



## Forestry rates with Productivity Commission

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### 10 big ideas on 'decarbonisation' from the Productivity Commission

Last week the Productivity Commission released a draft report for consultation. The focus is on how New Zealand can meet the government's goal of achieving a net-zero emissions economy by 2050. The report also looks at the goal of reducing emissions by 30 percent on 2005 levels by 2030, as required by the country's National Determined Commitment under the 2016 Paris global climate change accord.

Here are 10 of the commission's biggest ideas from that report:

1/ Boiled down, New Zealand can reach net-zero carbon emissions by 2050 from driving hard on two simple goals:

- a) Convert the transport fleet to electricity quickly, followed by industrial heat; and
- b) Plant trees at a rate not seen since the early 1990s, and keep on doing so for years to come;

2/ Don't get too hung up on reducing methane emissions from cows and sheep. While it's a powerfully warming gas, methane is also short-lived and as yet there are only limited fixes for the way animals digest food. Agricultural greenhouse gases have to come into the emissions trading scheme immediately, but the aim should be to stabilise rather than reduce methane and keep the focus on reducing nitrous oxide emissions from farming, where better technological answers exist;

3/ Stop making Fonterra take milk it doesn't want to process. Current regulations require the dairy co-op to take any milk it's offered. With industrial heat for food processing one of the biggest users of gas and coal in the manufacturing sector, the current rules are pushing up carbon emissions for activity that Fonterra doesn't even want to undertake;

4/ Don't make foreign investors in forestry process wood here. What New Zealand needs to meet its carbon targets is more trees, and fast. That requires more investors. Putting roadblocks in their way will only make the carbon targets harder to reach. This is actually already accepted. The recommendation was removed from the draft report yesterday ahead of its release this morning after advice from the Treasury on forestry treatment under new ownership rules;

5/ Introduce "freebates" for electric vehicles to encourage people to replace their petrol and diesel cars. Keep an eye on hydrogen as a fuel for trucking;

6/ Ban clunkers. In other words, impose stringent, new exhaust emissions standards for all cars coming into the country, especially used cars. New Zealand is behind most of the developed world by having no such standards and risks becoming a "dumping ground" for old cars as other countries increase their standards;

7/ Keep fossil fuels in the electricity system. Yes. Really. Even as the electricity system moves towards 100 percent renewable, there will still be a small place for gas (or coal, if we run out of gas) to meet demand when the hydro lakes are empty and the wind doesn't blow. The alternative is much more expensive electricity;

8/ Don't pick winners as electricity generation and storage technology improves and becomes more affordable. The commission expects solar power, batteries and highly localised renewable generation to grow fast, but would rather see that happen by ensuring electricity market regulation gives consumers control, rather than subsidising outcomes in an area where costs, technology and opportunity are evolving rapidly and unpredictably;

9/ Don't make poor people subsidise emissions-reducing technologies that wealthier people can afford (see 8 above).

10/ Reorient the national science and innovation system to a driving focus on low emissions technologies. To reach

carbon neutrality by 2050 may require carbon to cost \$250 a tonne – more than 10 times what it does today. That will drive commercial opportunities as consumers and industry move to avoid that cost and there will be demand for the products that allow them to do so.

*Source: Patrick Smellie, BusinessDesk*