

We are. LGNZ.

Local Government New Zealand (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 lead best practice in the local government sector. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities throughout New Zealand. Our purpose is to deliver our sector's Vision: "Local democracy powering community and national success."

This submission is endorsed by Dave Cull, President, LGNZ.

Introduction

LGNZ welcomes the Productivity Commission's draft report on options for New Zealand's transition to a low-emissions economy, and the opportunity to make a submission on the draft report.

The Productivity Commission's draft report clearly recognises the importance of taking a long-term approach to transitioning to a low-emissions economy. LGNZ's view has long been that such an approach is critical for ensuring widespread support for, and the sustainability of, the framework and policy settings for such a transition.

LGNZ's Climate Change Project

As noted in our original submission to the Productivity Commission, climate change is a new priority area of focus for local government and LGNZ is leading a flagship Climate Change Project, focused on both adaptation and mitigation. A one-page summary of that project is contained in **Appendix A**.

Although LGNZ's Climate Change Project is predominantly focused on adaptation (given that local authorities are at the frontline of adaptation in New Zealand), the project does include a number of workstreams focused on mitigation. Local government is keen to "do its bit" to contribute to emissions reductions, and so the LGNZ Climate Change Project is designed in part to provide councils with support and best practice examples of actions or strategies that they could adopt to contribute to emissions reductions within their organisations and/or communities.

LGNZ intends to work closely with the Government on its climate change work programmes, and is in discussion with central government about how this can be achieved.

The Productivity Commission's draft report

LGNZ is broadly in agreement with the findings and recommendations that the Productivity Commission makes, and commends the Productivity Commission for recognising that significant and bold change is required if real progress is to be made. LGNZ:

- Agrees that significant changes in the areas of land use and transport are critical to achieving progress, but notes that the type and scope of changes required will differ depending on locality;
- Has long advocated for the changes to legal frameworks and institutions that the Productivity Commission recommends (ie the establishment of a Zero Carbon Act and independent Climate Commission) and supports the recommendation of separate targets for short-lived and long-lived gases;

- Agrees that the Emissions Trading Scheme (ETS) must be enhanced to deliver what it needs to deliver. LGNZ agrees with the recommendation that agriculture must ultimately be incorporated into the ETS. However, it is critical that the impacts of such a change on rural communities, which will be significant, are carefully analysed and managed; and
- Agrees that the transition to a low-emissions economy must be a priority area of focus for innovation, research and development in New Zealand.

However, LGNZ considers that there are a number of areas where the Productivity Commission's report could be enhanced to add value to discussions about the opportunities, benefits and challenges that the transition to a low-emissions economy presents. LGNZ also considers that there are a number of opportunities for the delivery of emissions reductions that the draft report has failed to identify.

This submission is focused on those additional matters that LGNZ urges the Productivity Commission to address in its final report.

Summary

In summary, LGNZ is broadly supportive of the findings and recommendations made by the Productivity Commission, but considers that the draft report would be enhanced by:

- Stronger recognition of the opportunities and benefits that the transition to a low-emissions economy presents;
- Greater focus on the impacts of the transition on people and their well-being, and the need to ensure that the transition is just;
- Greater focus on carefully managing the significant impacts of any decision to include agriculture in the ETS on rural communities;
- Promotion of compact urban form with climate change mitigation at its core as a significant mechanism for delivering emissions reductions;
- Recommending that legislative provision be made for regional spatial planning, which would provide a powerful tool for delivering emissions reductions;
- Further consideration of strategies to reduce waste to landfills so as to alleviate the costs of landfills disproportionately falling to ratepayers, and other unintended consequences;
- Greater emphasis on the importance of linked climate change mitigation and adaptation strategy; and
- Explicit recognition of the role that local government can play in contributing to emissions reductions, in particular by showing community leadership and coordinating community efforts to reduce emissions.

A broader context: opportunities, benefits and some challenges

LGNZ's view is that the draft report needs to better recognise the impacts of the transition to a low-emissions economy on current and future generations, and in particular community well-being. It needs to amplify the opportunities and benefits that the transition presents by characterising the transition as an investment opportunity. It also needs to more strongly address the challenges associated with ensuring that the transition is a just one.

The Productivity Commission's Terms of Reference for the inquiry stated that the Commission was required to identify options for how New Zealand could reduce its domestic greenhouse gas emissions through a transition towards a lower emissions future, while at the same time continuing to grow incomes and well-being.

There is an overall lack of focus on community well-being in the draft report. That is despite the Government's desire to shift from the primacy of GDP as the measure of national success. It is therefore critical that the report better picks up on the interconnectedness of the transition and community well-being.

LGNZ considers that:

- The draft report's underlying tone does appear to be that the transition to a low-emissions economy will come at a significant cost. While the costs of the transition cannot be underestimated, the report needs to more strongly emphasise the opportunities and potential benefits that the transition presents, such as opportunities for skills development, innovation, creation of employment opportunities and economic development. The narrative of the report needs to change to characterise the transition as an investment opportunity, as opposed to a cost. A recent report commissioned by Westpac Bank, for example, has found that the economy would benefit by \$30 billion by 2050 if government and business take early action on climate change.¹
- Greater emphasis in the report on the opportunities that the transition presents will add value by helping to achieve wider community buy-in for the transition, particularly from sectors such as the agricultural sector where there is some fear about what the transition means and will entail.
- The advantages and burdens of a transition to a low-emissions economy will not apply equally to all communities. For example, electrification of the vehicle fleet will be good for those who are able to afford that. New Zealand's current vehicle fleet is predominantly old and inefficient because that is what people can afford. Some communities and councils will be able to wear the increased costs of landfills whereas others will not. The impacts of the transition on urban and rural communities will be vastly different. The report would be enhanced by stronger emphasis on the need to ensure that the transition does not result in further inequalities. The report currently lacks but should provide some thinking on the mechanisms that could be put in place to ensure a just transition, including whether the transition will require changes to the way that we currently look at and provide welfare, and whether provision of additional support to different sectors will be necessary.
- There will likely be a need for the Productivity Commission and/or the Government to undertake further analysis to identify the relative contributions and benefits of different sectors, and impacts of the transition on them, so as to better drive cost-benefit analyses and better enable identification of areas where careful management of potential inequalities will be required.

¹ <https://www.westpac.co.nz/assets/Sustainability/Westpac-NZ-Climate-Change-Impact-Report.pdf>

Impacts of including agriculture in the ETS

LGNZ agrees that ultimately agriculture will need to be incorporated into the ETS. However, such a decision will have significant impacts on rural communities. Those impacts must be carefully prepared for and managed.

Climate change events are already driving changes in rural land use. Incorporation of agriculture into the ETS will result in further change. That will obviously impact on rural communities' income and their ability to continue farming. The need for significant land use change, such as shifts from agriculture to forestry that the Productivity Commission recommends will have impacts on regional economic development, the state and cost of maintaining local roads and population/patterns of settlement, among other things.

The Government needs to be guided to give very careful consideration to how quickly to introduce agriculture into the ETS, and what areas should be targeted first, so as to ensure that there is not an immediate large hit on GDP that could not be made up in other areas.

The Productivity Commission's report would be enhanced by:

- Stronger recognition of the significant and disparate impacts of a decision to incorporate agriculture in the ETS on rural communities, and the importance of those impacts being carefully planned for and managed, including through provision of appropriate mitigations that will support rural communities through the transition and consideration of viable transition paths to alternative industries;
- Emphasis on the need for any decisions by the Government to incorporate agriculture into the ETS to drive land use change to be underpinned by a strong evidential basis and careful analysis; and
- Recognition that when the Government promotes land use change to rural communities, it will be critical to discuss with those communities practical and pragmatic solutions for dealing with change, which those communities will be able to live with.

In summary, it is critical that the Productivity Commission's final report does not view the transition to a low-emissions future in isolation of other interdependencies, including both the opportunities and benefits as well as the challenges of the transition and their implications for community well-being.

A missed opportunity: land use planning and emissions reductions

While the Productivity Commission has identified that changes in land use present an opportunity for contributing to emissions reductions (ie a shift from agriculture to forestry), it has not identified the potential of efficient land use planning as a means of delivering emissions reductions.

LGNZ's position is that in addition to changes to land use, driven by changes to price signals under the ETS, there is a need for a review of existing planning frameworks and tools to ensure that they better align with the goal of reducing emissions.

Compact urban form

In its original submission, LGNZ stated that:

- Upwards growth needs to be incentivised and outwards growth discouraged, in light of the significant population growth that is projected in New Zealand's metropolitan centres.
- More intensive use of zoned land (eg residential and commercial zoned land) needs to be encouraged to avoid the need to build new infrastructure to reach outlying communities and businesses (which would also avoid the emissions that would result from constructing, servicing and maintaining that infrastructure).
- Local government leaders in metropolitan and growing areas of the country need incentives to rethink and to intensify urban growth and development, including additional financial and regulatory support from Government. Councils need to be supported by the Government to provide public transport and green spaces that meet the needs of communities and businesses in these intensified urban areas. Quality compact city strategies can significantly reduce emissions by containing urban sprawl and reducing infrastructure and transport costs and associated emissions.

The Productivity Commission's draft report, however, fails to mention compact urban form as a potentially significant contributor to emissions reductions.

It is critical that policies align and are consistent with the overall ambition of transitioning to a low-emissions economy. Urban sprawl is inconsistent with that ambition – it results in costs, increased private car use, infrastructure duplication, and associated greenhouse gas emissions, among other things.

LGNZ therefore considers that the Productivity Commission could add value to its final report by emphasising the impact of policies of quality compact cities and the need to move away from urban sprawl. It should think about ways in which local government could be incentivised to adopt quality compact urban form as a core tenet of land use planning and urban growth and development. This would be consistent with the Productivity Commission's (and Government's) overall ambition for reduced greenhouse gas emissions, and local government's desire to be a significant driver of climate change mitigation.

However, such a recommendation must recognise that compact urban form does not always have climate change mitigation at its core. Compact urban form which promotes emissions reductions and retains some green space should be promoted. The Productivity Commission should also promote the importance of a good body of best practice on designing compact urban form coming to the fore.

Legislative regional spatial planning

Auckland Council is the only council in New Zealand with a requirement to produce a spatial plan. Spatial plans are a powerful tool for achieving integrated land use, infrastructure and transport planning, and consequently, emissions reductions. Regional spatial planning is a policy tool that would support councils to contribute to emissions reductions, but it should be noted is not something that requires or necessarily results in amalgamation.

LGNZ believes that the Productivity Commission's report should recommend that legislative provision be made for regional spatial planning as a mechanism for contributing to delivering emissions reductions (as well as delivering other co-benefits). Such a recommendation would be

consistent with the recommendations previously made by the Productivity Commission in its 2017 Urban Planning Inquiry.

Waste

Local government recognises that waste is an area where it can contribute to emissions reductions.

However, LGNZ's view is that the draft report does need to better consider how the costs of managing landfills are apportioned, and what represents a fair burden to fall on the local ratepayer/local authority, relative to the contributions that could be made in waste through mandatory product stewardship schemes, for example.

The Productivity Commission's report should better recognise the potential for unintended outcomes due to significant obligations on councils to pay for greenhouse gas emissions from landfills, particularly smaller, and hence less well resourced, local authorities such as increased illegal dumping, early closure of landfills and decreased support for waste minimisation initiatives.

Local government ultimately believes that adopting policies and incentives that reduce waste to landfill must be part of the solution. Focusing on greater uptake of policies and incentives to support reduction of waste to landfill is one way that the Productivity Commission's report could better recognise and address how to manage the disparate impacts of the transition on different communities. The Productivity Commission should also focus more on the role that local government can play in leading, encouraging and supporting waste reduction efforts.

The interconnectedness of climate change mitigation and adaptation

Although LGNZ understands that the Productivity Commission's inquiry is concerned with mitigation only, LGNZ wishes to reiterate its view that mitigation and adaptation must not be viewed in isolation from one another. The emissions trajectory that we get locked into will determine the scale of our adaptation challenge, while equally we cannot invest significant amounts of money into preparing for climate change without doing anything to reduce the problem.

Linked strategy for both climate change mitigation and adaptation is therefore critical.

Local government has recognised the importance of linked adaptation and mitigation strategy, and is already showing leadership in this space. Auckland Council, for example, is undertaking work to update its Low Carbon Auckland Plan to address adaptation as well as mitigation in a joined up manner.

The Productivity Commission's draft report could add value by more strongly recognising that actions to adapt to and mitigate the impacts of climate change are complementary. It should more strongly emphasise the critical need for linked climate change strategy, and recognise that alignment of adaptation and mitigation activities can increase the effectiveness of both and promote additional benefits for resilient communities, water quality outcomes and biodiversity goals at the same time. The report should clearly identify that a transition to a low emissions economy offers the chance for consideration of how adaptation and mitigation policies can better align to achieve efficiencies and multiple benefits across sectors and regions.

Other matters

LGNZ considers that there would be value in addressing the following additional matters in the final report:

- While the draft report recognises the capacity for government institutions to show leadership on climate change mitigation, it does not recognise the leadership role that local government can play. LGNZ encourages the Productivity Commission to explicitly recognise the role that local government can play in contributing to emissions reductions, particularly by taking on a leadership role within its individual communities. Local government can, for example, play a role in coordinating the provision of electric vehicle charging infrastructure with local businesses. It should, however, be recognised that the aspiration local government has in this area can be limited by capacity (particularly for smaller councils), and some thought should be given to how local government's desire to demonstrate leadership can be equitably resourced.
- The Productivity Commission should more strongly emphasise the need for investment to be aligned with areas that will drive behaviour change, such as investment into incentivising a shift from single occupancy use of vehicles to greater use of public transport, investment in electric public transport such as trains and buses and incentives to drive greater uptake of solar power.
- Land use change and land use planning are powerful tools for driving climate change mitigation, but are not the only tools available to councils. Bylaws, for example, are another tool that councils can utilise to drive emissions reductions. The Productivity Commission's report should make greater reference to such other tools.
- LGNZ notes that the Productivity Commission has identified the need for review of existing legislative and policy frameworks to achieve alignment with climate change mitigation goals and agrees with that recommendation. LGNZ believes that the Building Act in particular is one piece of legislation that could be amended to achieve better alignment. If any changes to the Resource Management Act to require that the emissions associated with individual consents be taken into account were to be considered (which LGNZ recognises would be complex), local government cautions the Productivity Commission and the Government of the need to carefully work through such a change with local government, and in particular what would be needed in the way of capacity and capability building.
- The report should address where revenues from the ETS could be allocated and/or what they could be utilised for.
- The report should recommend that Investment Evaluation Frameworks/Better Business Case frameworks require recognition of externalities, such as greenhouse gas emissions from fossil fuel fuelled vehicles. This would ensure that investment decisions are consistent with the aspiration for reduced greenhouse gas emissions, for example investment decisions around transport networks.
- The report should provide some initial thinking about how a national emissions reduction target gets translated into a target at the regional or sub-national level, and what support the Government could provide to regions to assist them to make meaningful contributions to emissions reductions. LGNZ understands that the Minister for Climate Change intends to give consideration to this matter, so the Productivity Commission could usefully aid that thinking, and should emphasise the importance of local government being involved in any conversations along those lines.

Conclusion

Local government has a shared vision for what prosperous communities will look like in 2050 and beyond. That vision is for communities that are environmentally, socially, economically and culturally prosperous. Climate change presents challenges, but ultimately opportunities and benefits to be realised, for New Zealand's communities. In mitigating the impacts of climate change, New Zealand can and must address the challenges and make the most of the benefits and opportunities that exist to ensure that communities are environmentally, socially, economically and culturally prosperous in a climate constrained world.

LGNZ commends the Productivity Commission for recognising the need for bold change to deliver progress on climate mitigation. However, LGNZ's view is that a number of critical matters and opportunities for achieving emissions reductions have been omitted from the draft report. The Productivity Commission would add value to discussions about how New Zealand can transition to a low-emissions economy by updating its draft report to reflect the matters outlined in this submission.

It is critical that the Productivity Commission's final report strongly emphasises other policy mechanisms for achieving emissions reductions, which complement the ETS, as opposed to corrections to the existing ETS being viewed as a blanket solution. The Productivity Commission must strongly promote a shift in the policy environment to a position whereby any new policy mechanisms and frameworks align with and contribute to the achievement of the overall ambition of transitioning to a low-emissions economy.

LGNZ looks forward to receiving the Productivity Commission's final report.