as a blunt instrument that is currently driving perverse outcomes. Reliance on the ETS by industry will only further increase the price incentive and signal for permanent exotic forestry.
- 9.5. We re-emphasise the utmost importance of not independently designing energy sector climate change and biodiversity policies. We are seriously concerned that initiatives such as the Kapuni Green Hydrogen Project have not taken these mutual dependencies into account. The production of urea is counter-productive in that it facilitates agricultural emissions. Other Government policy is trying to reduce fertiliser use.

10. Forestry

- 10.1. EDS agrees with the discussion document's policy options on forestry. However, the proposed dates for the work programme to upscale natives must be brought forward. We cannot wait two to three years before implementing actions.
- 10.2. EDS supports the intention to analyse and address the cost barriers to establishing and maintaining native forests and agrees that an interim plan is required now before the end of 2021. However, we are already close to the end of 2021 and the interim plan has not materialised. We would like transparency on this plan and when it is going to be delivered. We lack confidence in Te Uru Rākau to lead this work given its collective mindset is against natives and persistently argues why the transformation required cannot be done in the short-term.
- 10.3. EDS agrees with the approach to then develop a broader package of changes to reduce the costs, improve economic return, address supply chain issues, and develop a model to incentivise native forestry. But this work needs to be done urgently.
- 10.4. EDS supports the view that there are opportunities to incentivise natives and disincentivise exotics in new and existing regulations and legislative tools. However, assessment of what policy levers could be utilised should not be deferred until December 2022. EDS understands that this date is to align with the RMA reforms. However, there are existing policy instruments and regulations that can be either amended now or enforced which would address the unsustainable growth of permanent exotics forestry. In short, this review must be actioned now and not wait for the RMA reforms.

- 10.5. In terms of managing pre-1990 forests, EDS agrees that this is a significant opportunity that has been overlooked and supports the intention to create a longer-term work programme by Dec 2021 on how to maintain and enhance sequestration and/or avoid carbon loss in existing forests. However, again we are close to the end of 2021 and there has been no communication on this work stream. We request transparency and urgency on this matter.
- 10.6. Along with changes we suggest to the ETS (Section 4) and above, EDS recommends the below actions:
- Immediately prioritize investment in native forestry over offshore carbon sinks and create an **Interagency Review Group** with expert external appointees
 - Review the **Overseas Investment Act** criteria to encourage and mandate native forest establishment and forest remnant management by offshore investors
 - Fund research into the feasibility of **exotic monoculture-to-biodiverse native forest transitions**, including restoration of clear-felled land and exotic plantations in order to check whether that approach actually works or not
 - Increase funding for **strategic animal and plant pest management** including private land holders and wildings
 - Require **Forestry Environment Plans** linked to the NES-PF that cover freshwater, GHGs, biodiversity, animal and plant pest control, sediment, slope stability
 - **Review the NES PF** to require better management of environmental impacts
 - Ensure **new planning tools** restrict where exotics are permitted and safeguard appropriate and sufficient land for natives
 - Introduce a **biodiversity payment or credit** which places a value on biodiversity outcomes
 - Increase **funding for training and expertise** to assist the transition from Jobs for Nature programme to long-term, sustainable native forestry industry jobs
 - Accelerate the development of a **sustainably harvested native timber industry** on private land
 - Investigate barriers to a sustainable **native forests industry on private land** and adjust policy settings to encourage long-term investment in that activity
 - Fund the restoration of **lowland native forests**
 - **Change the focus of Te Uru Rākau** to foster enduring knowledge of natives and their multiple benefits

11. Agriculture

- 11.1. We do not support the premise of this section which positions the agriculture sector as highly productive and efficient. Efficiency still permits an increase in production and creates more emissions. In addition, framing the discussion in this way does not address concerns related to impacts on the environment nor climate. As a result, the policy options listed in the discussion document have not adequately considered diversifying land-use.
- 11.2. Furthermore, this omission is not sufficiently covered in the Ministry for Primary Industries' roadmap, *Fit for a better world – accelerating our economic potential* (released July 2020) which is explicitly focused on creating sustainable value from the current status quo. The path New Zealand has followed for the last 150 years has led to significant methane emissions from both land-use change and livestock production. We must change our existing pattern of land-use.
- 11.3. The Climate Change Commission's Final Advice identified that switching land from livestock agriculture to horticulture, arable cropping, or agroforestry systems could reduce emissions but noted that there are significant barriers to realising the potential of alternative land-uses. These barriers included the lack of existing markets, supply chains, access to resources, experience, skills, and infrastructure. This advice was not explored in the discussion document.
- 11.4. The discussion document also did not explore but Government should consider:
- **Retiring land** that is inappropriate for high polluting, high emitting livestock agriculture
 - **Reducing stock numbers** in certain catchments
 - **Phasing out synthetic nitrogen fertilizer and palm kernel expeller** which both produce their own emissions and encourage unsustainable farming practices
- 11.5. Pricing agriculture emissions in the ETS and freshwater reforms will go some way towards reducing higher emitting and environmentally harmful farming systems, however, to reduce emissions successfully requires the above recommendations to be implemented and Government support for alternative land-use options to help the sector transition. Otherwise, the Government risks losing the willingness of people to change behaviour and adopt other climate change policies. It also risks setting up a rural versus urban division and politicising climate change.
- 11.6. We are similarly concerned about the alternative pricing options recently released by He Waka Eke Noa. Both options will follow a split gas approach with the price determined by an advisory body comprised of He Waka Eke Noa partners. This is unsatisfactory and will be seen as industry effectively setting its own price.
- 11.7. Although the ETS is a blunt instrument, the default option sends a clearer signal that farmers must reduce gross emissions. It provides for additional funds for recycling into incentive programmes and will not divide rural communities by rewarding some over others. We therefore request the Government selects the default mechanism as the most transparent, credible, and cost-effective option for pricing agriculture emissions. New Zealand's international reputation hangs on this decision.

12. Conclusion

- 12.1. A low emissions future must also mean a sustainable future for people and nature. But this requires a transformative change underpinned by rapid, deep, and sustained policies and actions. The ERP will deliver a partial transformation, and is at grave risk of not protecting, restoring, or conserving ecosystems and biodiversity.
- 12.2. The Government has the opportunity now to realign the proposed climate change policies to the UNFCCC Glasgow Climate Change Pact. From EDS's perspective this opportunity should be taken seriously. Biodiversity and climate change should be treated as synergistic and mutually reinforcing. The science is clear and unanimous on this point: we cannot solve the climate change crisis while ignoring biodiversity loss.
- 12.3. EDS once again thanks the Government for seeking feedback on the ERP and we welcome further communication on any of the points we have raised and the chance to contribute to the policy design process.