

CLIMATE CHANGE COMMISSION

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Hon James Shaw
Minister for Climate Change
Parliament Buildings
Wellington

Dear Minister

I am writing to you on behalf of the Climate Change Commission in response to the Budget 2020 announcements. As the Government's independent climate change advisor, we believe it is our responsibility to provide feedback on the Budget and consider how it will impact the country's ability to achieve our climate goals.

When I wrote to you in April, I provided six principles developed by the Commission to assist in evaluating spending and investment decisions. We urge the Government to make use of these principles to ensure a climate lens is applied to the investment decisions that underpin our economic recovery. This will ensure they are future proof. If we are going to ask future generations to pick up the bill for these investments for a short-term economic benefit, we must also ensure they have a positive long-term impact on reducing emissions or addressing our vulnerability to the impacts of climate change.

We have reached the point where climate change needs to be the focus for New Zealand's investments. What we plan for and build now is what we will have in the future.

With that lens, it is encouraging to see some announcements in the Budget that are likely to speed up the transformation needed to move our country towards a low emission, net zero-carbon economy. There are a range of investments relevant to climate change in research, forestry and the ETS as well as for the operations of the Climate Change Commission. These investments go some way to helping us achieve our climate change goals, however our concern is this Budget does not take us far enough. We need to do more.

Smart climate investments that create jobs and deliver social benefits

It's good to see investment in a range of projects that, while they may seem small on an individual level, when taken together make a tangible contribution to creating jobs and delivering social and climate benefits. We particularly note:

- a further \$56 million in funding to expand the home insulation scheme, improving the warmth and energy efficiency of 9,000 homes in our housing stock while also creating jobs.
- 7,000 nature-based jobs, that will provide work for people in the communities that need an employment-boost. This work has the potential to improve the quality and resilience of our wetlands and bush and contribute to carbon sequestration.

We strongly support the energy efficiency gains, improved health outcomes and job creation opportunities from a bolder, larger and faster home insulation programme. We assume a supply constraint explains the modest funding and target given the size and state of the housing stock.

Adding a further 8,000 state houses to the estate offers the opportunity to build energy efficient homes that will have lasting, multi-generational benefits. These should be model homes that use innovative green technologies. There is an opportunity to develop and manufacture these in New Zealand using timber with high-embedded carbon and materials with low-embedded emissions to ensure delivery of climate, economic and health benefits.

Investing in low emissions infrastructure

New infrastructure investments need to be resilient and low emissions. They typically have long lives, and we need to avoid locking in decades of emissions-heavy assets when there is an opportunity to transform them into low or zero carbon alternatives. We are encouraged to see:

- \$421 million for a package of rail initiatives, including technology to improve Auckland's metropolitan rail network and funding to upgrade New Zealand's aging locomotive fleet
- \$400 million for replacing the Interislander ferries. This is a once-in-a generation investment. These ferries will be travelling across the Cook Strait multiple times a day.

We strongly caution KiwiRail against falling back on diesel and bunker fuel locomotives and ferries because it appears cheaper and is a technology with which we are familiar and comfortable. Any estimate of life-time operating costs should be required to assume a significantly higher cost of carbon emissions. We also believe a serious investigation into how the new ferries could be run using a low-emissions technology is essential for New Zealand to meet its emissions target. We need to invest now for the future.

Preparing for jobs of the future

It is good to see support in the budget for New Zealanders looking to retrain or upskill. Given the changing nature of work, particularly in light of COVID-19, we would expect that this package includes training people for the future opportunities that will emerge from the transition to a low-emissions and climate-resilient economy and society.

Accelerating electrification using renewable generation is a key strategy for moving to a low emissions economy and will provide jobs and opportunities to upskill. We also know that growing our digital economy is likely to form more of New Zealand's future – smart technology and the 'internet of things' can increase efficiency and reduce emissions. Alongside equipping people with the skills needed to support building more houses and infrastructure, we should provide access to training and skills for the 21st Century.

We also have an opportunity to take a closer look at some sectors that have underpinned our economy in recent years and think hard about whether they can be reshaped to succeed in a low-emissions world.

The digital economy presents opportunities for building on our strengths in agriculture, tourism, and technology and has a reputation for adapting quickly.

We are a country of innovators. Looking back to the 19th and 20th Century, many New Zealanders were employed in industries that played an important role in our economy but that we no longer see today. Whaling, gold mining, and vehicle assembly all have a significant place in our history. The climate change consequences that we face give us an opportunity to transform how we do things and build new businesses that can reshape the low emissions world while creating more jobs.

Climate change investment yet to come

We note the further \$20 billion of unallocated funds set aside to aid in the recovery from COVID-19. There is an opportunity to invest in large transformative projects that address emissions reduction and adaptation. We encourage the use of our six principles to guide decision making here. These funds can only be spent once. We need to make decisions that our children and grandchildren will thank us for.

We acknowledge this is a time of huge uncertainty, but it is also one of opportunity. The economic stimulus the government has underway is the biggest in our lifetimes – if we can make smart investment decisions in low-emissions practices, technologies, and infrastructure, we can rebuild the economy, create jobs, and ensure people are better off both now and in the future.

Mitigating and adapting to climate change needs to be considered in every investment decision this country makes. From next budget we would like to see climate change investment added as a chapter heading – alongside education, health and housing. This is the issue and the challenge of our time – the wellbeing of New Zealanders now and for generations to come depend on the actions we take today to address it.

We feel strongly that while the decisions outlined in the Budget are important, it is the decisions that will be made as a result of it in the weeks and months to come that will have the lasting impact.

Yours sincerely

Rod Carr

Dr Rod Carr

Chair, Climate Change Commission

On behalf of the Climate Change Commission

CC: Hon Grant Robertson, Rt. Hon Winston Peters, Hon Shane Jones, Hon Damien O'Connor, Hon David Parker, Hon Phil Twyford, Hon Eugenie Sage and Hon Megan Woods