

Reference: 20150175

16 July 20125



Thank you for your Official Information Act request, received on 21 May 2015. You requested the following:

“Under the Official Information Act, can I please have all reports, emails, or other documentation held by Treasury regarding how reducing New Zealand’s GHG emissions can benefit New Zealand’s economy? If this request is too large in scope, please restrict the request to documents from the past 3 years.”

On 12 June a Treasury official contacted you to clarify the scope of the request. The following was agreed on:

“Under the Official Information Act, can I please have reports, emails or other documentation from the last 3 years containing Treasury’s advice or analysis on the potential economic benefits and co-benefits of policies to reduce New Zealand’s GHG emissions.”

On 15 June we sought an extension of 20 working days. A response to your request is now due by 17 July 2015.

Information Being Released

Please find enclosed the following document which I have decided to release in full:

Item	Date	Document Description	Decision
1.	3 October 2014	Overview of report by the Global Commission on the Economy and Climate	Release in full

Information Publicly Available

The following information is also covered by your request and is publicly available on the Treasury website:

Item	Date	Document Description	Website Address
2.	12 November 2014	Climate Change – Important Decisions Between late 2014 – Mid 2015	http://www.treasury.govt.nz/publications/briefings/2014-climate-change
3.	Undated	Affording our future	http://www.treasury.govt.nz/government/longterm/fiscalposition/2013/affordingourfuture/30.htm

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act – the information requested is or will soon be publicly available.

Some relevant information has been removed from documents listed in the above table and should continue to be withheld under the Official Information Act, on the grounds described in the documents.

Information to be Withheld

There are additional documents covered by your request that I have decided to withhold in full under the following sections of the Official Information Act, as applicable:

- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials, and
- confidential information, under section 9(2)(j) – to enable the Crown to negotiate without disadvantage or prejudice.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Mark Vink
Acting Manager, Natural Resources

**03/10/14 - Overview of report by the Global Commission on the Economy and Climate:
Better Growth Better Climate – The New Climate Economy Report**

This overview is for your information, in case this report is raised in discussions at your upcoming G20, World Bank and IMF meetings. More extensive analysis of the implications of the report for New Zealand, and any potential policy response, is ongoing.

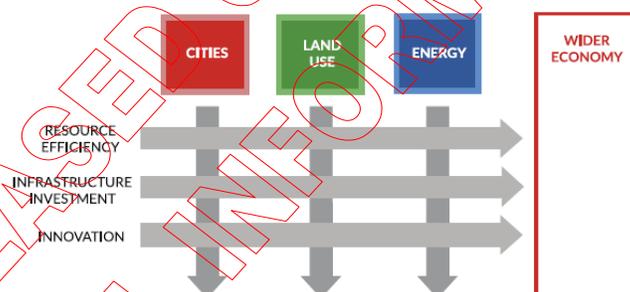
Background

The New Climate Economy (NCE) report has been produced by a global commission of prominent policy makers and economists¹ to inform the climate change debate in the lead-up to the UN discussions in Paris. It is aimed at economic policy-makers and its purpose is to make the “economic case” for climate action.

The report attempts to add rigour to the assertion that low carbon growth is economically viable and preferable. It estimates that win-win solutions could account for around half of the pre-2030 emissions reductions required to lower the risk of dangerous climate change, potentially rising to 90% with ambitious implementation. It also accepts that not all solutions are win-win and that, where trade-offs are inevitable, accompanying equity measures may be required to ease the human and economic costs of transition (e.g. to redeploy those working in resource-intensive industries).

Summary

The commission sets out a 10-point global action plan (truncated version at **Annex A**) but recommendations are chiefly focused on the areas for action set out in the matrix below:



In addressing these areas the report generally focuses on the importance of robust and stable frameworks (financial, policy, economic etc) rather than specific policy interventions.

The Executive Summary (attached) is a concise and representative digest of the report. Some of the most important assertions the report makes are:

- That a firm international agreement is required to provide policy/investment certainty.
- That the capital cost of investing in low carbon growth is lower than believed and is falling.
- That the co-benefits (health/social/economic etc) of many apparently climate-focused policies make them comfortably cost-beneficial.
- That economic models currently employed to inform policy making overstate the challenge of moving to low carbon growth because they are static in nature. The frictional costs the models associate with any change result in a bias away from such change, despite the fact that some change is always in progress. It is argued that the move to low-carbon growth might simply displace or align itself with these existing frictional costs.
- That all countries have the opportunity to benefit from the move to low carbon growth to some extent and that the next 15 years are the key period for this transition.
- That climate considerations need to be more firmly embedded into the processes for making long-term economic decisions.

¹ The panel includes a number of former Presidents and Prime Ministers; leading finance and banking practitioners; and economists from the World Bank, the London School of Economics, OECD and Harvard.

Comment

From New Zealand's perspective there are some key omissions, most of which are the result of the globally-aggregated nature of the report:

- The Commission does not present a systematic assessment of where the co-benefits, and therefore overall economic efficiency, of a move to low carbon growth might be greatest across the world. If it did, this may show that the case for such moves in New Zealand is not compelling because of high marginal abatement costs and the fact that many potential co-benefits described in the report would be less applicable in NZ².
- The report does not comprehensively address the issue that those countries which *do* choose to move to low carbon growth would likely still see a reduction in their short term competitiveness, compared to those who do not. Instead the report supports a long-term approach to policy making and argues that when all co-benefits are taken into account the impact on short-term competitiveness is significantly reduced.
- The costs and opportunities of climate change adaptation, and unavoidable climate change impacts are not examined in the report.

Nevertheless there are some key points which have particular relevance to New Zealand's long term transition to a low carbon economy. All are aligned with ongoing work:

- **The need for a 'strong, predictable carbon price'** – Already a live debate within Government; the 2014 ETS review will be a vehicle to consider options and implications around domestic carbon prices.
- **The need for a strong, lasting and equitable international agreement** – New Zealand will participate in a new global agreement and work is underway to determine NZ's contribution.
- **Acceleration of the development of low-carbon technology** –
 - The New Zealand Government invests around \$55 million per annum in research on climate change mitigation and adaption³
 - In particular the Government led the establishment of the Global Research Alliance on Agricultural Greenhouse Gases in December 2009 and established the New Zealand Agricultural Greenhouse Gas Research Centre in March 2010. This brings together organisations researching agricultural emissions, with a focus on reducing Methane from livestock. In Feb 2013 the Government and industry partners committed a further NZ\$5.4 million per annum to the Consortium.
- **Urbanization** – The potential for more efficient city planning and transport infrastructure are live issues in the limited areas where opportunities exist, notably the continued development of Auckland and the Canterbury rebuild.
- **Stop Deforestation** – NZ deforests virtually none of our extensive natural forests and has incentive schemes in place to encourage new forestry, particularly on low productivity land.
- **Systematic assessment of climate impacts as part of policy-making processes** – This could provide one avenue for a positive response to the report. Consideration could be given to measures such as requiring climate change impact assessments for new policies or establishing an independent agency to advise the government on target levels and domestic policy settings. Potential costs/benefits would need to be properly explored before committing to this kind of action.
- **The importance of removing fossil fuel/agricultural subsidies which support high carbon growth** – NZ is aligned with this for competitiveness as well as climate change reasons.

² (for example health gains from improved air quality, economic efficiency from better planning of new urban developments)

³ As at 2011/12. Source: New Zealand's Sixth National Communication.

Speaking points

- The report is a helpful addition to the debate and seeks to underpin what have, to date, been fairly bold assertions around the potential of low carbon growth.
- The full benefits of the move to low carbon growth can only be unlocked if all countries move in this direction together. The benefits are real, but greater in some countries; nations should be moving in this direction at a speed proportionate to the benefits they will derive.
- New Zealand has already claimed many of these benefits and will continue to do so where they are available and efficient. For example:
 - Electricity generation in New Zealand is already 78% renewable, with only around 5% from coal and a target to increase the share of renewable generation to 90% by 2025. All baseload generation currently in the pipeline for development is wind or geothermal.
 - New Zealand already has among the lowest aggregate national levels of exposure to air pollution from small particulate matter⁴. This is a stark contrast to countries such as China, where exposure to these pollutants costs around 12% of GDP⁵.
 - Three quarters of New Zealand's native forests (covering 30% of New Zealand's land area) are protected and unavailable for timber production and the remaining quarter is sustainably managed.
- New Zealand has had a National Emissions Trading Scheme in place since 2008. New Zealand's key challenges lie in:
 - A high proportion of agricultural emissions where opportunities for abatement come at a relatively high cost. Government and industry partners have committed NZ\$5.4 million per annum to the Consortium conducting research in this area.
 - Rising emissions from the transport sector. The potential for efficient city planning and transport infrastructure are live debates in New Zealand. We are aware of the importance of ensuring that there are no barriers to rapid uptake of new technologies as they become available, such as electric vehicles and biofuels.

⁴ As with most countries, urban areas in NZ exhibit lower air quality, with resultant health implications. Certain NZ sites exceed WHO guidelines, although 2006 changes to fuel emission standards have reduced this effect.

⁵ Hamilton, K (2014). *Co-benefits and Climate Action*. World Resources Institute. – Referred to in NCE report.

Annex A – Truncated version of NCE Ten point global Action Plan

1. Accelerate low-carbon transformation by integrating climate into core economic decision-making processes
2. Enter into a strong, lasting and equitable international climate agreement
3. Phase out subsidies for fossil fuels and agricultural inputs, and incentives for urban sprawl
4. Introduce strong, predictable carbon prices as part of good fiscal reform and good business practice
5. Substantially reduce capital costs for low-carbon infrastructure investments
6. Scale up innovation in key low-carbon and climate-resilient technologies
7. Make connected and compact cities the preferred form of urban development
8. Stop deforestation of natural forests by 2030
9. Restore at least 500 million hectares of lost or degraded forests and agricultural lands by 2030
10. Accelerate the shift away from polluting coal-fired power generation

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OFFICIAL INFORMATION ACT