

NZ Insight: Emissions Reduction Plan

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Contact

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Emissions plan pulls together initiatives

Key points

- Yesterday the Government outlined how it plans to meet the emissions reductions budget, including many initiatives already announced.
- The initiatives will cost \$2.9bn to fund, which will come out of the \$4.5bn Climate Emergency Response Fund.
- Swapping private car trips for public transport or walking and biking is a key initiative.
- More funding has been allocated to researching how to reduce agricultural emissions, with a new organisation being formed, supported by the existing New Zealand Agricultural Greenhouse Gas Research Centre.
- Renewable energy is to account for half of all energy used by 2035, up from 28% in 2020.

What's the plan?

This week the Government outlined how it plans to meet its 2022-25 emissions reduction budget in its [Emissions Reduction Plan](#). A week ago, the Government outlined the numbers it is targeting within each of its 5-year budgets.

The plan is part of the Zero Carbon Framework, which has an emissions reduction targets of:

- all greenhouse gases, other than biogenic methane, to reach net zero by 2050;
- emissions of biogenic methane to reduce to at least 10% below 2017 levels by 2030, and to at least 24–47% below 2017 levels by 2050.

The Zero Carbon Framework consists of:

- Emissions reductions targets
- Emissions budgets
- Emission reduction plans (which this paper focuses on)
- Adaption measures

Emissions are forecast to peak at 76.7 MT CO₂e this year (2022) when measured on a target accounting basis.

Table 1. Government emission budgets

Megatonne CO ₂ e	Emission budget periods		
	2022-2025	2026-2030	2031-2035
5yr period	290	305	240
Annual equivalent	72.4	61	48
Change from 2022	-5.6%	-20.5%	-37.4%

Source: NZ Government

As expected, the plan shows that a concerted effort across numerous sectors will be required to reach the desired reduction in emissions.

There is to be \$2.9bn allocated to fund the various emissions reduction initiatives. This will come out of the \$4.5bn Climate Emergency Response Fund, which is funded by the Emissions Trading Scheme.

While the reduction plan provides breakdowns by sector, many of the initiatives had previously been announced.

Agricultural initiatives

Agriculture has been allocated \$710m over the next four years to help fund emissions reductions. Nearly half of this funding (\$339m) has been allocated to establish a Centre for Climate Action on Agricultural Emissions. It is envisaged this unit will help develop commercial products for reducing agricultural emissions. The centre will be a public-private joint venture, supported by the [New Zealand Agricultural Greenhouse Gas Research Centre \(NZAGRC\)](#). This research centre, based in Palmerston North, has been working to develop technologies to reduce agricultural methane emissions since 2009.

The Government has also said it is considering supporting an initiative to encourage early adoption of on-farm changes that will reduce emissions, including on-farm trials of technologies developed overseas. There are also plans in place to develop more climate-focused extension services, including MPI’s advisory services.

Rural communities will certainly welcome plans to improve digital connectivity services via a two-year rural [Capacity Upgrade Programme](#), which has already commenced.

Additional details about how agriculture emissions will be priced are expected to be released by He Waka Eke Noa by the end of May.

Table 2. Agricultural emission budgets

Megatonne CO ₂ e	Emission budget periods		
	2022-2025	2026-2030	2031-2035
Baseline	163.1	199.0	194.8
Annual equivalent	40.8	39.8	39.0
Emission budget	159.4	191.0	183.0
Annual equivalent	39.9	38.2	36.6

Source: NZ Government

Forestry initiatives

A budget of \$256.2m has been allocated to support forestry sequestration initiatives and \$73.5m to increase the use of woody biomass to allow for a reduction in coal use. The Government has stated that they want more permanent forests and more production forests, but have acknowledged that getting the mix, quality and location of these forests correct is paramount.

They have acknowledged there is a need to adjust the ETS rules to ensure the incentives are more balanced and don’t simply drive plantation of exotic forests on productive land.

They are also looking at ways to reduce the cost, or increase the incentive, to plant native forests to act as long-term carbon sinks. This includes sharing knowledge within the nursery sector, as it is currently expensive to plant natives and the success rate for establishing new plantings is relatively low.

Transport initiatives

The transport sector is responsible for 17% of NZ's greenhouse gas emissions and 39% of domestic emissions. It is a sector that impacts most New Zealanders and we all have a role to play in helping to reduce transport emissions.

The Government is targeting a 20% reduction in the number of kilometres travelled by light vehicles by 2035 by improving alternative formats of transport such as public transport, and walking and cycling paths.

There are plans underway to make it safer for children to walk or cycle to school, which will help reduce the use of cars for these daily commutes.

Public transport frequency and reach is expected to be significantly improved. All new buses purchased after 2025 will need to be zero-emission vehicles. But it will also be important to ensure that emissions from existing public transport are also reduced. Plans are underway to find solutions to reduce emissions from buses and other heavy vehicles.

By 2035, it is expected that 30% of all cars will be zero-emissions vehicles. There is also research planned to reduce emissions in maritime transport, including initiatives for zero-emission boats. Electric pleasure craft already exist but replacing our fishing fleet with zero-emission boats will be a much harder ask.

A trial is planned to lease electric vehicles to encourage low-income families to replace their older, high emission vehicles. In 2023 there will also be a trial to pay low-equity households to scrap older vehicles.

The Government is also considering progressing legislative changes to enable congestion charging.

A 35% reduction in emissions caused from transporting freight via trucks, rail and ships) is planned by 2035.

Getting people out of cars and decarbonising heavy transport and freight is expected to have the greatest impact on transport emissions leading up to 2030.

Energy initiatives

The Government has a target of 50% of total energy consumption in New Zealand being from renewable sources by 2035. In 2020 this figure was 28%.

The Government also has a target of 100% of electricity coming from renewable sources by 2030. This target is considered aspirational as it will be difficult to produce all our electricity from renewable sources such as hydro and wind unless we are able to develop better ways to store electricity. Changes to average temperatures, rainfall or wind patterns, and the frequency of extreme weather events, could affect our ability to produce renewable energy too. The [New Zealand Battery Project](#) is looking at ways to manage the risk of a dry year impacting the production of hydro-electricity.

Energy production that is reliant on fossil fuels will be gradually phased out.

Building and construction

The building sector in New Zealand accounts for 9.4% of NZ's GHG emissions and we also import a lot of building materials that are not accounted for in our domestic emissions budgets.

Buildings emissions occur in both the construction of the building and also operating the building. For example, well-insulated homes have much lower heating costs, and are therefore more efficient to operate, than uninsulated homes.

A 'whole-of-life approach' is being used to consider the impact of various construction materials.

There are also plans underway to work more closely with the forestry and wood-processing sector through initiatives such as the [Wood Processing and Manufacturing Industry Transformation Plan](#) and the [Timber Design Centre](#), which provides advice on how timber can be used in the design and construction of buildings.

Summary

Clearly, both climate change and climate change mitigation policies are set to affect all of us in the years to come. Like all big looming structural problems, such as the fiscal cost of an aging population, the earlier you start addressing the issue, the lesser the total disruption – but the more difficult the politics. And what's extremely clear, is that no matter where you participate in this economy – dairy farmer or city-dwelling keyboard pusher – you will feel the impacts. Whether it's higher-than-otherwise consumer prices, higher-than-otherwise regulatory costs, lower-than-otherwise output, lower-than-otherwise productivity; it'll hurt. But for some, these impacts will be a lot more direct, and that burden unsurprisingly appears to correlate well with the various opinions on these things. This is extremely important stuff, and New Zealand has a lot to gain by building a reputation in global markets as a clean and green food producer.

A lot of effort has gone into trying to link the various policy initiatives across sectors. There is still a lot more consulting and decisions to be made to clarify exactly what will be done, and we ultimately need to see actions being taken sooner rather than later if we are to achieve our climate goals.



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