

// **SUBMISSION**



New Zealand's second emissions reduction plan (2026–30) Discussion document

// Local Government New Zealand Submission

// August 2024



Ko Tātou LGNZ.

LGNZ champions, connects and supports local government. We represent the national interest of councils across New Zealand. Our aim is to be the most active and inclusive local democracy in the world.

Our key points

- While LGNZ supports the intent of many of the policies in the discussion document, we are concerned by the lack of acknowledgement or detail regarding the role of councils in delivery.
- LGNZ supports a strong and predictable Emissions Trading Scheme as the primary tool for emissions reductions.
- We are disappointed that revenue, previously hypothecated in the Climate Emergency Response Fund, has been redirected to general spending. The loss of funding support via the Climate Emergency Response Fund and National Resilience Plan means more of this cost will be borne by ratepayers rather than polluters.
- The Government needs to work with local government to develop the final Electrify NZ policy so that it addresses regional council consenting constraints.
- To ensure efficient delivery and uptake of electric vehicles and better public transport we want the Government to replicate the central and local government partnership model used in the ultra-fast broadband rollout.
- Unintended consequences of greater forestry planting need to be carefully managed so they are not irreversibly locked in. To achieve this, the current National Environmental Standards for Commercial Forestry (NES-PF) settings require tightening.
- We encourage the Government to work closely with the WasteMINZ Territorial Authorities Officers' Forum on any options for reducing emissions from waste.
- Councils and communities are at the frontline of climate change mitigation and adaptation and will bear the brunt of its impacts. Government must account for the distributional impact and cost of its climate policies on local government, and where appropriate provide funding.

Introduction

Local Government New Zealand (LGNZ) welcomes the opportunity to submit on *New Zealand's second emissions reduction plan (2026–30): Discussion document (ERP 2)*. Local government has a vital role to play in the transition to a low-emissions, high-value economy and in implementing policies and strategies for meeting our emissions budgets and climate targets. Councils and communities are already taking action to address climate change and are committed to doing more. A strong, reciprocal relationship between local and central government will be critical for New Zealand to reduce net emissions at least cost to New Zealanders, while also adapting to a changing climate.

Councils are key decision makers on land use, urban form, road and transport services, housing, water management (including stormwater, wastewater, and water supply), waste management, flood risk management, and coastal management. The Climate Change Commission acknowledged the vital role of local government in achieving emissions reductions in its advice on the direction of policy for the Government's second emissions reduction plan. Most of the keystone emissions reductions policies in this discussion document will require implementation action by councils, and all of them will impact local government in some way. Despite this, there is no detail on the role of councils in delivering the policies laid out in the discussion document. Councils need clearer direction on their role in the transition and funding and legislative tools to support them to undertake that role.

From reducing barriers to new renewable energy to delivering better public transport, local government can support the Government to maximise the emissions reduction value of every dollar spent. Working with us will enable the Government to situate interventions where they will have the greatest efficacy and influence change at the community level. By making local resources available, streamlining regulatory and consultation processes, and providing local expertise and relationships councils can support Government to deliver an efficient and sustainable transition.

We note that some of our members have expressed concerns about whether this plan fully addresses the risks of not meeting our emissions reduction targets. Some councils have raised the flow on effects for trade and export, including market access, as potential risks to their communities.

LGNZ is well-positioned to support the central government in its work on emissions reductions. We can act as a conduit between central government agencies and councils, develop the policies set out in ERP 2, and provide guidance, technical support, resources, and tools to support climate change action by councils. We encourage the Government to work with us to meet the challenges and opportunities presented by climate change.

Our Submission

System plans

Strengthening the New Zealand Emissions Trading Scheme (NZ ETS)

LGNZ has advocated for a strong and predictable Emissions Trading Scheme (ETS) to serve as New Zealand's primary tool for emissions reduction since 2017. An enduring ETS is more likely to drive the real change needed than rules-based approaches that can be changed at political whim. In principle, we support actions that strengthen the NZ ETS and improve its credibility. We defer to the expertise of other submitters on the relative merit of such actions.

We are disappointed that NZ ETS revenue, previously hypothecated in the Climate Emergency Response Fund, has been redirected to general spending. Reinvesting public revenue from the ETS to mitigate the increased, and regressive, costs from the NZ ETS that are passed on to households or to fund other policies that support emissions reductions or climate adaptation is important to the social acceptance of carbon pricing¹. Hypothecating ETS revenue for these purposes would be consistent with the polluter and exacerbator pay principles. Councils' finances are under pressure across the country, and this will only be exacerbated in the transition to mitigate and adapt to climate change. The loss of support through the Climate Emergency Response Fund and National Resilience Plan means more of this cost will be borne by ratepayers rather than polluters.

Risks of using NZ ETS as the key lever to reduce emissions

Increases in carbon prices and the ability to fully offset emissions through the ETS influence forestry investment decisions and subsequent land-use change. Unintended consequences of greater forestry planting will need to be carefully managed so they are not irreversibly locked in – including impacts on biosecurity, fire risk, rural community resilience, export revenues and employment. The extensive damage caused by woody debris and sediment following Cyclone Gabrielle exemplifies these risks. LGNZ supports the Government's proposal to limit whole-farm conversions to forestry on high-quality land to protect productive farmland. We would also like to see the development of national policy and environmental standards focussed on ensuring the cumulative risk of land instability and natural hazards is properly managed.

We encourage the Government to explore other incentives that could be used to encourage CO₂ removals from forestry, including native forestry. Pathways such as biodiversity credits and nature-based partnerships with local government—such as Jobs for Nature—should be further investigated. The Government should also support regional councils' work on land stabilisation by expanding support provided through programmes such as the Hill Country Erosion Programme.

¹ Baranzini, A., & Carattini, S. (2016). Effectiveness, earmarking and labeling: testing the acceptability of carbon taxes with survey data. *Environmental Economics and Policy Studies*, 19(1), 197–227. <https://doi.org/10.1007/s10018-016-0144-7A>.

How we fund and finance climate mitigation

Policy uncertainty and complexity serve as barriers to green investment. Legislative and policy alignment across government agencies will be necessary to boost private investment in mitigation and adaptation. We agree with the Climate Change Commission that alignment is needed across many pieces of legislation, including the Local Government Act, the Building Act and Code, and the reforms of the Resource Management Act. The currently disjointed transport and urban development planning systems and insufficient funding and financing tools for infrastructure projects also warrant attention. The Government should explore new funding and financing tools, such as project-based financing through local government revenue bonds, to attract private investment.

Sector plans

Energy

LGNZ supports the ambition of the ERP 2 energy sector plan to provide a secure and affordable electricity supply to enable industry, businesses and households to electrify. The Government's policy to enable this through faster and cheaper consents for renewable electricity generation is lacking in detail and engagement with local government consenting bodies. We ask that Government work with us to develop the final Electrify NZ policy to ensure it is implementable.

In its advice on the direction of policy for ERP 2, the Climate Change Commission advised that demand on the consenting system out to 2050 may exceed the system's ability to respond in the short term. To enable faster consents for renewable electricity generation, it is essential that central government work with councils to address resourcing constraints. A crucial element of this will be removing barriers to cost recovery for regional councils for resource management activities. It has been the experience of regional councils, and acknowledged by the Resource Management Review Panel², that the cost recovery mechanisms of the Act are inadequate. This is especially the case in relation to permitted activity monitoring and the investigation of unauthorised activities. Proper cost recovery will address some of the capacity issues that councils will face.

Strong direction should be provided through a consolidated national planning framework, under the new Resource Management system, to ensure that electrification is appropriately planned for and enabled. The Government should also provide clear direction for balancing and resolving conflicts between resource management system outcomes, including between National Policy Statements—such as direction for new renewable generation capacity and the protection and restoration of waterways—that may come into conflict.

² Resource Management Review Panel. (2019). *Transforming the resource management system: Opportunities for Change*. Ministry for the Environment. Retrieved July 29, 2024, from <https://environment.govt.nz/assets/Publications/Files/comprehensive-review-of-the-resource-management-system-opportunities-for-change-issues-and-options-paper.pdf>

To ensure that the appropriate energy infrastructure is located in the right place at the right time, it will be necessary to integrate energy infrastructure planning with other land-use and placemaking decisions and plans. LGNZ strongly believes there is a need for statutory spatial planning that enables this integration. This would involve central and local governments and third parties, such as infrastructure providers, agreeing on shared priorities for regions, areas for growth, areas to avoid development (for example, due to natural hazard risks), and infrastructure and investment needs.

The Government should develop its alternative and future fuels and energy sector policies alongside the development of a replacement Resource Management Act. The Resource Management Act 1991 and other relevant legislation do not currently regulate energy resources such as hydrogen and carbon capture, utilisation and storage. As such, it is unclear how councils would process resource consent applications for these technologies.

Transport

Transport is New Zealand's second largest source of greenhouse gas emissions, accounting for 17% of our total emissions. Decarbonising transport is one of the key levers for reaching our emissions reductions targets and mitigating the impacts of climate change. While some of the policies under the first Emissions Reduction Plan (ERP) have moved our transport emissions in the right direction, we still need a fundamental shift in the way we move people and goods to ensure we reduce the impacts of climate change on our communities.

We support the Government's intention to integrate transport investment with housing and land use planning, to deliver a high-functioning transport system at least cost to New Zealanders. Local government is responsible for a large portion of the funding for transport infrastructure and makes many of the funding and planning decisions that shape cities. Achieving emissions reductions through urban form and transport investment will require stronger coordination between central government and councils.

LGNZ is concerned that the policies outlined in the recently released *Government Policy Statement on land transport 2024* (GPS) fall short in meaningfully contributing to our decarbonisation goals. Climate change mitigation should be retained as a strategic priority for the transport system. We would like to see greater investment in lower emissions approaches, such as in public and active transport.

EV charging infrastructure

We support the Government's goal to enable a network of 10,000 public EV charge points by 2030. Councils' engagement and involvement will be critical to the success of the initiative's rollout. To ensure efficient delivery and uptake, urban design, land use, and placemaking decisions must be considered when planning the EV charger network to ensure that chargers are strategically located.

The successful completion of the Fifth National Government's Ultra-Fast Broadband (UFB) rollout, one of New Zealand's largest infrastructure deployment projects, relied on strong local government support. We want to see the central and local government partnership model used in the UFB rollout applied to EV charging infrastructure. Councils can support the delivery of EV charging infrastructure by making local land and resources available for use, streamlining, and coordinating regulatory processes, and recognising EV charging infrastructure as a strategic initiative for their region or district.

Heavy vehicle decarbonisation

Road maintenance is an ongoing challenge for both the New Zealand Transport Agency (NZTA) and councils. A transformation of the heavy vehicle fleet from combustion to electric will need to consider the additional weight and impacts on road surface conditions of local roads and state highways. When reviewing vehicle dimensions and mass rules, Government must understand the impacts of the weight differential of heavy electric vehicles on the vehicle axle loadings and pavement wear on local roads. NZTA has researched the relationship between vehicle axle loadings and pavement wear on local roads and found that when axle loading is doubled, vehicles do 16 times more damage to roading networks³. While heavy vehicle decarbonisation is of national benefit, it may result in increased road maintenance expenses to councils and more pressure on ratepayers if not appropriately supported by central government.

Aviation and shipping decarbonisation

In line with our position on alternative and future fuels, we ask that the government develop its aviation and shipping decarbonisation policies alongside the replacement Resource Management Act. As major shareholders in port and airport infrastructure and as consenting bodies, councils should be engaged in regulatory reform.

Public transport

While we support the Government's commitment in ERP 2 to invest in major public transport projects, we would like to see this expanded to include a greater range of urban centres. Notably, no projects in the South Island are included in the proposed list. While some councils have been able to access funding through past CERF investments and the *Government Policy Statement on Land Transport*, to deliver and optimise public transport networks, significant investment in councils will be needed to deliver on the Government's objectives. Some of our members have raised that they would like to see an increase in funding to Kiwirail to reduce the cost of road maintenance.

Realising the benefits of a reliable and accessible public transport system that delivers emissions reductions will require close collaboration between local and central government. Public transport investment planning must be integrated with housing and land use planning. This will be crucial to maximising efficiency and delivering a high-functioning transport system at least cost to New Zealanders. We encourage central government to work with councils and LGNZ as public transport investment and policy are being developed.

Introducing public transport presents real challenges for rural communities and is not yet viable in many locations. The public transport investment system needs to be flexible enough to allow local communities to develop solutions that work for them in their place. For example, the Government should support rural public transport alternatives such as mini-vans or on-demand services.

³ Arnold, G, D Alabaster, T Henning, A Fussell, F Greenslade and R Craw (2017) The relationship between vehicle axle loadings and pavement wear on local roads. *NZ Transport Agency research report 603*. NZ Transport Agency. Retrieved 29 July 2024, from <https://www.nzta.govt.nz/assets/resources/603/RR-603-The-relationship-between-vehicle-axle-loadings-and-pavement-wear2.pdf>

Agriculture

There are diverse views across councils on the approach to agricultural emissions, how best to reduce agricultural emissions and the role technology will play in achieving reductions. The Government should engage with councils as it's finalising its policies and approaches regarding agricultural emissions to better understand the effects of its approaches on rural communities.

Forestry and wood processing

As set out in our comment on the risks associated with the NZ ETS, unintended consequences relating to incentives for greater forestry planting will need to be carefully managed. Managing these risks will require significant local government and industry engagement. Councils hold comprehensive mapping data and information that will be essential in making decisions around where forestry should be enabled, and what forestry types are most conducive with achieving broader environmental outcomes – including increasing biodiversity and land stabilisation.

With consideration of wider environmental outcomes, not all offsets are equal. We agree with the point raised by Te Uru Kahika in their submission on the draft advice for ERP 2 that permanent native forests not only sequester carbon but can also improve our indigenous biodiversity. In conjunction with partnering with the private sector to plant trees, the Government should work with councils to deliver native forestry by replicating the success of programmes such as Jobs for Nature and the Hill Country Erosion Programme.

LGNZ considers that the current National Environmental Standards for Commercial Forestry (NES-PF) settings require tightening in order to better regulate the land uses that are contributing to and causing woody debris and sediment discharge. [Our submission](#) on the Ministerial Inquiry into Land-Use sets out several possible amendments. Our recommendations include:

- Amend the NES-PF to extend its scope, shift its focus and improve underlying data
- Provide more direction for local authorities, as well as increased flexibility for local authorities to regulate forestry activities beyond the limitations created by the NES-PF
- Develop an integrated set of national policy and environmental standards focussed on ensuring the cumulative risk of land instability and natural hazards is properly managed
- Require that a forest management plan is developed for all forest operations. This plan must be compliant with an amended NES-PF.

Boosting wood processing

The Government's policy to improve the resource consenting framework for wood processing lacks detail and engagement with local government consenting bodies. Given the challenges facing the consenting system, the Government should work with us to develop the final wood processing policy to ensure it is implementable.

Non-forestry removals

LGNZ defers to others' expertise as to the merits of including non-forestry removals in the NZ ETS, but we encourage the Government to ensure a robust scientific approach to validating carbon sequestration.

Removal activities such as the restoration of wetlands and peatlands will require central government to work with councils and needs to be integrated with other land use decisions. The Resource Management Act 1991 and other relevant legislation do not currently regulate removal technologies such as carbon capture, utilisation and storage. As such, it is unclear how councils would process resource consent applications for these technologies.

Waste

LGNZ welcomes the proposal in ERP 2 to engage with the waste industry on the disposal and management of organic waste streams into landfills. Noting that territorial authorities own most municipal landfills, we encourage the Government to work closely with the WasteMINZ Territorial Authorities Officers' Forum on progressing any options for reducing emissions from waste. We acknowledge that local government is only partially responsible for collecting waste. Therefore, we recommend that the Government consider supporting partnerships between local government, the private sector and the community to reduce waste emissions.

LGNZ supports the proposed use of the Waste Minimisation Fund (WMF) to reduce the pressure and cost of local government to develop waste infrastructure. A recently released [NZIER report](#) commissioned by LGNZ found that funding provided through the WMF had largely offset the cost of central government standards outlined in the Waste Minimisation Act 2008 for councils (after the cost of staff). LGNZ supports this approach of central government providing funding where it has mandated activities or where there are national benefits. This approach should be extended to any future waste management requirements including landfill gas capture.

Managing distributional impacts

Councils and communities are at the frontline of climate change mitigation and adaptation and will bear the brunt of its impacts. In the face of increasing severe weather events, ratepayers are faced with the cost of failing infrastructure and councils are grappling with the issue of who pays for adaptation action. The actions laid out in the ERP 2 discussion document will come at a huge cost to local government. Ratepayers and councils are under immense pressure which will only be exacerbated by climate change.

Government must account for the distributional impact and cost of its climate policies on local government, and where appropriate provide funding. As part of the mitigation strategy, government should work with LGNZ to develop tools to support pressured councils and ratepayers. Policies such as a national rates postponement programme, increased thresholds and funding for the rates rebate scheme, and equalisation payments should be on the table.

Other points

- The discussion document does not mention the role of urban planning or housing intensification in achieving emissions reductions. Urban form will have a significant role to play in climate mitigation and adaptation. Economies of scale delivered by density can bring

down the cost of public transport provision for councils, reduce the emissions associated with the provision of infrastructure caused by sprawl, and support the uptake of active modes. However, new infrastructure to support housing growth imposes costs on existing ratepayers, disincentivising councils from consenting new housing. We encourage the government to work with LGNZ in the development of its council housing incentives.

- We think ERP 2 should be clearer about the need for the second ERP to delegate specific actions, accountabilities and methods for evaluation. The first ERP assumed many actions like congestion charging, integrated land-use planning or issuing building consents would be delivered, supported or enabled by local government without clear delegation, resourcing or processes for engagement.

Conclusion

While LGNZ supports the intent of many of the policies in the discussion document, we are concerned by the lack of acknowledgement or detail regarding the role of councils in delivering them. We want the Government to address this in the final ERP 2. Failure to align local and central government will add cost and inefficiency to the transition to net zero.

If you would like to engage further on this submission please contact Liam Doyle, Senior Policy and Advocacy Advisor at liam.doyle@lgnz.co.nz