

Targets or Virtue Signals?

There seems to be a clear political consensus that New Zealand will, at some time in the future, achieve a balance between its anthropogenic emissions by sources and its removals by sinks of long-lived greenhouse gases. In the jargon, it will achieve 'net zero carbon' or 'become decarbonised'.

When should this happen?

- The current (National-led government) policy leaves that question open and focusses instead on a reduction milestone. In April 2011, it issued a *Gazette* notice formalising a target to reduce greenhouse gas emissions below 50 percent of 1990 levels by 2050.
- A new Bill has been introduced (Labour-led government) which aims to select 1 January 2050 as the precise target date for net zero carbon and to entrench that specific date in the legislation. It also has precise target dates for short-lived gases.
- The Parliamentary Commissioner for the Environment (PCE) has issued a [recent report](#) recommending that Parliament ought not to fix any dates at this time but should instead: *“Develop two separate targets for the second half of the century ... based on **the advice of the new Climate Commission.**”* (emphasis added)
- The existing Climate Change Response Act 2002 says (s 4) that its primary purpose is to enable New Zealand to meet its international obligations under the UN Framework Convention on Climate Change (UNFCCC).
- Under the UNFCCC, the 2015 Paris Agreement expresses its purpose (Article 4(1)) as being to “achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases **in the second half of this century.**” (emphasis added)
- New Zealand has delivered to the UNFCCC its [Nationally Determined Contribution](#) as a commitment “to reduce greenhouse gas emissions to 30% below 2005 levels by 2030.”

Party political agreements

Climate change policy has become highly partisan throughout the developed world.

The Coalition Agreement between the NZ Labour Party and NZ First agrees that the coalition will *“introduce a Zero Carbon Act and an independent Climate Commission, based on the recommendations of the Parliamentary Commissioner for the Environment.”*

The Confidence and Supply Agreement between the NZ Labour Party and the Green Party agrees to “introduce a Zero Carbon Act and establish an independent Climate Commission.” It also agrees to “adopt and make progress towards the goal of a Net Zero Emissions economy by 2050.”

Neither agreement suggests that a 2050 target should be included in the Act. Both refer to ‘introduce’ and neither requires support at subsequent stages of the Bill. The NZ First agreement may have been intended to refer to the pre-2018 PCE recommendations, but certainly indicates a preference to adhere to the Commissioner’s recommendations.

The National and Act Parties have not had occasion to enter such agreements. The National Party has supported the establishment of the proposed Commission but have never indicated approval of a 2050 target date.

Objective of National Targets

When politicians draw bullseyes for future generations to achieve something by a far distant date the immediate reaction is widespread cynicism – for obvious reasons. While posing as proof of the commitment of current incumbents, such long-term targets are generally perceived as being substitutes for or distractions from near-term policy action.

Like toothless declarations of ‘climate emergency’, an over-the-horizon target can be readily dismissed as mere virtue-signalling. In this sense, target dates are counter-productive. So why should a rational and serious-minded Parliament enshrine one in statute law?

The Explanatory Note to the present Bill says that its first¹ “overarching purpose” and “guiding principle” is to provide “leadership at home and abroad.” It further says that the intention of the 2050 target is “to signal an economy-wide transition.” I have previously criticised these aims in [“The Zero Carbon Bill”](#).

Leadership at home

It is far from clear how selecting 1 January 2050 as the target could provide domestic leadership.

The term “leader” can mean one who is either (a) “out in front” or (b) “has followers”. As there will be only one long-term domestic target at home, the second cannot apply. However, there can be little doubt that selecting 2050 as the end-date is so far ‘out in front’ of our trading partners as to be characterised as “highly ambitious” or (to use the inverse expression of the same concept) “pain maximising” [see below].

If the Cabinet’s aim is to crudely shock the populace and re-set national expectations, it needs to identify the benefits of such an approach (apart from partisan political interests). The 2018 consultation paper did not do so, and no material benefit can be gleaned from the Bill’s long-winded Regulatory Impact Statement (RIS).

It must never be forgotten that New Zealand’s sacrifices in the cause of climate change mitigation will have no impact whatever on future New Zealand weather. Nor can it even influence the global average temperature that might be experienced by future generations. With CO₂ emissions of about 0.1% of the world total, our efforts can never be more than *symbolic*. And any such symbolism should be aimed overseas, not at our own citizens.

Parliament has already considered and approved a formal statement of the benefits which can accrue to us from participating in the global effort on climate change. The [National Interest Analysis](#) on the [Paris Agreement](#) puts the case well:

As a small export-dependent economy, New Zealand relies on effective operation of the international rule of law and on the leverage created through active and constructive

¹ The other two guiding principles seem irrelevant to the target question.

engagement internationally. If New Zealand is seen to free-ride on climate change, it would risk damaging New Zealand's international reputation in areas such as trade and foreign policy as well as our influence in international climate change processes.

Avoiding the appearance of free-riding does not call for herculean efforts. Nor does it demand that any country should sacrifice its international competitiveness. It simply requires New Zealand to do its “fair share” relative to comparable countries – a criterion that we are already exceeding by a considerable margin².

Leadership Abroad

Engaging in some obscure competition for international ministerial kudos is scarcely a worthy objective for any legislation. The whole notion of a political popularity contest (between insiders who attend conferences) smacks of a self-centred grand-standing approach to what must always be a team game – and serves to distract the focus from the common goal.

New Zealanders in general do not yearn to be the leaders of the pack or to win gold medals in this arena. For a decade or more, our mantra has been to “do our fair share”, so as to avoid ‘free-riding’ or ‘shirking’. This approach is incompatible with the vision of the Bill.

Our primary climate change policy goal should be to maintain our per capita emissions of long-term gases below the average of the 36 OECD countries. The new Climate Commission should aim for energy intensity and carbon intensity that are well below world averages. We should perform the challenging 2030 promise already made under the Paris Agreement. Achieving these goals would ensure that we are widely seen to be doing *more* than our fair share.

Only three years ago, this country committed itself to the Paris Agreement, which calls for “zero carbon” during the 50 years **after** 2050. This Bill disdains that recent commitment and now seeks to unilaterally move the goalposts to the period **before** 2050.

Why the change? No concrete reason for this national about-face has been offered – other than arm-waving rhetoric regarding “leadership” and “ambition”. Is there any real upside?

On the downside, there is a real risk that the gratuitous replacement of an agreed multi-lateral target by a ramped-up unilateral target will be received by middle New Zealand as yet a further example of the content-free stunts and gimmicks that have come to characterise the public discussion of climate change.

Economy-wide Transition

This dramatic language merely refers to the intention that New Zealand's carbon sources and sinks will eventually be brought into balance. That is not in contention, but how is it assisted by a unilateral pathway that is steeper than required for the global target?

We have already seen two obvious New Zealand instances where the hyperbolic language of “transition” has driven damaging political decisions that run counter to both official advice and common sense. The first was the unheralded exploration ban for offshore oil and gas, perhaps

² See *Climate-wise, We Are The Champions*.

wasting a huge \$23 billion. The second is the proposed early elimination of natural gas (the 'bridging fuel') for firming the electricity grid.

In the EU, Governments subsidised the use of diesel rather than petrol cars for 'transformation', then reversed course more than a decade later. In the USA, the use of corn for vehicle fuel has been mandated and apparently cannot be undone. Despite many regrets, trees are still being felled in North Carolina so that wood pellets can replace natural gas at the giant Drax power plant in the UK.

Drama-laden interventions in the name of 'transition' or 'transformation' cause significant economic and reputational harm while adding nothing at all to global mitigation efforts. The *actual* pace of change envisaged by both the government's modelling and the Productivity Commission's report is quite sluggish and banal. Reductions in burning fossil fuel will have barely started by 2032, and all the heavy lifting is [left to the 2040s](#).

The fact is that the steady arrival of technology tweaks in every energy-using sector will gradually grind down emission totals – the application of the Japanese quality control mantra of "constant improvement". A typical example is found in the emission rate of new vehicles entering New Zealand which have [reduced by 40%](#) over the last 12 years to 180.7 grams of CO₂ per kilometre³. This spectacular reduction rate of over 3% per annum was BAU – achieved naturally and without government intervention.

Our overall nation-wide energy intensity has been reducing steadily for over 30 years at a rate of over 1.5% per year. If that keeps up, we will reduce our per-capita energy use by about 50% by 2050 on a BAU basis. If we add the BAU changes assumed in the government's modelling, that reduction will more than double – and all of that excludes any *major* advances in technology.

There is really little call for *any* additional climate policy changes, let alone an 'economic transformation'.

Timing

A 'transition' that is out of phase with (and ahead of) global technology development will continue to ensure that the process will cost far more in this country than in any other. Only global technology advances can deliver the Paris Agreement target.

The Minister has [expressed concern](#) regarding the recent growth in emissions from the transport sector. This growth has been caused by increases in our population (due to net immigration) and our record [levels of car ownership](#). Rather than addressing those causes, the Government has hiked the ETS and fuel taxes and subsidised infrastructure for electric vehicles – both actions that disadvantage the poor. The new vehicle feebate scheme transfers wealth to the well-off (buyers of new electric cars) from the battlers (low-income large families).

A more constructive "signal" would urge the early adoption in New Zealand of proven global technology changes and innovations that continuously improve energy efficiency. An example is action to facilitate the rapid introduction of [transport-as-a-service](#) to discourage private ownership

³ Passenger cars are down to 146.3 g, SUVs have reduced to 177.6 g and vans/utes are at 214.5 g.

of vehicles. Such an approach also has significant co-benefits in both upskilling our workforce and improving our balance of payments.

Certainty

The RIS extols the benefit of long-term legislated targets in providing investors with confidence in the future actions of New Zealand policymakers.

But a prophecy of circumstances 30+ years in the future will persuade no investor. In light of the time-value of money, expected returns during the first 5-10 years are always the drivers even in the case of long-term infrastructure projects. All projected cashflows beyond about 15 years ahead are discounted to zero, and treated as speculative.

Further, the prophecy is useless so long as the trajectory of emissions reduction remains unknown. Pursuit of the target will almost inevitably be back-loaded. "*The climate scare could be all over by 2030*" if two or three major emitters adopt advanced nuclear solutions (as seems likely).

Because a 2050 target with an unknown trajectory can tell us nothing about the shape of a 2020 carbon budget it can serve no useful purpose.

A target approved by Parliament (as opposed to being legislated by the Minister under s 224 of the Climate Response Act 2002) might conceivably add some certainty, provided it were:

- mainstream, in a global sense.
- perceived to be moderate and reasonable.
- supported by all current political parties.
- not so distant as to be seen as mere wishful thinking.
- set in cement for up to a decade.

The sole target that exhibits all five characteristics is New Zealand's NDC under the Paris Agreement. The process suggested by the Environment Commissioner has some prospect of replacing the NDC eventually, provided it is based on a bottom-up calculation/projection rather than a top-down figure plucked out of the air.

Follow-ship

In the RIS the Treasury notes anxiously (page 150) –

"There is a general risk that other countries do not act in kind, leaving New Zealand to bear the disproportionate costs of ambitious climate change action, with little to no material impact on levels of global warming."

But concludes that *"this risk is highly unlikely."*

It falls to the Select Committee to decide just how likely it is that either the five major emitters or our six principal trading partners will adopt the date 1 January 2050 as their decarbonisation deadline simply because New Zealand did so.

The fact is that all of our major trading partners have already considered but declined to adopt the year 2050 as their target. China and India believe they have no moral obligation to decarbonise at all. The USA will accept no targets. The Asia-Pacific countries of Australia, Canada, Japan, South

Korea, Singapore and Canada have no intention of over-shooting the Paris Agreement. The EU has recently declined to do so⁴.

Any country's rate of 'transition' will directly reflect that country's rate of adoption of technologies or innovations that reduce the carbon intensity of its economy.

Being on the 'bleeding edge' of carbon deprivation is both risky and expensive. Ninety-nine percent of new technologies are developed elsewhere in the world and suffer lengthy periods in a 'beta' phase before being rolled out at scale. Being first in the field always means high risk, including the risk of backing the wrong horse.

If New Zealand volunteers for an economic burden costed at \$300 billion while similar handicaps are eschewed by our trading partners, we must inevitably lose international competitiveness along with commensurate losses of jobs and prosperity.

All this raises the question of why New Zealand politicians (and the Treasury) should believe they have certain insights that have been denied to their counterparts in comparable countries.

It is hard to disagree with the [recent comments](#) of former Deputy Prime Minister Barnaby Joyce:

“Australia will be the catalyst to a global epiphany and the totalitarian Chinese regime will follow our lead because of our righteousness followed by India and the United States.

No, I don't think that will happen. I hate to say it but I doubt the majority of people on the planet give a toss about the Paris Agreement. I would be amazed if one percent of the planet could competently explain it.”

⁴ The UK is but part of the EU – and is currently overpowered by its Brexit issues. Incoming PM Boris Johnson has generally [voted against measures to prevent climate change](#). Johnson has described climate concerns as a “[primitive fear](#)” that is “[without foundation](#).”