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Climate Change Commission  
PO Box 24448  
Wellington 6142  
By email: [hello@climatecommission.govt.nz](mailto:hello@climatecommission.govt.nz)

## CLIMATE ACTION FOR AOTEAROA: SUBMISSION ON DRAFT ADVICE

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**LOWER TAXES, LESS WASTE, MORE TRANSPARENCY**

**[WWW.TAXPAYERS.ORG.NZ](http://WWW.TAXPAYERS.ORG.NZ)**

## Introduction

1. This is a submission on the draft emissions budget by the Climate Change Commission (“CCC”) released on 31 January.
2. This submission focuses on the CCC’s Plan (“CCCP” or simply “the plan”) for delivering on New Zealand’s emissions targets. We believe the plan will not deliver New Zealand’s emissions targets and therefore that the draft plan fails to meet the CCC’s mitigation purpose.

## Summary

3. Analysis by the CCC makes clear the CCC’s plan is not necessary to achieve emissions targets. New Zealand gets to net zero in 2050 with current tools including the Emissions Trading Scheme (“ETS”) and current policies, according to the Commission’s own models. This means it is not necessary to transform the New Zealand economy to achieve our emissions targets.
4. Nevertheless, the plan seeks to take extraordinary intervention into the lives, economy and livelihoods of New Zealanders in ways not seen since the Muldoon era. The Commission itself acknowledges this, and while asserting it is necessary to achieve the necessary reduction in emissions, it misleads New Zealanders according to its own analysis.
5. The Commission’s sweeping reforms will not even deliver lower emissions than existing policies. That is because New Zealand’s emissions are capped by the ETS. If emissions are capped by an ETS, then other policies working underneath that cap cannot reduce emissions any further – it simply shifts them between sectors (the ‘waterbed effect’).
6. The Commission must know that every intervention in sectors covered by the ETS results in an equal increase in emissions elsewhere in the economy. It imposes the dramatic costs – likely to be in the hundreds of billions – of its subjective emissions budget determinations for little, if any, climate benefit. It is dishonest policy making, imposing what appears to be regulation and market intervention for the sake of virtue signalling. It is work that would be expected from climate zealots, or a political group playing to a support base, not an agency tasked with objective, scientific, and economically rigorous advice. The plan would make New Zealand poorer economically, environmentally, and socially.
7. It is not an exaggeration to state that New Zealand has a higher chance of achieving its emissions targets by *not* following the Commission’s recommendations when status quo policy (i.e. the ETS) is the counterfactual.
8. It speaks volumes that New Zealanders are expected to provide feedback on these proposals without having the benefit of seeing the economic modelling the CCC has used. We are not aware of a single respectable economist who is able to concur with the CCC that the plan is likely to cost only 1% of GDP. We suspect that the real reason the CCC will not release its general equilibrium model is it knows very well it is so fundamentally flawed, it will call into question the entire plan. The decision, therefore, to not release it speaks to the integrity and professionalism of the CCC.
9. Another concern is the Commission’s refusal to release some of its data, specifically marginal abatement costs data. The impression left by this refusal is that the Commission is attempting to conceal information against the public interest. Whatever the true reason for the Commission’s refusal to release information, it appears the Commission is attempting to saddle New Zealand with policies that are either not supported by its analysis or supported by implausible input assumptions.

10. New Zealanders cannot expect to have input or support a politically stable climate change policy if policy makers are not willing to be upfront and honest about the trade-offs.
11. As a result, we submit the plan should be scrapped. The process should be started again. The Government cannot reasonably rely on such flawed advice.

## About the submitter

12. Founded by David Farrar and Jordan Williams in 2013, the Taxpayers' Union is New Zealand's largest extra-parliamentary political movement on the centre right. The *Union* enjoys the support of more than 60,000 subscribed members and supporters who share the vision of *a prosperous low tax New Zealand with efficient, transparent, and accountable government*. Our mission, *Lower Taxes, Less Waste, and More Transparency* sees support from across the political spectrum.

## Background

13. New Zealand ratified the Paris Agreement in October 2016, committing to reduce greenhouse gas emissions to 30% below 2005 levels by 2030.<sup>1</sup> In November 2019, Parliament passed the Zero Carbon bill.<sup>2</sup> The bill amended the Climate Change Response Act 2002 ("the Act") to:
  - (a) recognise the Paris Agreement;
  - (b) legislate a national target of net zero emissions<sup>3</sup> by 2050; and
  - (c) establish the Climate Change Commission.
14. The Act states the Commission's purpose includes advising the government on climate change mitigation and to monitor progress towards emissions targets. The Commission is an independent advisory body.
15. On 31 January 2021, the CCC released a draft report. The report includes draft emissions budgets through 2035 and a plan for how and where emissions should come down. This submission focuses on the CCC's emissions plan.

## CCC's approach is central planning

*The transformation that New Zealand will confront in the decade ahead... is going to be on a scale that will rival the transformation from our controlled and regulated economy in the 1970s through to the early 1990s. It will be on a scale of the demilitarisation after the second world war. It will be on a scale equal to getting ourselves out of the great depression of the late 1920s. And I would guess it might rival the sum of all those parts...*

– Climate Change Commission Chair Dr Rod Carr, 2 December 2020<sup>4</sup>

<sup>1</sup><https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/New%20Zealand%20First/New%20Zealand%20first%20NDC.pdf>

<sup>2</sup>[https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL\\_87861/climate-change-response-zero-carbon-amendment-bill](https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_87861/climate-change-response-zero-carbon-amendment-bill)

<sup>3</sup> The CCRA defines net emissions as gross emissions (e.g. from cars) less removals (e.g. from forests) and offshore mitigation.

<sup>4</sup> Comments to Emissions Workshop, 2 December 2020.

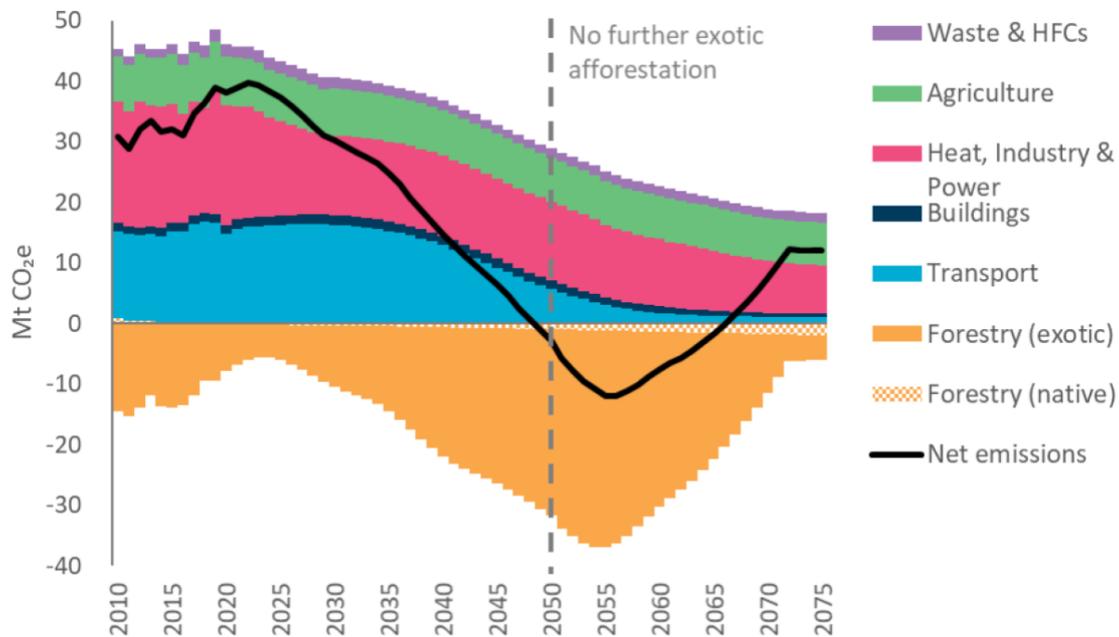
16. The CCC's plan for how New Zealand should reduce emissions is radical, extraordinary in its scope and detail. Here is only a sample of the recommendations in the report:
- (a) Reshape cities so that we walk 25% more, cycle 95% more, and take public transport 120% more by 2030.
  - (b) A ban on imports of light petrol and diesel vehicles from 2032.
  - (c) Further electric vehicle ("EV") subsidies.
  - (d) At least 140 million litres of low carbon liquid fuels sold by 2035.
  - (e) At least 60% renewable energy by 2035.
  - (f) Ban new coal boilers.
  - (g) Ban all coal generation, regardless of security of supply.
  - (h) Ban new natural gas connections.
  - (i) Require new and replacement heating systems to be electric or bioenergy, not gas.
  - (j) Cull dairy, sheep and beef numbers by 15% by 2030.
  - (k) Increase the share of rail and coastal shipping.
  - (l) Fund energy efficiency, electricity network upgrades, and boiler conversions.
  - (m) Government should write a long-term strategy for production of iron, steel, cement and petrochemicals.
  - (n) More distributed generation.
  - (o) Subsidies for native trees.
17. The Commission also considers Zero Emissions Zones in city centres that can only be accessed by electric vehicles.
18. New Zealanders need to be aware of the scope and ambition of the CCCP. It is central planning run amok.

### CCC shows current policies get New Zealand to net zero in 2050

19. Analysis by the CCC makes clear the CCC's plan is not necessary to achieve emissions targets. New Zealand gets to net zero in 2050 with current tools including the Emissions Trading Scheme ("ETS") and current policies, according to the Commission's own models. Moreover, the Commission's models show New Zealand can comfortably maintain net zero emissions after 2050. On the Commission's own analysis, there is no need to take the radical step of transforming the economy.
20. Consider Figure 8.10 from the Commission's report below. It shows emissions rebounding after 2050, inviting the impression that although current policies and a \$50 ETS delivers net zero emissions in 2050,

net zero cannot be sustained. However, that impression is incorrect. For reasons known only to the Commission, its modelling assumes zero exotic afforestation after 2050. This assumption causes net emissions to rebound above zero in the 2060s.

Figure 1: Commission analysis of emissions outcomes with current policies and ETS price of \$50 (Source: Figure 8.10)



21. The Commission's models show net emissions stabilise at about +12 million tonnes per year after 2070. Based on standard emissions factors for exotic trees from MfE,<sup>5</sup> we estimate that annual planting of approximately 12,700 hectares of exotic trees is sufficient to permanently maintain net zero emissions after 2050. That is a lower planting rate of exotic trees than either the Commission's TP3 and TP4 scenarios (20,500 hectares/year between 2018 and 2050)<sup>6</sup> or for New Zealand since 1990 (13,500 hectares/year).<sup>7</sup>
22. In short, the Commission's modelling shows current policies and a \$50 ETS delivers on every relevant dimension:
  - ✓ Achieves net zero emissions in 2050.
  - ✓ Maintains net zero emissions after 2050 with a low afforestation.
  - ✓ Fully domestic.

<sup>5</sup> <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/2019-detailed-guide.pdf> p99

<sup>6</sup> Source: CCC spreadsheet, C-PLAN-results-dataset-for-2021-draft-advice.xlsx, "LandUse" sheet

<sup>7</sup> <https://www.mpi.govt.nz/forestry/new-zealand-forests-forest-industry/forestry/new-zealands-forests-statistics/>

- ✓ Between 2018 and 2075, the fall in net emissions is mainly due to gross reductions (75%) not removals<sup>8</sup> (25%)<sup>9</sup>.
- ✓ New Zealand having more EVs than either Japan or Europe in 2040<sup>10</sup>.
- ✓ Less afforestation than proposed by the Commission's plan.

23. The Commission's current policies scenario does not include further mitigation options. In this scenario, agriculture emissions are priced at only \$2.50 per tonne<sup>11</sup> and there is no use of offshore mitigation. A higher agriculture price or even moderate use of offshore mitigation means net zero could be maintained after 2050 with little or no afforestation.
24. In short, the Commission's analysis shows current policies and only a modestly higher ETS (the current ETS price is \$39)<sup>12</sup> can fully deliver on our emissions targets on a pathway that appears benign.

### CCC manufactures urgency to make its case for transformation

25. CCC's analysis shows current policies put New Zealand on track to meet and maintain its emissions targets. This means it is not necessary to transform the New Zealand economy to achieve our emissions targets.
26. To make a case for transformation, the CCC resorts to manufacturing urgency and necessity for transformation. It does this by:
- (a) exaggerating the extent of afforestation with current policies;
  - (b) downplaying the costs and risks of its transforming of the economy; and
  - (c) referring to its plan as "necessary" when it is not.
27. We consider each in turn.

#### *Exaggerating the extent of afforestation with current policies*

28. The Commission misrepresents the findings from its own analysis about outcomes from current policies, exaggerating the extent of afforestation under current policies with a series of false or misleading statements in its report. For example, at page 45 of its report the Commission says:

*Net long-lived gas emissions are projected to fall from 36.3 Mt CO<sub>2</sub>e in 2018 to 6.3 Mt CO<sub>2</sub>e by 2050 under current policy settings. These net emissions reductions come mostly from increased carbon removals...*

<sup>8</sup> Removals are activities which cause a reduction of global warming gases in the atmosphere, such as forest planting, or storage of carbon dioxide after capture.

<sup>9</sup> These estimates are only approximate because they are based on extracting values from an image of Figure 8.10. The Commission has not provided underlying data for this chart.

<sup>10</sup> Figure 7.9.3 Transport emission

<sup>11</sup> Based on 95% free allocation to farmers from 2025. See CCC Chapter 7 p82.

<sup>12</sup> As at 12 March 2021. See <https://www.comtrade.co.nz/>

29. This statement is contradicted by Table 7.1 of the Commission's report, which shows the majority of the fall in net emissions (54%) are reductions not removals.
30. Given our analysis of outcomes after 2050 in the previous section, the following statements by the CCC give a misleading picture of outcomes under current policies:

*Relying heavily on forestry before 2050 is likely to make maintaining net zero long-lived greenhouse gas emissions after 2050 difficult. It would delay action, lead to higher cumulative emissions and make the job ahead of us more difficult...*

– page 18, repeated at page 29 and page 121

*Significant further afforestation and land-use change would be required every year after 2050 to maintain net zero long-lived gas emissions...*

– page 17, Chapter 8

31. This statement in the executive summary is inconsistent with the Commission's analysis:

*Current government policies do not put Aotearoa on track to meet our recommended emissions budgets and the 2050 targets*

– page 10

*Downplaying the costs and risks of its transforming of the economy*

32. The second part of the Commission's strategy for an unnecessary economic transformation is to downplay the costs and risks of its recommended sweeping reforms.
33. The Commission's claim that its reforms will cost less than 1% of GDP in 2050 does not bear scrutiny. The Commission states:

*C-PLAN [the Commission's economic model] models emissions reducing in response to climate policy with little or no reduction in output, and so shows a smaller impact on GDP and abatement costs than other [economic] models in Aotearoa. This occurs because C-PLAN explicitly includes key emissions-reducing technologies that allow emissions to be reduced without reducing output (e.g. a methane vaccine)...*

– page 4, Chapter 12

34. This statement suggests the Commission has assumed its answer. We note the comments of an expert reviewer who found the Commission's model predicted little change in GDP even at an extremely high carbon price:<sup>13</sup>

*These exogenous assumptions are likely to be the main reason why real GDP exhibits such small changes between scenarios compared to past modelling by NZIER and Infometrics. Even scenarios TP3 and TP4 which have ETS1 carbon prices over \$800/tonne do not see reductions in GDP of more than 1% in 2050.*

<sup>13</sup> Letter from Infometrics to CCC, 4 December 2020. Released under Official Information Act.

35. Apart from questionable modelling, the Commission downplays the costs and risks of its strategy by virtually ignoring the possibility that some of its policies might not work. Emissions policies are rife with unintended consequences.
36. For example, Germany’s massive solar and wind generation subsidies have led it to subsidise coal-fired generators in order to keep the lights on. Solar and wind have flooded the system with energy, regularly sending wholesale prices negative, threatening the viability of competing generators. However, solar and wind generation is intermittent, requiring reserve generation ready to step in when the sun sets and the wind stops. In Germany, reserve capacity comes mainly from coal generators. Germany has found it necessary to subsidise its coal generators to protect their financial viability.
37. Here in New Zealand, the government is spending enormous sums for only minimal reductions in emissions.<sup>14</sup> For example, the Ministry of Education will spend \$50 million to replace or convert 90 coal boilers in schools. According to the government this will reduce emissions by 33,000 tonnes, a cost \$1,515 per tonne.<sup>15</sup> By comparison, the ETS can remove a tonne of emissions for \$39, a nearly 40-fold performance gap.
38. The tacit promise behind each of the CCC’s recommendations is that its policies will reduce emissions and will not be undone by unintended consequences, and are politically feasible. The Commission is using false precision to support its transformation agenda.

*Referring to its plan as “necessary” when it is not*

39. The third part of the Commission’s case for transformation is that its recommendations are necessary. This claim is false, yet it is repeated throughout the Commission’s report. We will cover this later in the section titled “CCC has misled New Zealanders”.
40. Arguably a fourth limb of the Commission’s case to push transformation is to downplay what has already been achieved. It is hard to see how the following two statements could be in the same report:

*We have tested... the current policy reference case assuming a slightly higher NZ ETS unit price of \$50... [This allows] net zero emissions to be reached with minimal further reductions in gross emissions... Aotearoa could meet the net zero target for long-lived gases with relatively little additional change.*

– page 46

and

*[T]here has been no systematic effort in Aotearoa that focuses on changing behaviour for climate change outcomes.*

– page 127

41. In summary, the case for economic transformation is damaged, if not obliterated, by the Commission’s finding that current policies can comfortably get New Zealand to the same emissions outcome in 2050 and keep us there indefinitely. Contrary to the Commission’s statements, transformation is unnecessary

<sup>14</sup> Ignoring the neutralising effect of the ETS.

<sup>15</sup> [https://www.parliament.nz/mi/pb/order-paper-questions/written-questions/document/WQ\\_16617\\_2020/16617-2020-stuart-smith-to-the-minister-of-climate-change](https://www.parliament.nz/mi/pb/order-paper-questions/written-questions/document/WQ_16617_2020/16617-2020-stuart-smith-to-the-minister-of-climate-change)

to meet our emissions targets. The Commission has not made any case for its drastic and far-reaching reforms.

### CCC strategy will not deliver lower emissions – the waterbed effect

42. The Commission has selected an emissions strategy that will cost the country tens, if not hundreds of billions, of dollars more than is necessary in coming decades, for minimal added emissions benefits over and above existing policies.
43. The Commission is clear that its plan costs more. The Commission says an ETS price of \$50 gets us to net zero emissions in 2050, and we have shown, despite the Commission’s misrepresentations, New Zealand can comfortably maintain net zero after that date. However, under the Commission’s plan it costs five times more to achieve the same emissions target:

*Our analysis suggests that marginal abatement costs of around \$140 in 2030 and \$250 in 2050 in real prices are likely to be needed for Aotearoa to meet the proposed emissions budgets and the 2050 target.*

– page 9, Chapter 17

44. Successful delivery of New Zealand’s emissions targets is put at risk by the vastly inflated costs of the Commission’s plan.
45. The Commission’s sweeping reforms will not deliver lower emissions than existing policies. That is because the New Zealand’s emissions are capped by the ETS. If emissions are capped by an ETS, then other policies working underneath that cap cannot reduce emissions any further.
46. The Commission expressly acknowledges this property of cap-and-trade schemes three times:

*The more that the Government chooses to complement the NZ ETS with other policies, the more likely it is that the NZU price in the NZ ETS can be lower **while still achieving the same overall emissions reductions.***

– page 131

*The more that the Government chooses to complement the NZ ETS with other policies, the more likely it is that the NZU price in the NZ ETS can be lower, **while still achieving the same overall emissions reductions.***

– Introduction, page 9

*The Government also has choices around the extent to which it relies on the NZ ETS or other policies to make these emission reductions happen. The more that non-ETS policies are used, the more likely it is that the NZU price in the NZ ETS can be lower **while still achieving the same overall amount of emission reductions.***

– page 5, Chapter 17

**(our emphasis)**

47. In its discussion of the ‘waterbed effect’ in Chapter 16, the Commission states that the neutralising effect of ETS on other non-ETS policies is removed by linking the emissions benefits of policies to the ETS cap. This is incorrect. Non-ETS policies are still neutralised by the ETS. In the Commission’s example, emissions come down because the ETS cap is lowered. The same reduction in emissions can be achieved by reducing the cap regardless of any non-ETS policy. Even if the Commission were correct, it neither recommends linking the ETS cap to individual policies nor that the performance of individual policies be measured.
48. This neutralising effect of the ETS on non-ETS policies means New Zealand could go to all the trouble of transforming its economy, only to see emissions come down exactly in line with the ETS cap. This devastates the Commission’s mixed strategy of combining ETS with other policies.
49. The fact that the Commission can acknowledge this neutralising effect of the ETS on other policies, then proceed to recommend sweeping reforms which ignore this important effect of the ETS, might raise questions about the Commission’s competence and whether it is adhering to Parliament’s objectives.
50. The Taxpayers' Union also questions why a high cost, high risk strategy of economic transformation is being considered when New Zealand has access to mitigation options that are nearly riskless. Article 6 of the Paris Agreement, and the CCRA, both provide for access to mitigation offshore. We believe these options should rule out the Commission’s extreme measures.

### CCC has misled New Zealanders

51. The CCC has misled New Zealanders by presenting its recommendations as necessary to achieve and maintain emissions targets. We have shown, based on the Commission’s analysis, that with current policies, New Zealand can achieve and maintain net zero from 2050. The Commission expressly acknowledges New Zealand has “flexibility” in how we could achieve net zero emissions (page 70).
52. New Zealand has multiple pathways to net zero emissions. It follows that none of the CCC’s recommendations are necessary. Accordingly, all of the following statements by the Commission, and more than one hundred similar statements in their report, are false:

*Executive Summary: work must start now.*

– page 10

*This means we need to change how we get around, and rethink what we produce and how we produce it. We need to reconsider what we buy, what we do with what we have used, and how we can reuse more of what we have left over.*

– page 3

*Our draft advice is about the direction of policy necessary to put Aotearoa on a pathway to quickly, significantly and permanently reduce greenhouse gas emissions.*

– page 3

*This advice presents the steps we need to take now to get there.*

– page 9

*The Emissions Trading Scheme (NZ ETS) alone won't get us to where we need to be. Action is needed across all sectors of the economy.*

– page 11

*Agriculture has a large role to play in reducing emissions, and farming needs to become even more efficient.*

– page 12

*Aotearoa needs to fundamentally change the way it deals with and thinks about waste.*

– page 13

*In Aotearoa we need to change the way we build and plan our towns and cities and the way people and products move around.*

– page 14

53. We believe the Commission's decision to falsely present its preferred pathway as necessary harms the public interest. The Commission's misleading approach implies there is no alternative to its recommendations. Without alternatives, the Commission avoids the burden of showing its preferred strategy is superior to alternatives. Given the enormous costs and risks of the Commission's reform strategy, we are virtually certain that its strategy would not survive any cost-benefit assessment against alternative approaches that deliver net zero emissions in 2050.

### CCC has run a flawed process

54. The Taxpayers' Union is concerned that the CCC's recommendations have been developed without supporting analysis. We understand the Commission sees its role as indicating no more than a direction of travel, and that this justifies no doing cost-benefit analysis.
55. The Taxpayers' Union strongly disagrees with that position and believes cost-benefit analysis of each recommendation is essential before being sent to the Government.
56. For example, the Commission recommends the Government set a date no later than 2025 for when no new natural gas connections are permitted. There is nothing in the Commission's report to suggest the Commission was aware of the potential consequences of that ban. The CCC acknowledges effects on small businesses including restaurants and cafes.<sup>16</sup> However, the Commission does not anticipate how market consequences of grandfathering in existing restaurants already on gas will put new entrants at a competitive disadvantage because they cannot access gas. Nor is there evidence the Commission fully understands the myriad ways gas is used in homes and businesses and therefore the consequences of banning new connections.
57. These concerns are only partly resolved by feedback the Commission will receive from the public during consultation. Sending recommendations to the Government, including draft recommendations, in advance of proper analysis carries the risk of pre-empting the findings of any future analysis. The result is New Zealand is saddled with bad policies.

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<sup>16</sup> Page 92

58. Another concern is the Commission's refusal to release some of its data, specifically marginal abatement costs data. The impression left by this refusal is that the Commission is attempting to conceal information against the public interest. Whatever the true reason for the Commission's refusal to release information, the Commission appears to be attempting to saddle New Zealand with policies that are either not supported by its analysis, or supported by implausible input assumptions.
59. We are especially concerned that the Commission's recommendations to ban imports of all petrol and diesel light vehicles from 2032 is the product of questionable assumptions or modelling errors. On its face, the recommendation is incompatible with the Commission's findings about EVs in Chapter 7.

### CCC performance unlawful

60. In its first major report, the new CCC has delivered a product that contains an incoherent strategy, justified by misleading and false statements, contrary to its climate change mitigation purpose.
61. It is not an exaggeration to state that New Zealand has a higher chance of achieving its emissions targets by not following the Commission's recommendations – an indictment of their draft recommendations. The Commission's attention is mostly directed at solving problems unrelated to climate change, judging from the extent to which costs are inflated by their recommendations against a least-cost approach.
62. CCRA puts no obligation on either the Commission or the Minister for Climate Change to recommend effective or cost-effective actions to reduce or remove emissions. But that is not an excuse for the CCC to mislead the public about the costs or failing to be objective in its policy prescriptions.
63. At common law, for the Commission's obligations of consultation to be fulfilled, the process must be genuine and not a sham. It must provide enough information to enable affected parties to be adequately informed so as to be able to make intelligent and useful responses. The CCC should have outlined the realistic options available and the relative costs and benefits of each.
64. The flaws in the plan suggest that contrary to ensuring an open mind, the CCC has deliberately set out alternative budget proposals that are, in effect, variations on a straw man. It has not properly addressed the waterbed effect of each and have instead asserted that one of the 'hands on' options is required.
65. The CCRA is not a blank cheque. In its first report, the Commission has used its extraordinary powers to its advantage, at the expense of emissions targets (multiplying the cost of achieving net zero emissions threatens the successful delivery of emissions targets) to foray into social and economic engineering, with dollops of urban planning. With respect, the ideology of the Commissioners appears to have blinded them to the clear messages in their own analysis.
66. New Zealand needed a Climate Change Commission that, like its predecessor the Interim Climate Change Committee, is focused on a systems approach to emissions reduction. Instead, New Zealand has got a taxpayer-funded version of Greenpeace. The Commission's draft report needlessly politicises New Zealand's path to net zero emissions, which puts emissions targets at further risk. The Commission has recommended needless sacrifice as its emissions strategy.
67. The Taxpayers' Union seeks a Climate Change Commission that is focused on mitigation of greenhouse gases, as directed by the legislation. Judging by the performance gap between least-cost and the Commission's plans, the CCC is already distracted by non-emissions problems. "Circular economy" is mentioned 33 times in the Commission's report. Rather than treat non-emissions issues as constraints

on how and where emissions should fall, the Commission has allowed non-emissions issues into its objective function. Those issues have come in at the expense of its core job of lower emissions.

68. The Commission should just focus on emissions. Its goal should be to do what works best to reduce emissions and deliver on our emission targets. Other issues like afforestation, particulates and so on are important, but the Commission is in the wrong place to handle those politically sensitive and complex issues.
69. Climate change is an emissions problem. There is nothing about climate change that requires an institution dealing with distribution, health and politically sensitive land use issues at the same time as emissions. That is the job of elected councils and governments, departments which specialise in health and land use regulations, and communities. New Zealand needs a Climate Change Commission that is focused on meeting emissions targets for the lowest cost. That approach has parallels in New Zealand's systems for inflation targeting and drug purchasing through Pharmac. Emissions reduction is a similarly well-defined problem. Like the Reserve Bank and Pharmac, the emissions problem can be put in the hands of experts who have a clear objective, and then forgotten about as New Zealand gradually, effortlessly and inevitably tracks towards its emissions targets.

#### *How to fix*

70. Unless the CCC starts again and fixes the flaws both in the plan and the consultation process, the Taxpayers' Union will be lobbying Parliament (and looking at Judicial Review options) to force the CCC to:
  - (a) demonstrate its recommendations are consistent with a least-cost approach to emissions reduction;
  - (b) release publicly the information available to it to enable cost-benefit analysis using the Treasury's cost-benefit analysis framework; and
  - (c) calculate or measure emissions performance of all proposed and implemented policies on a cost per tonne basis.

#### **Concerns about transparency, honesty of advice, and political neutrality**

71. As a Crown Entity, the codes of conduct for the State Services – *Standards of Integrity and Conduct* and *Code of Conduct For Crown Entity Board Members* – apply to the Commission/Commissioners. The codes require *inter alia* the CCC carry out the functions objectively unaffected by personal beliefs, provide robust and unbiased advice, and act with honesty.
72. We submit the Commission has failed to comply with these obligations. The internal inconsistency contained in the plan appears too significant to be a case of simple mistake, or lack of coordination. The apparent refusal to assist submitters who have requested the modelling data appears to confirm this. Far from a genuine consultation – where exposure of mistaken assumptions are encouraged in order to result in a better quality decision making process – the CCC actions appear politically or personally motivated to avoid public exposure of the plan's flaws.
73. In addition to the failings listed in this submission, the Chair and Chief Executive of the Commission appear to have misled Parliament's Environment Committee during their appearance on 25 February 2021 by implying all data and sensitivity analysis had been released and that marginal abatement costs

do not exist. Despite condemnation on our co-founder's blog, *Kiwiblog*<sup>17</sup>, we are not aware of any rebuttal by the Commission or Commissioners.

74. In response to a letter from business groups seeking an extension to the deadline for public submissions in order to assess unreleased data, the Commission agreed to the extension but still refused to release the data.<sup>18</sup>
75. In view of the significance of the Commission's recommendations and flawed process, the Taxpayers' Union is naturally consulting with other interested parties and considering joint or separate judicial review options. It submits that, at minimum, submissions should be reopened following the release of the model data.

## Recommendation

76. The plan should be scrapped with the processes started again. The CCC should strive to achieve the object of New Zealand's climate policy at least cost. Peripheral political ideology should be cast aside, so that the Commission's work can enjoy bipartisan support resulting in stable climate change policy.

## Responses to individual questions from the Commission

77. Appended to this submission are our responses to many of the individual questions posed by the Commission.
78. If the opportunity arises, we wish to talk to this submission.

Yours faithfully,  
**New Zealand Taxpayers' Union Inc.**



**Jordan Williams**  
Executive Director  
[Jordan@taxpayers.org.nz](mailto:Jordan@taxpayers.org.nz)

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<sup>17</sup> Kiwiblog is New Zealand's most-read blog.

<sup>18</sup> CCC "Why haven't you used or published marginal abatement cost curves (MACCS)?"  
<https://www.climatecommission.govt.nz/get-involved/faq/our-data-and-modelling-2/>

## Appendix 1: Responses to individual questions from the Commission

### *Are you here to tell us your one big thing?*

1. The Climate Change Commission's proposals are an unnecessary plan to up-end the economy with central planning.
2. According to the Commission's own analysis, New Zealand is already on track to achieve net zero emissions using existing tools such as the Emissions Trading Scheme. Despite that, the Commission is demanding enormous changes to the lives and livelihoods of New Zealanders.
3. These costly proposals will not even result in lower emissions than existing policies. Under the ETS emissions are already capped, and any extra reductions from regulation (such as from banning gas connections or forcing a transition to electric vehicles) will simply free up emissions in other sectors (i.e. the 'waterbed effect').
4. The Commission must be aware that lower emissions in sectors covered by the ETS result in an equal increase in emissions elsewhere in the economy. Despite that, the Commission insists on imposing dramatic costs – likely in the hundreds of billions – for little, if any, climate benefit. This is dishonest policy making, exploiting fear of climate change to impose ideologically-driven changes to people's lives and the economy.
5. It speaks volumes that New Zealanders are expected to provide feedback on these proposals without having access to the economic modelling behind the Commission's forecasts. No respectable economist has been able to concur with the Commission's incredible claim that the plan will only cost 1 percent of GDP. The impression left by this untransparent consultation process is that the Commission knows its modelling is so fundamentally flawed that it will undermine the basis of the recommendations.
6. New Zealanders cannot be expected to support a plan to reshape the entire economy if policy makers are not willing to be upfront and honest about the trade-offs.
7. The plan should be scrapped and the process re-started.

### Six big issues

*Big issues question 1. Do you agree that the emissions budgets we have proposed would put Aotearoa on course to meet the 2050 emissions targets?*

1. **Strongly disagree** – we are better to let the ETS do its job. Central planning has not worked managing economies, and it is unlikely to work managing emissions.

*Do you agree we have struck a fair balance between requiring the current generation to take action, and leaving future generations to do more work to meet the 2050 target and beyond?*

2. **Strongly disagree** – rather than sacrifice the economic wellbeing of our country and our children for little, if any, climate gain, we should focus at getting to our Paris Agreement nationally determined contributions (NDCs) at least cost.

*Do you agree with the changes we have suggested to make the NDC compatible with the 1.5°C goal?*

3. **Disagree (our changes are too ambitious)**

*Do you agree with our approach to meet the 2050 target that prioritises growing new native forests to provide a long-term store of carbon?*

4. **Strongly disagree** – the precise balance between gross reductions and removals cannot and should not be determined by central planning. It should be left to the ETS mechanism.

*What are the most urgent policy interventions needed to help meet our emissions budgets? (Select all that apply)*

5. **None of them**

*Do you think our proposed emissions budgets and path to 2035 are both ambitious and achievable considering the potential for future behaviour and technology changes in the next 15 years?*

6. **Strongly disagree**