

17 January 2020

Committee Secretariat  
Environment Committee  
Parliament Buildings  
Wellington

**Re: Climate Change Response (Emissions Trading Reform) Amendment Bill**

Tēna koe

**Regional Public Health would like to formally register recommendations for the Climate Change Response (Emissions Trading Reform) Amendment Bill.**

Regional Public Health (RPH) is the public health unit for the greater Wellington region. We work with communities to make the region a healthier and safer places to live. We promote good health, prevent diseases, and improve the quality of life for our population, with a particular focus on children, Māori, Pacific and low income households.

We are happy to provide further advice or clarification on any of the points raised in our written submission. We do not wish to make an oral submission. The contact point for this submission is:

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Naku noa, na

Dr Stephen Palmer  
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## **RPH's reasons for submitting**

Climate change presents a serious and imminent threat to population health. New Zealanders are at risk of both the direct health effects of climate change (e.g. extreme weather events, injuries, heat waves and damage to infrastructure) and indirect health effects (e.g. changes in ecosystems and subsequent disease patterns, microbiological contamination of water, conflict over resource scarcity, poor mental health, food insecurity, destruction of infrastructure, homes, and livelihoods)<sup>1,2</sup>. Climate change is also exacerbating inequities in Aotearoa, with Māori, Pacific and low-income communities at greater risk of experiencing adverse health and social outcomes.

Climate action presents one of the greatest opportunities to positively impact the environment and to improve the health and wellbeing of New Zealanders. For example, actions to increase active transportation, improve housing conditions, encourage changes to food consumption, and reduce air pollution will not only lower greenhouse gas (GHG) emissions, they will also have positive health co-benefits, including a reduction in the burden of cancers, cardiovascular diseases, diabetes, and respiratory diseases<sup>3,4</sup>.

By committing to climate action with an explicit focus on equity, the government has the potential to make significant improvements to the health, social, and economic wellbeing of all New Zealanders, and particularly, to improve outcomes for Māori, Pacific and low-income communities.

## **RPH's recommendations**

RPH commends the government for reviewing, and proposing changes, to the Emissions Trading Scheme (ETS) which can enable New Zealand to reach its domestic and international climate change targets in line with the Climate Change Response (Zero Carbon) Amendment Bill and the Paris Climate Accord. However, the amendment must adopt stronger provisions and accelerated timelines to reduce agricultural emissions to reflect the urgency of the climate crisis. Given that agriculture produces approximately half of New Zealand's total GHG emissions, we would expect to see concerted measures to drastically reduce agricultural emissions. We also recommend that the amendment bill clarify how the agricultural alternative pricing plan will be deemed acceptable or not, as well as include provisions for a more rapid phase down of industrial allocations.

Action on climate change must also be carefully considered to avoid increasing inequities and to support a 'just transition' to a low carbon economy for all New Zealanders. We recognise that the agricultural sector may be economically impacted by changes to the bill, therefore, it is important that the government creates a long-term strategy to incentivise a shift in agricultural practices towards a more diverse and sustainable sector. Implementing a just transition to a low carbon

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<sup>1</sup> Royal Society (2017). Human Health Impacts of Climate Change for New Zealand: Evidence Summary. <https://royalsociety.org.nz/assets/documents/Report-Human-Health-Impacts-of-Climate-Change-for-New-Zealand-Oct-2017.pdf>

<sup>2</sup> Watts, N., et al (2018). "The Lancet Countdown on health and climate change: shaping the health of nations for centuries to come." *The Lancet* 391.10120 (2018): 581-630.

<sup>3</sup> Watts, N., et al. (2015). "Health and climate change: policy responses to protect public health." *The Lancet* 386(10006): 1861-1914

<sup>4</sup> Bennett, H., et al. (2014). "Health and equity impacts of climate change in Aotearoa-New Zealand, and health gains from climate action." *New Zealand Medical Journal* 3: 12-16

economy presents a significant opportunity to foster an environmentally and socially sustainable and diverse economy, driving job creation, job upgrading, social justice and poverty eradication.<sup>5</sup>

RPH would like to put forth the following statements on the bill:

### **1. Adopt a more aggressive timeline, and remove the proposed subsidy, for the agricultural sector**

- We are deeply concerned that the government is providing a 95% subsidy to the agricultural sector. Allowing the agricultural sector to continue to operate outside the ETS misaligns with New Zealand's obligations under the Zero Carbon Bill and Paris Agreement. We strongly suggest removing the subsidy, while further incentivising more innovative, sustainable agricultural practices (e.g. development of wetlands, tree planting).
- Implementation of the ETS should be brought forward with regard to (section 2A(5) and (9), 2C, 85, 218, and 219):
  - Price livestock and fertiliser emissions at the processor level from 2021;
  - Price livestock emissions at the farm from 2022;
  - Immediate mandatory reporting of agricultural submissions to ensure accountability of the sector;
- The timelines for the development of an agricultural alternative pricing mechanism should be accelerated in order to address the urgency of the climate crisis. This is particularly important given that agriculture produces approximately half of New Zealand's total emissions. The proposed timeline (i.e. an alternative pricing plan to be developed by 2022, mandatory reporting to start 2024, and implementation from 2025) is inadequate and unlikely to achieve ten percent reduction in carbon emissions by 2030 as per the goals of the Zero Carbon Bill.
- A possible risk of adopting the above changes is a negative impact on the economy which may increase poverty and exacerbate inequity. While this potential adverse outcome is likely to be experienced in the short and medium term, the longer term strategic goal of reduced emissions is of greater importance to the wellbeing of New Zealanders. We recommend that the government put in place measures to mitigate the possible negative economic effects through appropriate welfare mechanisms and encourage diversification of the agricultural sector and New Zealand's economy, more broadly.

### **2. Clarify the aims and standard of the alternative pricing plan**

We support the increase in general emissions pricing from \$25 to up to \$50 as research shows that a \$40 emissions price is the tipping point where businesses are motivated to invest in greener technologies<sup>6</sup>.

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<sup>5</sup> International Labour Organization (2015). "Guidelines for a just transition towards environmentally sustainable economies and societies for all". [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_432859.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf)

<sup>6</sup> World Bank (2019). State and Trends of Carbon Pricing.

- We recommend that the components of an acceptable agriculture pricing plan should be clearly defined, including how it will be assessed and how it aims to be superior to the backup ETS plan. This information should be made publicly available and transparent.
- The Climate Change Commission should be responsible for determining whether the alternative pricing mechanism is acceptable and whether it will enable New Zealand to meet its emission targets.

### **3. Improve provisions to reduce risk of emissions leakage**

It is commendable that the bill accounts for and puts in place measures to prevent emissions leakage which can have significant economic and employment impacts on particular regions in New Zealand (section 84 C, D). Studies show that carbon leakage prevention measures can also incentivise research and development (R&D) of innovative renewable technologies, which are needed to drastically lower GHG emissions in the industrial sector.<sup>7</sup>

- We recommend that the government develop measures to mitigate possible impacts of the ETS changes on existing small businesses/entities. We recommend that early evaluation be conducted to identify businesses at risk of emissions leakage and to create a mitigation plan which prevents inequities. The transition from fixed unit price to cost containment reserve system may lead to higher unit prices, which smaller entities may have difficulty absorbing increased costs and may be at risk of emission leakage.
- We strongly put forth that industrial allocation be phased down beginning as early as 2021, in line with the expected trend of reducing emission intensity (0.01 in all levels of assistance from 2021 to 2030, 0.02 from 2031 to 2040, and then 0.03 2041 in to 2050) (section 84A).

### **4. Support rapid phase out of coal-fired process heat**

- We strongly support provisions to phase out coal-fired boilers, including banning of new coal-fired plants and phasing out existing coal-fired process heat. Coal burning leads to serious health effects, such as respiratory and cardiovascular mortality and morbidity, and has serious implications on air pollution and climate change<sup>8</sup>. It is important that policies are put in place that consider the environmental and health implications on current and future generations. The phase out of coal should occur on an accelerated timeline in order to meet international and domestic emission targets.
- We strongly support a transition to community energy projects, which has multiple positive social, economic and environmental impacts on local communities. Community energy, for example, small-scale solar and wind, can improve energy access and energy affordability, with associated health and social benefits, in addition to emissions-free electricity.

### **5. Promote transparency**

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<sup>7</sup> “Carbon Leakage and Industrial Innovation” – Climate Policy Info Hub.

[https://climatepolicyinfohub.eu/carbon-leakage-and-industrial-innovation#footnote12\\_usy66rr](https://climatepolicyinfohub.eu/carbon-leakage-and-industrial-innovation#footnote12_usy66rr)

<sup>8</sup> Healthcare Research Collaborative (2013). “Scientific Evidence of Health Effects from Coal Use in Energy Generation”. [https://noharm-uscanada.org/sites/default/files/documents-files/828/Health\\_Effects\\_Coal\\_Use\\_Energy\\_Generation.pdf](https://noharm-uscanada.org/sites/default/files/documents-files/828/Health_Effects_Coal_Use_Energy_Generation.pdf)

- We support the appointment of an independent auction monitor to provide independent oversight of auctions. We recommend that the Climate Change Commission provide oversight of the auction process and ensure that the ETS is evidence-based, robust and accountable (section 30 GD, GG).
- We support the online availability of emission trading information and data – this not only provides researchers and the public with robust emissions data on New Zealand’s greenhouse gas emissions across sectors, it can also incentivise businesses to reduce emissions (section 84 D(3)). This includes earlier mandatory reporting of agricultural emissions (section 219).
- We also support the strengthening of the compliance regime, so that participants will face penalties for inaccurate reporting or failing to report emissions. However, we recommend that penalties be more substantial to encourage compliance (section 30M).