

Property Council New Zealand

Submission on

He Pou a Rangi – Climate Change Commission’s Draft Advice for Consultation

26 March 2021

For more information and further queries, please contact

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26 March 2021

He Pou a Rangī
Climate Change Commission

Submission via the website: <https://haveyoursay.climatecommission.govt.nz/>

Property Council New Zealand’s submission on He Pou a Rangī – Climate Change Commission’s Draft Advice for Consultation

1. Executive Summary of recommendations

1.1 Property Council New Zealand (Property Council) generally supports the work of the Climate Change Commission (the Commission) on their Draft Advice for Consultation. However, we believe there are elements of the advice that require further consideration. In particular, we recommend the following:

- Specific recognition of the role the private sector and industry must make to reducing emissions;
- More granular sector reporting and budgets rather than aggregated ones to ensure sector targeting can be effective;
- Engaging with industry and sectors to recognise individual opportunities and challenges to reduce individual footprints;
- Investigate options for systems to identify the quality of international units alongside setting a limit on how many international units can be bought over the first three budgets;
- Utilise biomass and biofuels to improve our response to decarbonising across the transport sector;
- Consideration of the effects that climate change has on our supply and security of electricity and energy in New Zealand;
- Further clarity around the assumptions and modelling on building-specific targets, including the 30% improvement in commercial and public buildings’ energy intensity; and
- An invitation to work with Property Council on property-related issues, testing, and further information.

2. Introduction

2.1 Property Council welcomes the opportunity to provide feedback on the Building for Climate Change: Transforming operational efficiency and reducing whole-of-life embodied carbon.

2.2 Property Council’s purpose is “Together, shaping cities where communities thrive”. We believe in the creation and retention of well-designed, functional and sustainable built environments which contribute to New Zealand’s overall prosperity. We support legislation that provides a framework to enhance economic growth, development, liveability and growing communities.

- 2.3 Property is currently New Zealand's largest industry with a direct contribution to GDP of \$29.8 billion (13 per cent). The property sector is a foundation of New Zealand's economy and caters for growth by developing, building and owning all types of property.
- 2.4 Property Council is the leading not-for-profit advocate for New Zealand's largest industry - property. Connecting people from throughout the country and across all property disciplines is what makes our organisation unique. We connect over 10,000 property professionals, championing the interests of over 600 member companies who have a collective \$50 billion investment in New Zealand property. Our membership is broad and includes companies that undertake large-scale residential and commercial development projects, including large commercial buildings, industrial parks and retail precincts where people live, work, shop and play across New Zealand.
- 2.5 This submission responds to the Commission's Draft Advice for Consultation.
- 2.6 Property Council would like to voice its disappointment from the outset on the Commission's decision not to release the financial and economic modelling which sits behind much of the Commission's advice. Property Council, along with other industry bodies and membership organisations, rely heavily on good faith engagement in working with bodies like the Commission to achieve better outcomes for Aotearoa New Zealand.
- 2.7 We hope there will be further opportunity to engage with the Commission on more technical aspects of the modelling later on when they are released, and to have the opportunity to test the assumptions the Commission has made.

3. Principles guiding the Commission's Draft Advice for Consultation

- 3.1 Property Council generally supports the principles guiding the Commission's Draft Advice for Consultation. We are particularly supportive of:

Principle 3: Create options: Property Council agrees that creating options for meeting the targets and having the ability to adjust course as the transition proceeds. The decisions taken now should open up a wide range of future options and keep options open for as long as possible. This needs to be balanced with the need to take advantage of key windows of opportunity, where making significant investments in key technologies could ultimately make the transition to low emissions cheaper and faster.

Principle 4: Avoid unnecessary cost: Property Council supports the efforts of both public and private sectors to avoid unnecessary cost to business and communities, particularly using technologies, assets and infrastructure to help with low emissions choices. However, we are also concerned at the potential lack of support for industry to change practice – which this submission touches on later.

Principle 6: Increase resilience to climate impacts: Property Council applauds work being done to reduce our exposure to climate change and support industries to become more resilient against growing risks associated with climate change. As with principle 4, we are concerned at the potential lack of support for industry in this space and this submission will touch on that later.

- 3.2 However, we agree with BusinessNZ about the lack of recognition of the role the private sector has and must play to achieve the emissions budget levels set out in the Draft Advice. We agree that not only will business have to change behaviours and adapt to new practices, but they will be expected to shoulder the brunt of extra costs, levies and charges, and take some of the commercial risk associated with that and other steps necessary to meet our emissions targets. We support BusinessNZ's suggestion to include **Principle 8: Recognise private sector's role** as an additional principle in the final advice.
- 3.3 We also think it is important to acknowledge what private industry – agriculture, retail, commercial and industrial – have done already to reduce and offset emissions. Many of New Zealand's businesses are leading the way in reducing emissions and have already taken steps to drastically reduce their emissions profiles and work towards more resilience in their developments.

4. Emission budget levels

- 4.1 Property Council is broadly supportive of the Emission Budget Levels as set out in Chapter 7 of the report. However, we have two substantive concerns.

Sector reporting

- 4.2 The all gases net emissions target are done at an aggregate level, not sector-by-sector. There are no sector budgets laid out in the Draft Advice for Consultation. Some sectors will have relatively easier paths to reducing their gas emissions, others will face higher costs and more regulatory barriers.
- 4.3 Setting and measuring sector budgets will give more certainty to industry whilst ensuring that technologies can be promoted to where will make the greatest efficiencies. We recommend that the Commission consider sector budgets for their all gases net emissions targets rather than at an aggregate level.

Ambitious modelling

- 4.4 Property Council accepts that our targets have to be ambitious to achieve stated goals. However, we are concerned that some of the industry modelling is more ambitious than can easily and efficiently be made over the time period.
- 4.5 We would recommend engaging specifically with sectors to ensure overly ambitious modelling does not mean more pressure on those industries and others around them to achieve overly audacious reductions without fair assessment.

5. Breakdown of emissions budgets

- 5.1 Property Council supports the proposed breakdown of the emissions budgets between gross long-lived gases, biogenic methane, and carbon removals from forestry.

6. Limit on offshore mitigation for emissions budgets and circumstances justifying its use

- 6.1 Property Council agrees New Zealand has an important role to play in reducing our emissions, and therefore cannot rely on overseas jurisdictions to mitigate any deviation from our targets.
- 6.2 However, we cannot support the recommendation by the Commission that the limit on offshore mitigation will be zero for the first three budgets. We recommend the Commission along with the Government do more work on systems to identify the quality of international units alongside setting a limit on how many international units can be bought over the first three budgets.
- 6.3 We also believe this could have a chilling effect on international co-operation to reduce emissions. The Paris Agreement is still in its infancy. We appreciate that in the short term there may be benefits given the international market for carbon units is still evolving, but for our medium to long-term strategy it seems short-sighted to limit mitigatory opportunities.
- 6.4 As noted in your own Advice, and taking into account Covid-19 and associated changes to international markets and events, any restriction on offshore mitigations seems short-sighted and should be revisited at a later time.

7. Cross-party support for emissions budgets

- 7.1 Property Council supports the recommendation that the Minister for Climate Change should also seek to ensure that the emissions budgets are debated in the House of Representatives so that the positions of each political party are on the parliamentary record. The property sector relies heavily on regulatory certainty and transparency, and allowing our members to know of potential medium-term changes given changes of Government would be helpful.

8. Coordinate efforts to address climate change across Government

- 8.1 Property Council agrees that there should be more multi-agency collaboration on climate change policy across Government. We support the following two of the three recommendations:
- Government should include in its first emissions reduction plan, due by 31 December 2021, policies and strategies that will set Aotearoa up to deliver the second and third emissions budgets and 2050 targets

- Government to include in its first emissions reduction plan, due by 31 December 2021, the Government agency and Minister that will be responsible for delivering on each of the policies adopted.

However, we have some concerns regarding some of the proposed Vote Climate Change.

Vote Climate Change

- 8.2 While we agree in principle that a multi-agency appropriate for Vote Climate Change should exist, we are concerned at the complexities this will create for Treasury and the wider public service. If all the specific existing and future government funding for core climate change mitigation and adaptation activities are in one single vote, this has implications at a practical level for the number of Vote transfers that will have to take place between Ministers and Departments.
- 8.3 While this happens already, it is not clear whether there is another multi-agency appropriation with as many potential Ministers and agencies involved in transfers as this one. We would want to see Treasury advice that shows they have no concern with a consolidated Vote Climate Change, and that Ministers understood the practical challenges this may create.
- 8.4 This also has implications for ministerial responsibility insofar as the Minister for Climate Change is not responsible for every single climate change policy and action the Government undertakes. For example, the Minister for Building and Construction is in part responsible for the Building for Climate Change Framework. Kainga Ora – the largest public housing agency in New Zealand – has the Minister of Housing responsible for it.

9. Genuine, active and enduring partnership with iwi/Māori

- 9.1 Property Council supports the recommendation that central and local government take action to ensure genuine and enduring partnership with iwi/Māori that gives effect to tiakitanga and manaakitanga by acting as good stewards and demonstrating equitable and mana enhancing behaviour within the Treaty Partnership.

10. Central and local government working in partnership

- 10.1 Property Council supports the recommendation that central and local government work in partnership. We are particularly support of the recommendation to *“Implement funding and financing mechanisms to enable the emissions reduction plans to be implemented effectively and to address the distributional effects of policy change today and for future generations”* and are hopeful the Government will adopt this in this present parliamentary term.

- 10.2 We also note the recommendation to “align legislation and policy to enable local government to make effective decisions for climate change mitigation and adaptation, including aligning the Local Government Act, the Building Act and Code, national direction under the RMA, the proposed RMA reforms, implementation of the freshwater management framework and the 30-year infrastructure plan.” We support streamlining and making regulation more effective and certain, however we are concerned that this proposed alignment could make things worse rather than better, with too much focus on red lines, rather than trade-offs which have to exist.
- 10.3 Our members would like to see detail on how this proposed alignment might work in practice that it balanced the need to meet our emissions reductions while at the same time not infringing on Principle 4 of our advice, which is not to impose unnecessary cost.

11. Ensuring inclusive and effective consultation, engagement and public participation

- 11.1 Property Council supports the recommendation that Government publishes a proposal, no later than 31 December 2022, on the mechanisms it will use to incorporate the views of all New Zealanders when determining how to prioritise climate actions and policies to meet emissions budgets over the next 30 years.

12. Locking in net zero

- 12.1 Property Council supports the Commission’s proposed approach to the emissions budgets through decarbonising sources of long-lived gas emissions where possible and growing new native forests to create a long-lived source of carbon removals.
- 12.2 However, the way in which that is achieved should be carefully considered. The Draft Advice makes a number of broad assumptions about available technology, land availability and usage. Issues regarding what incentives will be necessary to convince private landowners to plant natives rather than exotics, and where the labour force required for this will come from are important considerations. The Government’s One Billion Tree policy resulted in trees being planted in good arable land rather than on land that is less productive and costing more than initially expected. These examples are instructive of careful consideration to policy decisions that need to be taken.
- 12.3 Further, Forestry policy in New Zealand has undergone significant reform under different governments. There are competing interests between forestry companies, land owners, climate change experts and policy makers which cannot simply be met by prioritising one goal. The uncertainty this creates is at odds the Commission’s keenness to ensure climate policy is certain and

long-term. Very careful consideration should be given to the policy decisions the Commission makes given the nature of Forestry policy in New Zealand.

13. Transport recommendations

- 13.1 Property Council supports an equitable transition towards lower carbon transport options in New Zealand. This has to be balanced in the short to medium-term with the need to deliver infrastructure and develop buildings alongside the Commission's goals.
- 13.2 We support the move to more EV and hybrid private vehicles. We also recognise most of the levers that the Commission has chosen to pull are probably the right ones given the range available. Government policy for public fleets can only do so much. We accept the market for these will need to grow and incentives will need to drive transition, and agree that achieving the phase out of light internal combustion engine imports sometime between 2030-2035 is ambitious, but achievable with strong supporting government action. That government action cannot just be levies and tariffs on those imports, or extra charges on non-EV and hybrid vehicles. The feebate discussion in 2019 highlighted the impacts this can have on equitable outcomes. A cost differential will still remain even with added levies and taxes, and we therefore recommend the Commission push for incentives that achieve greater uptake of EVs.
- 13.3 We also challenge what we see as an overly ambitious series of targets:
- *The average household travel distance per person can be reduced by around 7% by 2030, for example through more compact urban form and encouraging remote working. We also assume that the share of this distance travelled by walking, cycling and public transport can be increased by 25%, 95% and 120% respectively by 2030.*

Property Council would caution against assumptions which would make the greatest impact, for instance Auckland and Wellington light rail/rapid transit, improve rapid bus routes and electrification of railways are several years away from even beginning. Any assumption on these figures should be given consideration against practical timeframes of completion so that extra pressure and unnecessary cost does not end up saddling the projects.

- 13.4 Property Council believes there is an opportunity to investigate the use of biofuels in transport to begin the transition to lower emitting technologies. We think this can provide an opportunity for New Zealand to invest in R&D as well as undertake a feasibility study on producing biofuels in significant quantities. How strong the demand is will provide evidence on the commercial viability of biofuel conversion technologies over a specific timeframe.
- 13.5 Property Council members will still need roads and private assets to transport goods and services and build developments. This cannot be undertaken by

other forms of transport easily or as effectively. It is important that as the Commission and Government expect infrastructure, assets and developments to use new materials and approaches that they don't equally saddle further cost on the property sector which might make those infrastructure and key development projects unachievable.

14. Heat, industry and power

- 14.1 Property Council supports the recommendations to develop a long-term national energy strategy that provides clear objectives and a predictable pathway away from fossil fuels and towards low emissions fuels, and the infrastructure to support delivery. We also support that we set a renewable energy target to increase renewable energy to at least 60% by 31 December 2035.
- 14.2 However, we are concerned at the conflict between the Government's 100 per cent renewable electricity target by 2030 and the 60 per cent renewable energy target issued by the Commission. Some of the assumptions around the reductions required on electrification and renewable generation will need to be carefully considered against the expectations of (a) the Government meeting its 100 per cent target, and (b) the ability to meet the 60 per cent target given some of the generous assumptions.
- 14.3 We commend the Government on its work to remove coal boilers from public schools and hospitals and their general phasing out. However, the state has a far greater capital capacity to assume capital costs associated with these changes that many property developers do not have. Landlords are facing increasing costs from local and central government to meet existing policy needs and increases in rates, and we would support the Commission recommending an incentive payment or capital offering to landlords and developers to remove boilers where they exist.
- 14.4 Security of supply is critical to both reducing our emissions and continuing to be productive. We lament having to re-start Huntly Coal to ensure supply continues across New Zealand. It is even more important for our members given security of supply impacts their ability to meet their obligations under your Draft Advice.
- 14.5 We further note that the Business New Zealand Energy Council's report New Zealand Energy Scenarios: navigating our flight path to 2060 said: "Careful investment in the resilience of our electricity system is required to ensure the wider economic reach of electricity is not compromised by the very problem it is trying to fix. Climate change will bring a stormier, windier future. While renewables are now more affordable, a big question is how to make them secure when they are heavily reliant on weather patterns." We agree with their sentiment and invite the Commission to investigate this further.

15. Waste

- 15.1 Property Council supports the Commission's goal to reduce waste at source, increase the circularity of resources in New Zealand and reduce waste emissions. However, Property Council would recommend the following:

National Waste Strategy

- 15.2 The goal of setting ambitious targets in the New Zealand Waste Strategy for waste reduction, resource recovery and landfill gas capture to reduce waste emissions in Aotearoa by at least 15% by 2035 is admirable. However, industry and local government will need support to meet the targets. The infrastructure across New Zealand is variable and, in some cases, lacklustre. Depending on the targets that are set, the Government should consider a capital fund to assist territorial authorities to develop infrastructure or, at the very least, encourage and allow multi-council authorities to draw down capital to fund the infrastructure.
- 15.3 Property Council would also encourage more R&D and funding for biomass energy which can support the goals the Commission has set to reduce waste activity. As NIWA have noted, using biomass energy has many benefits, not least of them is the efficiency of utilisation and/or mitigation of wastes.

Waste Levy

- 15.4 Property Council is supportive of investing the waste levy revenue in reducing waste emissions through resource recovery, promotion of reuse and recycling, and research and development on waste reduction. However, we are equally concerned with the findings of the Ministry for the Environment's Reducing Waste consultation which found over 60 per cent of submissions confirmed the current levy is not effective in reducing waste volumes and that waste volumes are increasing, while reuse, recycling and recovery are not increasing.¹
- 15.5 The Waste Levy cannot be the only mechanism by which behaviours are changed. We agree with the WasteMINZ Disposal to Land Sector Group who said: "A decision on whether waste disposal levy rates need to be increased beyond 2023 should be informed by more robust waste data collected over the intervening years. Any increases should be based on evidence collected through regular and frequent reviews of the waste disposal levy system, as well as reporting data collected from landfill operators, that supports the need to increase those rates."²

16. Multisector strategy

- 16.1 Property Council supports work to bring agencies and sectors together more collaboratively to work on climate change issues. We agree that government must send clear and consistent signals to households, business and

¹ <https://www.mfe.govt.nz/sites/default/files/media/Waste/reducing-waste-a-more-effective-landfill-levy-summary-of-submissions-final-oct.pdf> - page 11.

² Ibid, Page 14

communities about the transition to low emissions, and the nature and speed of change required.

- 16.2 How this works in practice will be key. In terms of policy integration across government, our recommendations are as follows:

Rec 15(a): Providing consistent signalling across investments, policy statements, direction to officials, internal policies and directives to ensure that all regulatory and policy frameworks are aligned with low emissions and climate resilience objectives

- 16.3 We support a similar model to that adopted by the Government in 2019 to include a Climate Implications of Policy assessment alongside cabinet papers. We would recommend trialling an extension of this to policy decisions that do not require cabinet approval. We would also recommend Regulatory Impact Assessments are updated to include this analysis as well.

Rec 15(b): Investigating emissions reduction potentials and interdependencies amongst multisector activities, such as food production and distribution, tourism, construction and international education

- 16.4 We support greater collaboration between experts and analysts to explore ways of reducing emissions across multisector activities.

Rec 15(c): Ensuring that central and local government considers climate change alongside other environmental, social, economic and cultural aspects by including requirements in new resource management legislation, such as the proposed Natural and Built Environments Act, the Strategic Planning Act and the Managed Retreat and Adaptation Act

- 16.5 We believe the legal framework in which the wider planning system operates is hampering New Zealand's prosperity while not providing the right protections to the environment. Currently, the resource management system focuses on the maintenance or management of resources. As a result, this favours the status quo over the needs of the built environment. We believe the future system should aim to streamline implementation and provide clear delivery of outcomes, enabling sustainable growth and opportunities for our communities to thrive.
- 16.6 As we stated above at [10.2], we are concerned that this proposed alignment could make things worse rather than better, with too much focus on red lines, rather than trade-offs which have to exist. We would want the alignment to be consulted on and for stress testing to be done to ensure we do not go backwards in terms of our environmental, social, economic, developmental and cultural expectations.

Rec 15(d): Requiring government procurement policies to include climate change considerations, in order to leverage purchasing power to support low emissions products and practices, particularly with regard to third party funding and financing transactions

16.7 We support this in the context of Principles 3 & 4. This has to be balanced against ways to keep costs lower at the same time as leveraging the ability to support lower emissions products and practices.

Rec 15(e): Facilitating opportunities for iwi/Māori to participate in ownership of infrastructure or involvement in projects that align with iwi/Māori aspirations and climate positive outcomes.

16.8 We support this recommendation alongside our commentary at [16.5].

16.9 In terms of other necessary actions the Commission has recommended:

- We support **Necessary Action 16** to embed behaviour change as a desired outcome in its climate change policies and programmes in order to enable New Zealanders to make choices that support low emissions outcomes.
- We support **Necessary Action 17** to implement the proposed mandatory financial disclosures regime and explore the creation of a similar regime that covers public entities at the national and local level and evaluate the potential benefits of mandatory disclosure by financial institutions of the emissions enabled by loans over a specified threshold.
- In terms of **Time-critical Necessary Action 6**, before any targets or thresholds are set we recommend the Commission engage with private industry to work through options and considerations of the impacts of their recommendations. Government policy can achieve many of the targets but private enterprise will not necessarily absorb the costs in the same way just because the Government has signalled its intention.
- We support **Necessary Action 18** to help build a Maori emissions profile.

17. Building-specific targets

17.1 Property Council accepts the need for commercial and public buildings to improve the energy efficiency of buildings, alongside decarbonising the energy used for heating, hot water and cooking. However, we have some concerns relating to the assumptions and modelling behind the targets.

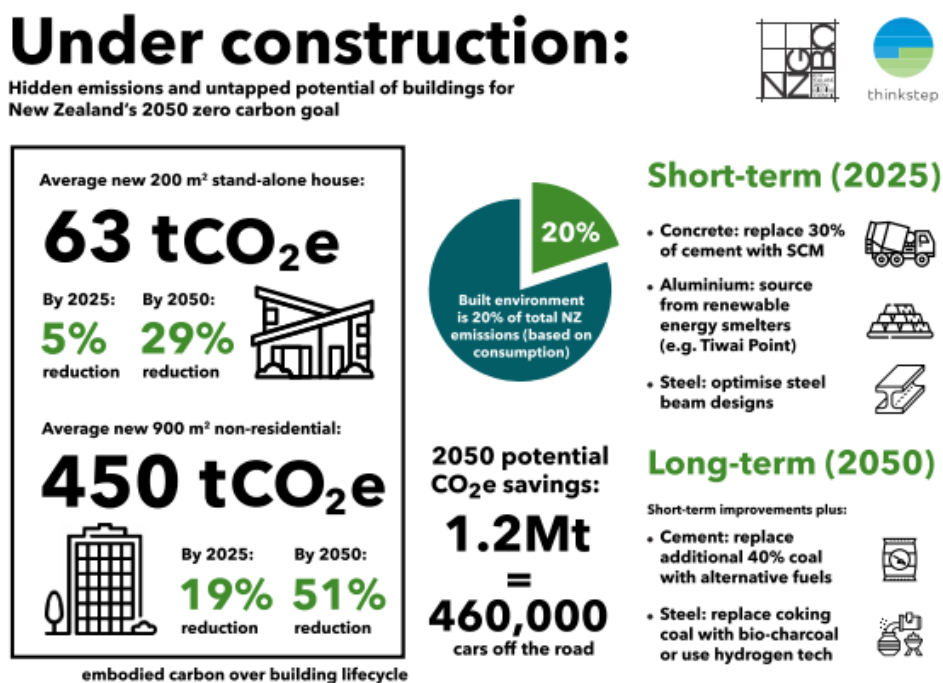
17.2 In particular, we would like to know more about how the Commission has modelled a 30% improvement in commercial and public buildings' energy intensity, which "is possible by 2035 compared to today's performance." Many of our members feel this target might have some heroic assumptions behind

(a) the ability of particularly smaller and medium sized to pivot building energy supplies and (b) the speed and pace at which change can occur.

17.3 Given too that many of the assumptions seem to be based on the idea that most commercial buildings still use old coal boilers as their primary heating source, how much has been assumed needs clarification as well as the lifetime that has been estimated.

17.4 We also think the focus solely on energy efficiency is misguided. Many commercial and public buildings are already being built to higher standards, and existing buildings retrofitted to achieve improvements across the industry. The New Zealand Green Building Council's Green Star tool – which supports stakeholders in the property and construction sectors to design, construct and operate projects in a more sustainable, efficient and productive way – has already provided incentives and structures for many commercial developers to build to a higher, more efficient and lower emitting standards.

17.5 In August 2019 the Green Building Council released a report titled “Under construction: Hidden emissions and untapped potential of buildings for New Zealand’s 2050 zero carbon goal”, in which they found that decarbonising the built environment will require: Collaboration among all players in the building sector, communication of good information and data, innovation in the manufacturing sector, and policy development encouraging the use of materials with low embodied carbon.”



17.6 The report also found that “if construction material improvements are made for both residential and non-residential building types, a total carbon saving of 13% from all embodied emissions could be made in the short term and 41% in

the long term. This translates to taking approximately 5% or 15% (respectively) of all passenger cars in New Zealand off the road permanently.”

- 17.7 Property Council would happily engage with the Commission to better understand their assumptions and, along with the New Zealand Green Building Council, help the Commission better understand the role the property sector can play to reduce emissions across the property portfolio.

18. Conclusion

- 18.1 Property Council generally supports the direction of the Climate Change Commission’s Draft Advice. We recommend several amendments be made, including:

- Specific recognition of the role the private sector and industry must make to reducing emissions;
- More granular sector reporting and budgets rather than aggregated ones to ensure sector targeting can be effective;
- Engaging with industry and sectors to recognise individual opportunities and challenges to reduce individual footprints;
- Investigate options for systems to identify the quality of international units alongside setting a limit on how many international units can be bought over the first three budgets;
- Utilise biomass and biofuels to improve our response to decarbonising across the transport sector;
- Consideration of the effects that climate change has on our supply and security of electricity and energy in New Zealand;
- Further clarity around the assumptions and modelling on building-specific targets, including the 30% improvement in commercial and public buildings’ energy intensity; and
- An invitation to work with Property Council on property-related issues, testing, and further information.

- 18.2 Thank you for the opportunity to submit to this consultation. Any further queries do not hesitate to contact Liam Kernaghan, Senior Advocacy Advisor, email: liam@propertynz.co.nz or cell: 021 715 108.

Yours sincerely,



Leonie Freeman
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