



30 March 2007

**Councils of the Auckland Region:
Joint Submission to the
Transitional Measures discussion paper:**

Options to move towards low emissions electricity and stationary energy supply and to facilitate a transition to greenhouse gas pricing in the future

The Submitters

This is a joint submission to the Transitional Measures discussion paper from the councils of the Auckland region. The submitters are:

- Auckland Regional Council
- Rodney District Council
- North Shore City Council
- Waitakere City Council
- Auckland City Council
- Manukau City Council
- Papakura District Council
- Franklin District Council.

Initial Comments

This joint submission is based on the councils' role under the Local Government Act 2002, which is to promote the sustainable development of our communities. It is also based on the direction provided under the Local Government (Auckland) Amendment Act 2004, whose purpose includes improving the integration of land use and transport, in line with sustainable development objectives.

The Auckland region is the largest economic centre in the nation comprising one third of the nation's population, jobs and economic output. Therefore, the challenges and opportunities for a secure and sustainable energy system for New Zealand are inextricably linked with overcoming challenges in the Auckland region.

The councils of the Auckland region have three key multi-party strategies, developed to deal with the region's challenges, each of which is relevant to the Government's goals expressed in the NZ Energy Strategy. These are the Auckland Regional Growth Strategy, Auckland Regional Land Transport Strategy, and Auckland Regional Economic Development Strategy.

The Auckland Regional Growth Strategy aims to manage the region's growing population in a sustainable way, by accommodating people more densely within regional boundaries, encouraging mixed land use and intensification along major transport routes and in town centres. This is to reduce the adverse impacts of sprawl on the environment and on productive land, and is also about using resources such

as energy more efficiently as the region grows. This strategy is currently under review.

The Auckland Regional Land Transport Strategy supports the Regional Growth Strategy, by integrating transport planning with land use planning, and by directing more investment into public transport.

The Auckland Regional Economic Development Strategy is a key mechanism for the achievement in Auckland of the Government's goal of economic transformation for New Zealand. The Metro Project action plan under this strategy aims to improve the region's infrastructure, including improving security for electricity infrastructure through the Auckland Energy Prospectus within the Metro Project, as security of supply is a key concern for Auckland's economic viability.

In addition, the councils of the Auckland region and central government agencies are developing a Long Term Sustainability Framework for the region. This Framework will provide overarching direction to regional strategies. Energy has been a theme in its own right in the development of the Framework, in recognition that energy matters have a strong influence on the region's sustainability and resilience. The challenge posed by climate change is also recognised within the Framework as a major influence on the region's sustainable development. We recognise that development of a sustainable, resilient energy future for the Auckland region will play a critical role in enabling the sustainable development of the region. The current draft Framework proposes that a regional energy strategy be developed, to address the region's key goals and challenges relating to energy in an integrated manner with all relevant parties.

Many of the decisions of local government shape cities for the long term, and shape the choices of citizens as they respond to changes, such as increases in energy prices. Auckland councils' core responsibilities directly influence energy efficiency and climate protection. Our roles in land use management, transport network development, urban design, the quality of the built environment and administering building quality can play a key role in delivering the Government's goals in the draft Energy Strategy. Our roles complement central government responsibilities and we acknowledge the importance of working together.

As such, the councils of the Auckland region seek continued close working relations with relevant central government agencies on a range of initiatives that contribute to the goals of Government's climate change policy.

General Comments

The councils of the Auckland region consider there is a need for urgent action to address climate change in relation to both mitigation and adaptation.

It is widely acknowledged that New Zealand is not expected to meet our Kyoto Protocol emissions reduction targets during the 2008-2012 reporting period. The Auckland councils support early and decisive action to address greenhouse gas emissions and across all sectors. We support the Government's approach of developing broad climate change policy framework for the medium to long-term and providing early signals of that policy framework, while also taking action to develop transitional measures that will provide immediate and short-term emission reductions and provide capability and capacity building for future climate change measures.

Climate Change Adaptation

An effective response to climate change requires the twin pillars of emission reductions and adaptation to be addressed. While this discussion document is

focused strongly on measures to reduce greenhouse gas emissions post 2012, we consider it also needs to provide a context for the role of adaptation in our national and local responses to climate change, particularly in the long-term. This could be addressed as part of the introduction to any subsequent documents outlining elements of New Zealand's climate change policy. We note that this approach was taken in the Sustainable Land Management paper in relation to rural adaptation issues.

We are aware that the Ministry for the Environment and other agencies are currently developing a work programme to address climate change adaptation. We look forward to engaging with government further on this aspect of our national response.

We consider that policy measures to address climate change need to be assessed within a broad sustainability framework that addresses environmental, social, cultural and economic wellbeing and consider impacts at the local, regional and national levels.

The impact on local government of specific measures in this suite of energy and climate change strategies needs to be considered in detail in further policy development.

Principles for Transitional Measures

We support the principles guiding the choice of measures that are outlined in the discussion document on p.6, which are that:

- a) *Measures should be compatible with, and enable a transition to, longer-term policy options where the cost of greenhouse gas emissions is reflected in the relative cost of the fuels that produce greenhouse gas emissions.*
- b) *Investors in new generation should face a price signal that reflects the value of greenhouse gas emissions avoided for renewables relative to fossil fuels, either immediately or over a transitional period.*
- c) *Owners of existing fossil fuel generation should follow a transitional path to facing the full cost of greenhouse gas emissions.*
- d) *On electricity prices, the effect of any transitional measures on electricity prices should be gradual.*

We consider that an additional principle needs to be added, that acknowledges the need for adequate access to electricity and other energy sources for low income households.

We examined the price based policy measures from the perspective of principles that will promote the sustainable development of the Auckland region. We support policies that:

- increase diversity in renewable electricity generation in terms of scale, type and local location to increase resilience of the region
- are likely to withstand the test of time (political changes, international changes)
- encourage innovation, research and development in renewable and low carbon, carbon neutral emission technologies.
- minimise the impact on the local economy and environment;
- are fiscally neutral to government (and recycle revenues)

- ensure Auckland as a region and local government within the region are not disadvantaged (relative to other regions and sectors)
- promote end-use efficiency.

We support the introduction of measures to internalise the price of carbon into the economy. We consider price based measures are necessary but are not sufficient on their own. A mix of policy measures is required as no single measure will adequately address the complexity of the New Zealand economy, while managing the significant economic and social impacts over time. Pricing measures therefore need to be part of a strong mixed policy package, which include targeted incentives, emission reduction programmes including pilots and voluntary programmes, regulation and ongoing communication and education to support behaviour change.

We support early action to reduce emissions as appropriate in all relevant sectors, and note that action will vary for each sector. We consider that early action is possible in the stationary energy and industrial sectors where technical emission reduction options exist and are in development and where alternatives are available. However, we consider that transitional price based measures, such as a possible emissions trading scheme should not be rushed. It is imperative that such complex tools are designed with adequate care and analysis.

Proposed Package of Transitional Measures

In relation to the proposed package of transitional measures for the electricity and stationary energy sectors, we support:

- pricing mechanisms,
- project based measures,
- incentives and renewable obligations,
- regulatory measures, and
- voluntary measures.

Each of these measures is addressed briefly below.

Price-based Measures – Emissions Trading

The councils of the Auckland region support the introduction of price based measures. At this time we do not wish to state a clear preference for emissions trading or a greenhouse gas charge, however we do note that emission trading schemes have greater certainty regarding outcomes for emission reductions, as compared to greenhouse gas charges which have greater certainty regarding price. We strongly support an outcome based focus.

We consider any emission trading system in NZ should learn lessons from problems experienced by the European Emission Trading systems (ETS), which resulted in underreporting of emissions, windfall profits to some electricity generators and a near collapse of the market. We consider careful design and the ability to address problems as they arise, rather than waiting for review periods (as occurred with the ETS) are critical.

We expect that development of such a scheme will require Government to work with industry to develop carbon accounting standards and protocols to ensure consistency in measurement, monitoring and reporting of greenhouse gas emissions. Similar standards and protocols will also need to be established for auditing of these greenhouse gas emission accounts to ensure transparency and robust data. We consider the strength of an audit and compliance framework is also vital to the integrity of any pricing mechanism that is introduced. We propose that audit and

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compliance functions be undertaken either directly by government agencies or by an independent climate change commission established by government, possibly with elements and powers similar to the Electricity and Commerce Commissions.

Project based measures

We support the use of project based measures as they support innovation and address emission reductions for specific sites and operators.

Project mechanisms should ideally be targeted at initiatives that are not currently economically viable and that require transitional support while other structural and behavioural changes occur, for example to support the introduction of new technology with quantifiable emissions reduction benefits.

Incentives and renewable obligations

We support further investigation of the effectiveness of incentives and renewable obligations in achieving emission reductions, encouraging greater use of renewable energy and their ability to operate alongside any interim emission trading system or other pricing mechanism.

Regulatory measures

We are concerned about proposals to require consideration of greenhouse gas emissions by councils as part of the Resource Management Act planning and consenting processes in the absence of national guidance. There are considerable workability difficulties for local decision-makers to overcome when making decisions about the climate change impact of local projects. We would only support such a proposal where clear national guidance for the assessment of greenhouse gases is provided through a statutory instrument, e.g. through a national policy statement or national environmental standard. Climate change is primarily of national and international significance, so local decision-making over projects will require national guidance.

A national environmental standard could support local decisions by providing clear guidance as to appropriate noise levels from wind turbines in a variety of locations. A national policy statement could support decisions relating to non-quantifiable issues, such as by providing direction as to the relative weight to be placed on areas of outstanding natural character compared to the provision of new renewable energy.

Voluntary measures

We support the use of the full range of voluntary measures outlined in the discussion document on p.47, including:

- *Agreed targets and public reporting of performance against targets*
- *Mandatory consequences for non-performance against targets, with limited stringency*
- *Limited pilot emissions trading and other flexibility mechanisms, facilitated by the government*
- *Assurances that participation in the scheme would not disadvantage participants for the later price-based measure (in other words, that any grandparenting approach for emission trading would be based on performance prior to entry into the agreement)*

- *Mandatory monitoring, reporting and verification of emissions for generators participating in the scheme and for those who are not participating.*

Any voluntary measures would ideally be developed in such a way that they are consistent with other measures, such as pricing and regulatory measures.

Such measures would also need to be consistent with the measurement, monitoring, reporting and audit standards developed for border pricing based measures.