

Submission on Climate Change Response (Late Payment Penalties and Industrial Allocation) Amendment Bill

06 April 2023

Tēnā koe,

Thank you for the opportunity to respond to the Climate Change Response (Late Payment Penalties and Industrial Allocation) Amendment Bill. This submission was prepared by representative members of OraTaiao: The New Zealand Climate and Health Council. The World Health Organisation describes climate change as the biggest risk to population health and healthcare systems of the 21st century¹, and our response to climate change offers an unmissable opportunity to improve population health and close equity gaps within society.

Aotearoa's climate response must be rapid, fair and just, and give effect to Te Tiriti o Waitangi. We agree with the Ministry for the Environment's statement that the Emissions Trading Scheme is "is a key tool for meeting our domestic and *international* climate change targets, including the 2050 target set by the Climate Change Response Act 2002"². Our stress on our international obligations above highlights the fact that meeting our NDC needs to be incorporated into ETS, as it is clearly meant to keep our emissions in line with this agreement.

Aotearoa's ETS is no longer in step with our subsequent domestic and international commitments, and with international decarbonisation trends. At the time of its introduction, an argument could have been made for free allocations to protect NZ companies against countries who were not at the time taking significant action on decarbonisation. Given the clear shift in international attitude signalled in the 2015 Paris Agreement, inappropriate and excessive use of free allocations here will have the opposite effect, and act as a disincentive for NZ companies to evolve in a changing international market. The current pace of phase out of free allocations also conflicts with the subsequent recommendations of the Climate Change Commission, with the perverse situation predicted from 2037 onwards where the government would have to purchase units simply to then offer them free to industry- an utterly inappropriate form of subsidisation.

The proposals in this Amendment Bill will undermine the most basic aims of the ETS, and make our national and international targets more difficult to meet. The approach of increasing free credits, thereby protecting industry from the inevitable change that they will need to make to meet these targets, will simply make that change more traumatic for those same industries and the country as a

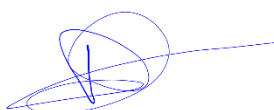
¹ <https://www.who.int/news-room/fact-sheets/detail/climate-change-and-health>

² <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/ets/about-nz-ets/>

whole when it is made. Free credits should be more rapidly phased out in order to signal to industry that essential change cannot be left until the last minute and that a and not having a sustainable long-term plan to transition off fossil fuels is needed immediately.

We recommend the following:

- Instead of giving out free emissions credits, we must incentivise industry to transition to carbon neutral, by developing solid roadmaps to reduce their emissions and commit to carbon zero by 2030. This plan should support the just transition of all groups involved.
- A full reform of the ETS is required to take into account our domestic and international emission reduction commitments, and international decarbonisation trends. This Amendment Bill should take this fact into consideration and avoid changes which will make the necessary reform more difficult.
- The ETS gives the government the opportunity to set a precedent for how the future will look and enable industry to support this. Instead of subsidising the most high-emitting industries to keep emitting, we should use the ETS to persuade them to commit to decarbonisation, and if necessary, help fund the transition.
- Do not change the thresholds for free allocation to link to the carbon price. We need to be phasing out free allocation, not allowing more and more companies to qualify.
- The current default phase-out rate is far too slow. It should change to a minimum of 15%, so that all free allocation is phased out by 2030.
- Update the base years for calculating free allocation from 2006-09 to 2016-21. Companies' business-as-usual improvements since 2005 mean they are now getting free allocation that is more than 100% of their emissions, again defeating the main purpose of the ETS which must be an ongoing and continuous decarbonisation of industry.



Dr Dermot Coffey
OraTaiao Co-convenor
co-convenor@orataiao.org.nz
Mobile: 021 026 75452



Summer Wright
OraTaiao Co-convenor
mco-convenor@orataiao.org.nz

About OraTaiao

OraTaiao: The New Zealand Climate and Health Council is an organisation calling for urgent, fair, and Tiriti-based climate action in Aotearoa; we recognise the important co-benefits to health, well-being and fairness from strong and well-designed mitigative policies.

We honour Māori aspirations, are committed to the principles of te Tiriti o Waitangi, and strive to reduce inequities between Māori and other New Zealanders. We are guided in our practice by the concepts of kaitiakitanga (guardianship), kotahitanga (unity), manaakitanga (caring), and whakatipuranga (future generations).

OraTaiao has grown over a decade to more than 900 health professionals concerned with:

- The negative impacts of climate change on health, well-being, and fairness;
- The gains to health, well-being, and fairness that are possible through strong, health-centred climate action;
- Highlighting the impacts of climate change on those who already experience disadvantage or ill-health (i.e., equity impacts);
- Reducing the health sector's contribution to climate change.

As well as individual and organisational members, we are backed by 22 of New Zealand's leading health professional organisations for our Health Professionals Joint Call to Action on Climate Change and Health (see https://www.orataiao.org.nz/friends_and_supporters). This support includes the New Zealand Nurses Organisation, Public Health Association, the Royal Australasian College of Physicians and the Australasian College of Emergency Medicine, plus numerous other specialist colleges. Together, these organisations represent tens of thousands of our country's health workforce.



As an organisational member of the Climate and Health Alliance, and of the Global Climate & Health Alliance, we work with a worldwide movement of health professionals and health organisations focused on the urgent health challenges of climate change - and the health

opportunities of climate action. OraTaiao signed the Doha Declaration on Climate, Health and Wellbeing of December 2012, which reflects this international perspective.