

Memo

28 March 2017

To: Environment and Community Committee

Cc: Jacques Victor, General Manager, Auckland Plan, Strategy & Research
Jim Quinn, Chief of Strategy

From: John Mauro, Chief Sustainability Officer

Subject: Recently Released OECD and Vivid Economics Reports

1. Purpose

This memo provides an overview of two climate-related reports launched last week, the OECD Environmental Performance Review for New Zealand and the Vivid Economics Net Zero in New Zealand report, and briefly discusses potential implications for Auckland.

2. Background

This memo builds off the Governing Body report from 15 December 2016 and previous reports to this committee, outlining our C40 Cities membership status and a report back from the Mayors Summit in Mexico City.

Regional greenhouse gas emissions targets are embedded in the Auckland Plan and the Energy Resilience and Low Carbon Auckland action plan provides a roadmap to achieve those targets. A second Annual Implementation Report was launched in December 2016 (<http://tinyurl.com/LowCarbonAk>).

The C40 and Arup Deadline 2020 report (http://www.c40.org/other/deadline_2020) suggests that cities like Auckland lead the way and, together, can deliver 40% of the Paris Agreement. The remaining 60% is largely in the purview of central governments and there is increasing support and urgency for better local/national collaboration to achieve international commitments and to deliver local and national outcomes and co-benefits.

This was precisely the theme of the recent Auckland Conversations event “Stepping Up Our Climate Game” a facilitated discussion with representation from business, central and local governments and civil society (<https://conversations.aucklandcouncil.govt.nz/events/stepping-our-climate-game-climate-solutions-cities-action>). This was also the theme of the most recent Auckland Sustainability Quarterly which summarises the Deadline 2020 report (www.tinyurl.com/ASQSummer17). Finally, this was also the topic of a recent workshop discussion on 8 March between the Chief Sustainability Office, the Auckland Policy Office and C40 Cities.

3. OECD Report Summary

The OECD 2017 New Zealand Environmental Performance Review (EPR) looks at New Zealand’s progress toward sustainable development and select environmental objectives, and makes 50 recommendations to help New Zealand make progress toward its objectives and international commitments.

A broad and comprehensive review, the EPR suggests that NZ's growth model, focusing on primary product exports, has started to bump up against environmental limitations with increased greenhouse gas emissions, freshwater pollution and biodiversity threats.

The Honorable Simon Upton, OECD environment director, noted that NZ's growth model is reaching capacity – that while GDP is growing, GDP per capita is flat to declining. The historic approach of adding residents, cows and visitors, he said, will not continue to work unless productivity improves and becomes the focus.

The EPR therefore makes six high-level observations/suggestions:

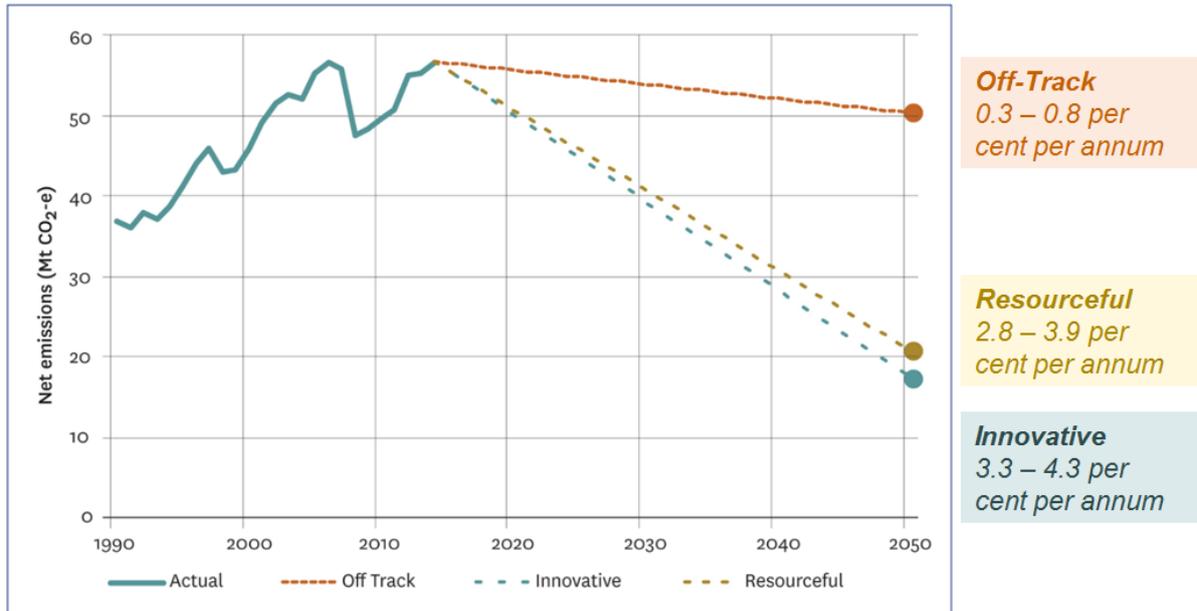
- New Zealand needs a long-term vision to transition to a low carbon, green economy
- The Resource Management Act, while comprehensive, needs better coherence
- National freshwater policy reform needs quick implementation
- Water management would do well to expand economic instruments to deliver better water quality, quantity and cost effectiveness
- Pressure on urban areas like Auckland require new and more systematic use of instruments like road pricing and development charges to deliver better outcomes
- Delivering better coordinated compact quality urban form, housing, and public transport accessibility requires breakthroughs in better governance – referencing Auckland's amalgamation as a step in the right direction.

The full 252-page report is available at http://www.oecd-ilibrary.org/environment/oecd-environmental-performance-reviews-new-zealand-2017_9789264268203-en.

4. Vivid Economics Report Summary

The Net Zero in New Zealand Report from Vivid Economics (Vivid Report) was commissioned by Globe-NZ, a cross-party group of 35 New Zealand MPs. The Vivid Report presents alternative 2050 scenarios for New Zealand's transformation toward a low emission economy in line with NZ's obligations under the Paris Agreement. The main scenarios include:

- *Innovative NZ*: assumes quicker and more cost-effective technological development (e.g., cost reductions for electric freight, electric heating for high temperature applications) and a shift from pastoral agriculture (e.g., 20-35 per cent fewer animal numbers and greater horticulture, crops and afforestation)
- *Resourceful NZ*: assumes greater afforestation in lieu of rapid technological development beyond the decarbonisation in the Off Track NZ scenario below
- *Off Track NZ*: like those above, assumes a move toward a 100% renewable grid and substantial electrification of vehicle fleets, but with current land uses and technology



Emission reductions are reported on a net-to-net basis, compared to 2014 – the most recent data for emissions – as this represents, in the authors' view, the most transparent and easy-to-understand metric for assessing the extent of change from 2014 emissions and progress towards a net zero goal.

From Vivid Economics Report, available at <http://www.vivideconomics.com/publications/net-zero-in-new-zealand>

The report suggests a number of policy recommendations, including but not limited to:

- Government should align emissions prices and policy with the objectives of the Paris Agreement and look beyond the Emissions Trading Scheme to address other market failures and barriers
- New Zealand should better explore collaborative cross-sector research given New Zealand's promising potential to contribute further to global low emission R&D efforts
- Political parties should actively seek common agreement on climate policy for better coherence and predictability; policy should be more holistic with broad stakeholder engagement in policy design including meaningful consultation with iwi and hapū
- Government should investigate the potential for independent institutions (e.g., the UK's Committee on Climate Change) to develop coherent national climate policy and broader citizen engagement
- New Zealand should upgrade the evidence base to support better low carbon planning and better understand and address distributional implications and policy responses to mitigate potential negative impacts

5. Implications for Auckland and Suggested Next Steps

The recent reports help advance interagency collaboration and public discourse on the need to accelerate our commitments to a prosperous, climate-safe future. The reports also reflect a need for Auckland Council to double down on policy alignment and collaboration with central government to mitigate associated risks and deliver on myriad co-benefits.

Three near-term implications for Auckland Council:

- *Smarter and more integrated infrastructure decisions for a more resilient Auckland*

The future Auckland and NZ is being built right now, with decisions now that will have impacts for many years to come. Given the prohibitive economic and social costs of getting big decisions wrong and of city-scale retrofits, we need to consider the longer term risks, costs and impacts of *not* future-proofing urban regeneration and development, making climate resilience a core tenet of business as usual.

→ *Suggested next step:* while continuing to advance a range of current resilience-related activities (e.g., New Lynn investigation, 3 Waters Review, Natural Hazard Risk Management Action Plan, CDEM Group Plan, Auckland Plan refresh), work in partnership to look more holistically at knowledge gaps, investigate and evaluate our risks and vulnerabilities, and identify and deliver climate resilient actions and decision-making across the organisation and CCOs. This will provide the evidence to support what may be difficult decisions (e.g., in some instances discontinuing some activities), focussing on priorities to deliver greater resilience to the impacts of climate change.

- *Better accounting for/inclusion of natural capital in decision-making*

The OECD report suggests that natural capital accounting can result in better decisions and outcomes. This mirrors the approach advocated within the New Zealand Treasury's Living Standards Framework. Integrating natural capital accounting in decision making allows us to: better recognise and enhance the additional benefits delivered by natural capital assets (our waterways, our forests our rural areas etc.) like increased security of supply chains and improved resilience to natural hazards; develop a deeper understanding of the breadth of risks that our degrading natural environment presents to Auckland's economy and society, provide better and broader access to financial capital given changing investment risk profiles and increasing investor focus on organisational value generation across integrated (natural, social, cultural, manufactured, intellectual and financial) capitals; and, for businesses, competitive advantage. It would also help us make smarter and more integrated infrastructure decisions as stated in the first bullet point.

→ *Suggested next steps:* Engage with the organisation and CCOs to map and measure natural capital inputs, consider how likely ecosystem services and natural capital may fail to meet our future needs (and/or could interrupt the flow of goods and services), and start to build it into decision making as normal practice.

Work with Treasury on their proposed stock take of natural capitals and further development of the Living Standards Framework. Consider beyond natural and financial capital, too, as there are likely opportunities to weave in valuation of other capitals (e.g., social, cultural, manufactured, intellectual) as well.

- *Proactive collaboration on climate policy alignment*

The reports and recent related events call out for a proactive, productive and sustained collaboration with central government on climate policy alignment.

→ *Suggested next step:* prepare a summary review of existing and desired climate-related policies with a particular focus on delivering on Low Carbon Auckland to help align our own internal cross-council and CCO priorities and approaches, feed in to our engagement with and support from C40 Cities, and inform ongoing dialogue and policy alignment with central government. The review should, among other things, focus on integrated infrastructure decisions and better accounting for/inclusion of natural capital in decision-making as per the previous two bullet points.