Submission on the Amendment to New Zealand's Second Emissions Reduction Plan 2026–30

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To Ministry for the Environment

Submitter details

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Parliamentary Commissioner for the Environment

The Parliamentary Commissioner for the Environment was established under the Environment Act 1986. As an independent Officer of Parliament, the Commissioner has broad powers to investigate environmental concerns and is wholly independent of the government of the day. The current Parliamentary Commissioner for the Environment is Simon Upton.

Key points

The information provided in the consultation document is inadequate to inform a reasonable consultation for a number of reasons:

- Modelling results need to decompose external factors (e.g. changes to how we measure emissions, changes in forecasts) from the effects of policy changes to allow suitable scrutiny.
- Changes in modelling assumptions that clearly aren't driven by policy changes need greater explanation.
- The Government should quantify and comment on the uncertainty and risks associated with meeting each emissions budget, given the suite of policies it has and assumptions around eternal factors (e.g. afforestation).
- As a result of sometimes long time-lags between implementing a policy and its effect on emissions reductions, it is important to consider the impact of policy changes beyond the next budget period (2025–2030).

Introduction

Thank you for the opportunity to provide feedback on the Government's proposed amendment to New Zealand's second Emissions Reduction Plan (ERP2). The amendment to ERP2 being consulted on is the decision not to progress with an on-farm emissions pricing system by 2030. This submission will focus on three themes:

- decomposing the different drivers of modelling outcomes
- the treatment of uncertainty in forecasts and
- the need to look at the long-term impact of policy changes (post 2030).

Modelling

It is challenging to scrutinise the impact of this amendment due to heterogeneity in the modelling assumptions between the ERP2 modelling and the new 2025 modelling scenarios. The consultation document acknowledges that the 2025 projections were finalised before the policy decision to remove agricultural pricing. Whilst clarifying, this acknowledgement does not provide justification for the omission of specific modelling on the effects of the removal of this policy from the consultation document.

The two sets of modelling, illustrated for comparison within the appendix to the consultation document (ERP2 projections and 2025 projections), make meaningfully different assumptions around both policies and external factors, such as stock numbers and technology uptake. In particular, the Government's expectations of higher uptake of mitigation technology in the 2025 projections requires further explanation. This change to a crucial assumption is counterintuitive in the context of the decision to remove a price on agricultural emissions from 2030.[1]

According to the consultation document, the 2025 baseline and With Additional Measures (WAM) scenarios were configured to capture the long-term uncertainty associated with the impact of mitigation technology. The baseline scenario in the 2025 projections assumes 37% of dairy cattle are vaccinated with a methane vaccine by 2030. As a methane vaccine has not yet been demonstrated to work in a relevant environment, this seems very optimistic – and the WAM only adds to this optimism.

It would be constructive for the Government to provide at least one contrasting scenario that assumes a considerably lower penetration of technologies, like methane vaccines, particularly when considering technologies to reduce agricultural emissions that are not yet commercially available. The creation of several scenarios is a useful technique in futures thinking as it enables the exploration of multiple possible outcomes. The utility of mapping multiple scenarios is related to the breadth of outcomes considered and how meaningfully they reflect other probable realities. This can give us a better sense of the likelihood of emissions reductions.

[1] It is stated that incentives could come in the form of government policy, industry incentive schemes, and a collaboration between government and industry.

Recommendations

- When the Government makes new climate policy announcements, it should present modelling specifically examining how changes are expected to impact on the achievement of the current and future emissions budgets (using consistent assumptions).

- The Government should state what other policies will be implemented to compensate for any shortfall in emissions reductions caused by the policy change.
    - When presenting modelling scenarios, the Government should ensure these reflect a suitable range of probable futures – for example, by including some scenarios with less optimistic assumptions around technology development and uptake.

Uncertainty

It would be helpful for the Government to provide estimates of uncertainty associated with assumptions around external factors and the impact of policies. For example, what is the probability a methane vaccine will be available by 2030? Or how probable was agricultural emissions pricing to deliver stated emissions reductions over the second emissions budget period? Estimating uncertainty is important when detailing the impacts of policies or external factors in every emissions reduction plan. It would provide the public with a more transparent account of whether (and how) emissions budgets will be met.

The probability of an external event or policy reducing emissions should be linked into the buffers the Government builds around achieving emissions budgets. If an emissions reduction plan is made up of policies that have a higher probability of not achieving their intended outcomes, larger buffers should be put in place.

Recommendations

- The Government should quantify and comment on the uncertainty and risks associated with meeting each emissions budget. The quantification of uncertainty should be undertaken in relation to policies contained in the Government's emissions reductions plans and assumptions that are made around external factors (e.g. the anticipated level of afforestation). It should also report how the risks to meeting budgets change when policies are amended or removed.

- The Government should ensure emission reduction plans build in suitable buffers around the achievement of budgets. These buffers should be commensurate with the risks that certain policies do not deliver the intended emissions reductions, or there are unforeseen changes in external factors and/or our emissions accounting methodology.

The third emissions budget

Agricultural emissions pricing was planned to be implemented in 2030, so it could not have been expected to deliver significant reductions during the second emissions budget period. However, it **was** expected to deliver significant reductions over the third emissions budget period. The country is not on track to achieve the third emissions budget and this change will make its achievement even harder. Policies intended to reduce emissions should be progressed rather than removed, to enable us to achieve this budget.

The adaptive management approach proposed by the Government works only if there is a suite of policy interventions that will deliver quick emissions reductions ready to be implemented at short notice.[2] This is unlikely to be the case when considering reducing emissions from agriculture because if the technologies are not available or are prohibitively expensive, little can be done to quickly remedy the situation – short of reverting to a suitable price on emissions. As a result of sometimes long time-lags between implementing a policy and its effect on emissions reductions, it is important that policies are articulated early and retained across time to enable them to have their desired effect.

Recommendations

- If the Government is going to rely on adaptive management to address shortfalls in reducing agricultural emissions, it should elaborate publicly the additional policies and measures it would use.
- Due to the frequently long time-lag between implementing a policy and its effect on emissions reductions, the Government should describe policies and measures to meet future budgets in the emissions reduction plans of earlier budgets.

Conclusion

The impetus for this policy was a desire to reduce agricultural emissions (primarily biogenic methane) and stimulate the uptake of technologies capable of reducing on-farm emissions. These objectives remain and do not conflict with the stated cost-effective, technology-led approach to emissions reductions. It is unclear from the consultation document why it is necessary to end progress with an on-farm emissions pricing system. The document explores why the decision might not be so bad: "...we are confident the decision to not progress with an on-farm pricing system by 2030 does not impact our ability to meet EB2."[3] It would be helpful to include more detail in the discussion document on the basis of this confidence and the benefits of removing this policy.[4]

The Government's favoured policy tool for emissions reductions (outside of agriculture) is the ETS, another market-based-mechanism. It should also be made clear why such a market-based mechanism is favoured for the rest of the economy but not agriculture.

To date, the working assumption has been that a price on methane emissions would incentivise the uptake of new technologies. In the absence of any financial incentive, why would these technologies be deployed commercially? This in turn raises the question of why taxpayers should subsidise the development of new technologies. One could understand a *quid pro quo*, whereby the absence of technologies justified subsidies, which would in turn justify a pricing mechanism to ensure that the benefits of the technologies were actually deployed. If there is no incentive to adopt these new technologies, it is hard to see why taxpayers should continue to support them.

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[2] https://bills.parliament.nz/v/4/e7801db3-14cf-477a-cbb1-08de0b655551?lang=en

[3] https://environment.govt.nz/assets/publications/climate-change/amendment-to-second-erp-discussion-document.pdf, p.15

[4] It is briefly suggested that progressing with emissions pricing would have added "significant costs to production". This requires further elaboration and quantification.

Finally, on a practical note, the discussion document should, at a bare minimum, provide quantification of the impact of decisions to remove agricultural emissions pricing from the second emissions reduction plan on meeting New Zealand's emissions budgets (including those beyond the second budget period) and report uncertainty around any assumptions.

Rt Hon Simon Upton

Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata