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Consultation: ERP2
Climate Change Commission
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Dear Sir/Madam

He Pou a Rangi (Climate Change Commission, CCC) 2023 Draft Advice to Inform the Strategic Direction of the Government's Second Emissions Reduction Plan

Thank you for the opportunity to contribute to the Commission's draft advice to inform the strategic direction of the Government's Second Emissions Reduction Plan covering Aotearoa New Zealand's 2026–2030 emissions budget. The West Coast Regional Council's (WCRC or the Council) submission is attached.

The Council consulted with their iwi partners, Te Rūnanga o Ngāti Waewae and Te Rūnanga o Makaawhio (Poutini Ngāi Tahu or PNT), who are mana whenua on the West Coast/Tai Poutini, in the development of this submission.

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We would be grateful for acknowledgement of receipt of our submission.

Yours faithfully

Fiona Thomson
Planning and Science Manager

West Coast Regional Council Submission on He Pou a Rangi, the Climate Change Commission's Draft Advice to Inform the Strategic Direction of the Government's Second Emissions Reduction Plan

Introduction

The Council welcomes the opportunity to contribute to the Commission's 2023 Draft advice to inform: a) the strategic direction of the Government's Second Emissions Reduction Plan (2026-2030) (ERP); and b) longer term direction on climate adaptation and mitigation.

Council's submission reflects that "emissions budgets must be met, as far as possible, through domestic emissions reductions and domestic removals". Council is aware that the Minister is to set emissions reduction budgets:

- "With a view to meeting the '2050 [net accounting] target' [including a 2030 biogenic methane emissions target]; and
- In a way that allows those budgets to be met domestically; and
- That provides greater predictability for all those affected, including households, businesses, and investors, by giving advance information on the emissions reductions".

The Climate Change Commission's (CCC or the Commission) draft advice proposes fundamental recommendations and a series of options to reduce emissions sector by sector. However, the Council's view is that central government will not be able to do everything and will have to make decisions about priorities.

Council seeks to ensure the optimal outcome for its local communities, many who live in remote or largely rural areas, but has concerns about the costs and other negative consequences of reducing emissions on West Coast communities' economic, social, and cultural wellbeing. This submission suggests that priority be given to several areas of the Commission's draft advice to ensure that the West Coast is not disproportionately disadvantaged.

Due to resourcing constraints and our high workload, the Council has not had time to make a comprehensive submission on other parts of the Commission's draft advice which may affect the West Coast. Our submission highlights seven key matters of importance to the West Coast in relation to future emissions reductions.

Te Rūnanga o Ngāti Waewae and Te Rūnanga o Makaawhio (Poutini Ngāi Tahu – PNT) are mana whenua of Te Tai o Poutini (the West Coast). The WCRC's Mana Whakahono ā Rohe (Resource Management Act – Iwi Participation Arrangement) captures the intent of the WCRC and Poutini Ngāi Tahu to progress our relationship in accordance with the Treaty of Waitangi partnership between iwi and the Crown. Poutini Ngāi Tahu were invited to provide input into this submission.

Summary List of Feedback and Recommendations

Recommendation 1:

- a) Diversify and fund domestic offsets ('carbon sinks') as a matter of priority. That central government fund private landowners on the West Coast now to maintain and restore wetlands, Significant Natural Areas (SNAs), and non-significant native forests on their land as carbon sinks.**
- b) Develop domestic offsets for new sinks such as blue carbon, in the form of seaweed and kelp farms on the West Coast.**

Recommendation 2:

Develop an integrated ‘whole of government’ Strategic Direction with flexibility and financing for local government; and which incorporates direction for food security, agriculture and ‘net zero’, energy security and ‘net zero’, and a just transition for the West Coast region.

Recommendation 3:

- a) Give high priority to food security; and research, innovation, and enabling technologies in agricultural production.
- b) Give consideration to potentially increased demand for New Zealand’s primary agricultural products from other countries, which may be more affected by climate change than New Zealand.

Recommendation 4:

Advance ‘energy security and net zero’ and include specific provisions in the Second ERP to invest in renewables on the West Coast, including small-scale hydro, geothermal and offshore wind and wave energy generation.

Recommendation 5:

Incorporate the components recommended in this submission for a ‘Just Transition’ on the West Coast into the Second ERP, the pending national ‘Equitable Transitions Strategy’, and a ‘Just Transition Plan for the West Coast Region’; and action them as soon as possible.

Recommendation 6:

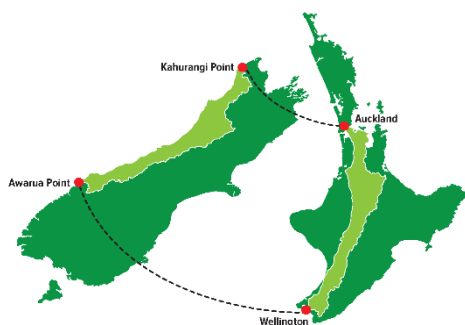
Reform the ETS to support quality carbon credits and provide separate accounting for forestry removals (offsets).

Recommendation 7:

Develop and incorporate strategic guidance, policy, and a plan for NZ to become competitive in the new ‘net zero’ economy by creating the skilled workforce, and skilled supply and value chains, for low carbon sectors to be competitive in local and global markets now and in the future.

About the Submitter

The West Coast Regional Council (WCRC) is the local authority for a region covering a vast area with a sparse population. The distance from Kahurangi Point in the north to Awarua Point in the south is the approximate distance from Auckland to Wellington.



The West Coast region stretches the equivalent distance of that between Auckland and Wellington

Figure 1: Map of New Zealand to highlight the 600km length of the West Coast Region compared to the distance between Auckland and Wellington.

The West Coast Regional Council works closely with the regions' three territorial authorities (the Buller, Grey, and Westland District Councils). The main towns are Westport, Greymouth, Reefton, and Hokitika. The region's relatively low population of approximately 32,600 is spread across small towns, settlements, and rural communities.

Te Rūnanga o Ngāti Waewae and Te Rūnanga o Makaawhio (of Poutini Ngāi Tahu – PNT) are mana whenua of Te Tai o Poutini (the West Coast). The 'Paetae Kotahitanga ki Te Tai Poutini Partnership Protocol, Whakahono ā Rohe Resource Management Act Iwi Participation Agreement; A Protocol and Arrangement between Te Rūnanga o Ngāti Waewae, Te Rūnanga o Makaawhio, Te Rūnanga o Ngāi Tahu and the West Coast Regional Council of October 2020' captures the intent of WCRC and its partners to progress our relationship in accordance with the Treaty of Waitangi partnership between iwi and the Crown.

The West Coast is predominantly rural.

The Conservation Estate comprises 84.17% of the West Coast land area, with an additional 1.55% administered by Land Information New Zealand (LINZ). This leaves 14.28% of land available for private ownership. The land in the Conservation estate and Crown ownership is not rateable by local authorities.

Infometrics data on 'Contribution to employment by broad sector, 2022' shows the West Coast region having a predominantly 'services' orientated economy:

- 'Other services' accounted for 40%;
- 'High value services' 23.2%;
- 'Goods-producing industries' 22.1%; and
- 'Primary industries' made a 14.8% contribution.

Whereas, Infometrics more detailed 'Filled jobs by 54 industry categories list' shows the percentage contribution to the West Coast's regional economy, as at 2022, as:

- Health Care and Social Assistance - 11.1%;
- Accommodation and Food Services - 9%;
- Dairy Cattle Farming - 6.1% (and dairy product manufacturing 3%);
- Education and Training - 6.1%; and
- Construction Services - 4.4%.¹

Submission Points

1. Diversify and fund domestic offsets ('carbon sinks') as a matter of priority

Council suggests that reaching 'net zero' by reducing emissions and increasing domestic removals of emissions ('carbon sinks') should not rely on international offsets. In addition to reducing domestic emissions directly, it suggests diversifying domestic 'carbon sinks' as a priority.

This recommendation is consistent with legislative direction for 'net zero' budgets to be met domestically as far as possible. According to a report by Treasury and the Ministry for the Environment, "The cost of purchasing offshore mitigation to achieve New Zealand's NDC1

¹ Structure of West Coast Region's Economy; Source Infometrics at <https://ecoprofile.infometrics.co.nz/West%20Coast%20Region/Employment/Structure>, last viewed 29 May 2023.

[Nationally Determined Contribution] presents a significant fiscal risk. For all scenarios considered, our analysis estimates this cost to be multiple billions over the period 2024 to 2030”.²

Compared to other regions, there are a high number of wetlands and terrestrial Significant Natural Areas (SNAs) on the West Coast that have potential economic value as carbon sinks. However, national restrictions to protect wetlands in the NPSFM and NESF, in tandem with the RMA and National Policy Statement for Indigenous Biodiversity (NPSIB), are having, and will continue to have, a perverse outcome on the economic and social wellbeing of rural property owners in the region, and on future generations of current private landowners. Council is aware of a number of private landowners with protected SNAs and natural wetlands on their land, who had intended to either sell their land for money as an inheritance for their children and grandchildren, or for their own retirement, but are finding that their land has lost monetary value and is difficult to sell.

SNAs and wetlands on the West Coast currently have little or no economic value; and landowners are stuck, being unable to develop these areas for economic return. Nor will these SNAs and wetlands receive enhancement or management as that too costs money and a loss in productive use. This makes these areas unsustainable in terms of our Community’s economic wellbeing.

The Government needs to provide a system of economic incentives or funding to private landowners to recognise the contribution of wetlands, SNAs and native forests as carbon sinks to nationally reducing emissions. Protection and restoration of wetlands, SNAs, and native forests on the West Coast should provide new income streams for private landowners and farmers, improve the natural environment, support biodiversity, and improve adaptation to the impacts of climate change.

Additionally, domestic offsets (removals) could also be developed for new sinks such as blue carbon, in the form of seaweed and kelp farms on the West Coast.

Carbon capture, utilisation, and storage (CCS) projects and carbon removal credits need new impetus and major government budgetary support as they also form part of the solution to cut greenhouse gas emissions and put New Zealand on track to meeting its commitment targets.

Rather than being overly reliant on increasing forestry sinks, the Council strongly suggests that the Commission’s strategic direction for ‘net zero’ includes diversifying domestic removals by making provision for existing wetlands and SNAs as carbon sinks.

Recommendation 1:

- a) Diversify and fund domestic offsets (‘carbon sinks’) as a matter of priority. That central government fund private landowners on the West Coast now to maintain and restore wetlands, Significant Natural Areas (SNAs), and non-significant native forests on their land as carbon sinks.
- b) Develop domestic offsets for new sinks such as blue carbon, in the form of seaweed and kelp farms on the West Coast.

2. Develop an integrated ‘whole of government’ Strategic Direction

Council suggests the Commission develop an integrated and ‘balanced’ ‘whole of government’ scenario considering national interests and sustainable development issues of particular relevance to local people and communities on the West Coast, such as, food security; energy security; the local economy, including farming; and a ‘just transition’. If a whole of government approach is not taken, people on the West Coast could face increasing food and energy prices and other economic hurdles, for example, through the pricing of agricultural emissions.

² Treasury and Ministry for the Environment, Ngā Kōrero Āhuarangi Me Te Ōhanga ; Climate Economic and Fiscal Assessment 2023; April 2023; at page 80, <https://www.treasury.govt.nz/sites/default/files/2023-04/cefa23.pdf>.

The Council agrees with the government's Second Emissions Reduction Plan (ERP) integrating adaptation; and suggests adaptation include making provisions for natural hazard planning; responding to multi-hazards, including river and coastal hazards; flooding; and planning for managed retreat. Mitigation and adaptation need to go hand in hand.

To be consistent with 'matters the Commission must consider' under the Climate Change Response Act, Council also suggests that the Second ERP make specific provision for a) likely economic effects in consideration of the West Coast's social, cultural, environmental, and ecological circumstances; and b) enhancing inter-generational well-being throughout the West Coast region.

Council supports central government working in partnership with Iwi/Māori, and local government, to ensure the transition to a low emission 'net zero' economy is firmly rooted in the principles of Te Tiriti o Waitangi/The Treaty of Waitangi, and its Mana Whakahono ā Rohe Partnership Protocol.

Recommendation 2:

Develop an integrated 'whole of government' Strategic Direction with flexibility and financing for local government; and which incorporates direction for food security, agriculture and 'net zero', energy security and 'net zero', and a just transition for the West Coast region.

3. Support food security and new developments in agriculture

Dairy and meat production have been held largely accountable for New Zealand's emissions; but care needs to be taken to support dairy farming and horticulture to ensure food security, the domestic supply of fresh vegetables, sustainable wellbeing, and people's livelihoods. The Commission notes that "progression of food security and food sovereignty strategies" is one of the "many initiatives Iwi/Māori are eager to progress". Council urges the Commission to research, analyse, and provide strategic direction on 'food security and net zero' for local communities overall. The West Coast is also a dairy and meat producing Region, so our communities will be affected by requirements to reduce agricultural emissions.

The importance of this recommendation is evidenced in soaring food prices. According to Stats NZ, "in March 2023 compared with March 2022: fruit and vegetables prices increased 22.2 percent; meat, poultry, and fish prices increased 7.8 percent; and grocery food prices increased 13.7 percent". "In March 2021, the annual percentage change in the Food Price Index was 0.5%; but by March 2023 it was 12.1%".³ It is therefore extremely important to ensure that 'net zero' strategies respond to the 'cost of living crisis' which, with income levels below the national average, is affecting the West Coast as a Region.

Council recognises from Treasury and the Ministry for the Environment's (MfE) perspective, that "technically feasible options to achieve substantive emissions reductions across the sector without reducing output (and potentially farm profitability) are limited."⁴ This said, Council suggests the Second ERP provide for exploring and investing in research, innovation, and enabling technologies, for example, to develop the 'net zero' animal, and the 'net zero' circular farming community.

There are likely to be agricultural opportunities arising in New Zealand due to climate change. According to a recent report by Treasury and MfE, "Due to New Zealand's relatively high latitude,

³ Stats NZ; <https://www.stats.govt.nz/information-releases/food-price-index-march-2023/> (last viewed 29 May 2023).

⁴ Treasury and Ministry for the Environment, Ngā Kōrero Āhuarangi Me Te Ōhanga ; Climate Economic and Fiscal Assessment 2023; April 2023; at page 54, <https://www.treasury.govt.nz/sites/default/files/2023-04/cefa23.pdf>.

its primary agriculture may be less affected by climate change than in other countries, which could create demand for this country's products". Disruption to food supply chains due to climate change in other countries may trigger demand for NZ produce, and NZ should plan to take advantage of these opportunities. Council suggests the Commission give these avenues due consideration.

Recommendation 3:

- a) Give high priority to food security; and research, innovation, and enabling technologies in agricultural production.
- b) Give consideration to potentially increased demand for New Zealand's primary agricultural products from other countries, which may be more affected by climate change than New Zealand.

4. Advance 'Energy security and net zero'

Advancing 'energy security and net zero' is also crucial. Council recognises that NZ's electricity market has a large renewable component (over 80% of electricity comes from renewable sources).⁵ (But according to one media source, NZ still needs to increase generation by 79% by 2050 to meet future demand).⁶ Council suggests central government focus on the next phase of energy transition by investing heavily and rapidly in renewables and transport, including electrification of vehicles, and biofuels.

Support should be given to communities to develop small and community scale renewable electricity generation on the West Coast, including hydro, geothermal, and micro grids. Developing the distribution network will become increasingly important as a demand-response mechanism. In addition, Council requests that priority also be given to exploring the feasibility of offshore wind and wave technology on the West Coast. Optimal offshore sites have already been identified on the West Coast for feasibility assessment. Use of low carbon hydrogen should also be explored. Besides other uses, hydrogen is increasingly considered as a fuel for shipping. Further, both biogas and biomethane could be developed at scope (for individual farms and neighbours), and at scale (through partnerships between industrial processing, energy and agriculture). These energy 'system transformations' also fit well with the concept of the 'circular economy', whereby organic wastes are transformed into high-value products and contribute to emissions reductions.

In brief, energy equity, including universally affordable prices; and energy resilience, such as, ensuring a stable supply in times of distribution instability, or low hydro, are crucial to 'energy security'. Council suggests central government make a connection between 'energy security' and 'net zero' in the Second ERP; and provide for 'energy equity' and 'energy resilience' in its climate change emissions reduction and adaptation plans.

Recommendation 4:

Advance 'energy security and net zero' and include specific provisions in the Second ERP to invest in renewables on the West Coast, including small-scale hydro, geothermal and offshore wind and wave energy generation.

5. Provide for a Just Transition on the West Coast Now Rather than Later

To ensure that the West Coast does not suffer a disproportionate burden, Council agrees that a just transition, including adaptation, is required and suggests that clear components for a just

⁵ [New Zealand can use its clean electricity strengths to decarbonise its energy system, says new IEA report - News - IEA](#); 27 April 2023 (last viewed 29 May 2023).

⁶ How to meet NZ's carbon emission goals; 28 April 2023; <https://www.nzherald.co.nz/sponsored-stories/how-to-meet-nzs-carbon-emission-goals/F34AJLSG7JBUDFJVWPITSP3INQ/#:~:text=Even%20if%20we%20take%20the,79%20per%20cent%20by%202050> (last viewed 29 May 2023).

transition on the West Coast, as outlined in this submission, should be incorporated into: a) the Second ERP rather than the third ERP; b) the pending national 'Equitable Transitions Strategy'; and c) a 'Just Transition Plan for the West Coast Region'.

As a matter of priority, the 'just transition' components of the Second ERP should provide for central government to work with local government on the West Coast and its partners to:

- i) Ensure a strong and sustainable environment;
- ii) Develop and fund new domestic emissions removals, for example, new carbon sinks using wetlands, SNAs, non-significant native forests, and blue carbon sources, such as kelp farms;
- iii) Enable direction for food security, agriculture, and 'net zero and energy security' for the West Coast region;
- iv) Research, fund, and enable technologies and innovation in energy and agricultural production that are relevant, applicable, and beneficial to the West Coast;
- v) Ensure that reform of the Emissions Trading Scheme will benefit landowners in the West Coast Region, e.g., by being able to gain economic credits for their carbon sinks;
- vi) Provide grant funding to cover losses expected to be incurred on the West Coast from implementing mitigation and adaptation strategies to meet 'net zero' targets; and
- vii) Create the skilled workforce, and competitive supply and value chains, for low carbon sectors on the West Coast.

Recommendation 5:

Incorporate the components recommended in this submission for a 'Just Transition' on the West Coast into the Second ERP, the pending national 'Equitable Transitions Strategy', and a 'Just Transition Plan for the West Coast Region'; and action them as soon as possible.

6. Reform the Emissions Trading System (ETS)

Council agrees with the Commission's advice to "revisit the design of the incentives created by the ETS, and to use the ETS as a tool not a strategy." Council also supports the requirement for quality carbon credits and separate accounting for forestry offsets.

New Zealand's Emissions Trading Scheme (ETS) does not differentiate between reducing emissions, i.e., not emitting the gas in the first place; and removals, for example, reductions from trees absorbing and storing carbon. People can plant forests then sell the credits generated on the scheme. It is supposed to be an integral tool to get to net zero emissions by 2050, the idea being that price rises over time incentivise firms to innovate and pollute less.

However, the price of carbon has plummeted recently, and mass tree planting is likely to force prices down even lower. Ultimately by 2037 NZ's ETS could cease being a useful tool to drive emissions reductions: the price of carbon may be too low and may no longer be an incentive for polluters to change practices.

Council agrees with the Commission insofar that deforestation, cutting down trees, pests, and fire, can also release carbon; and that relying on tree planting and turning NZ into a forestry land sink in the Pacific Ocean is unsustainable for New Zealand to have a competitive advantage in the new 'net zero' economy.

There are also social, cultural, and economic impacts on the rural community of converting large parts of land used for farming into forestry: farmers may not get the return on investment they were banking on when the trees were first planted. Impacts include a lower rural population due to fewer jobs. Lower rural populations mean less community cohesion and fewer services will be provided, for example, school rolls will reduce; and there will be fewer locals to maintain the community hall, which has an important role in bringing communities together.

Overreliance on NZ's current ETS policy will also mean that incentives for reform, innovation, and new technologies will be delayed.

Council suggests that the Commission and central government work to align the NZ ETS with strategic direction for 'net zero', including direction for energy security and 'net zero'; food security and 'net zero'; and quality carbon credits.

In addition, Council suggests central government and the Commission review allocations, incentives, and carbon-leakage; and how to trigger investment and jobs in a low carbon economy.

Recommendation 6:

Reform the ETS to support quality carbon credits and provide separate accounting for forestry removals (offsets).

7. Develop and incorporate a plan to become competitive in the new 'net zero' economy

Recommendation 7:

Develop and incorporate strategic guidance, policy, and a plan for NZ to become competitive in the new 'net zero' economy by creating the skilled workforce, and skilled supply and value chains, for low carbon sectors to be competitive in local and global markets now and in the future.

This ends our submission.