

Zero Carbon Act: now is the time for business to engage

June 2018

Speed Read

The Government has [launched](#) a 6-week public consultation on the Zero Carbon Bill. This proposed climate change law will lock-in a legally-binding 'zero carbon' target by 2050 and set New Zealand on a path of transformative economic change.



This is massive for business. Internationally most businesses support the model but some strongly oppose (we'll say why in an upcoming article).

As well as reaching out for support from industry, the Government is looking to develop political consensus with the Opposition to get behind this climate change framework. Last week, Simon Bridges [confirmed](#) that National supports the establishment of an independent Climate Commission but is not yet sold on other aspects of the proposed Bill.

But what exactly is the Zero Carbon Act, and how will it work? Why is a petrol retailer ([Z Energy](#)) and an agricultural industry group ([DairyNZ](#)) supporting the idea of a Zero Carbon Act-style law? And why the drive for it to be bipartisan? What's the point?

Based on the UK's Climate Change Act 2008, the Zero Carbon Act is premised on long-term thinking, clear signals, and certainty for business. The UK Act was passed with only 3 MPs dissenting. However, there are several tough questions around how the UK model will be made to work in a New Zealand context. We'll be delving into these questions in more detail in future articles.

The Detail

In his [first report](#) as Parliamentary Commissioner for the Environment (PCE), ex-National Party Minister Simon Upton endorsed and called on Parliament to build cross-party consensus in support of a Zero Carbon Act. The PCE's report followed a [statement of intent](#) from Climate Change Minister James Shaw, to strip all the politics out of the Government's flagship climate change law. A 6-week public consultation for the Zero Carbon Bill is currently underway, with a succession of town hall meetings being rolled out by the Ministry for the Environment.

What is the Zero Carbon Act?

The proposed Zero Carbon Act is modelled on the UK's Climate Change Act 2008. First championed by the Conservative Party, the UK Act passed through the House of Commons with only 3 (out of over 460) MPs dissenting at its final reading. The Act received wide support from the UK business sector, particularly from investors and insurers.

Zero Carbon Act:
now is the time for
business to engage

Mirroring the UK model, the proposed Zero Carbon Act will establish:

1. a long-term target of 'zero carbon' by 2050, and legally-binding interim targets called 'emission budgets';
2. an independent Climate Commission to advise and hold the government to account; and
3. a process for preparing long-term policy plans to meet the emission budget targets.

Why are many businesses supportive of the UK climate model?

Through the Paris Agreement, the world has largely committed to combatting climate change by reducing global greenhouse gas emissions to 'net zero'. The worldwide shift towards fossil fuel independence continues its incremental march onwards. In the US, for example, despite Trump spurning the Paris Agreement, solar power now employs more people in electricity generation than oil, coal and gas combined.

Every country is responsible for undertaking their own emission reduction transition, and the Zero Carbon Act will be the cornerstone of New Zealand's shift to a low emission economy, which the [Productivity Commission](#) has described as follows:

"... the shift from the old economy to a new, low-emissions, economy will be profound and widespread, transforming land use, the energy system, production methods and technology, regulatory frameworks and institutions, and business and political culture."

The central premise of the Zero Carbon Act is that a forward-thinking and managed approach will put New Zealand businesses in a better position to embrace the opportunities and co-benefits created by this transition. Clear signals, long-term certainty and holistic planning will, many maintain, be crucial, as recognised in DairyNZ's [submission](#) in support of the UK model:

"The dairy industry, alongside other industry sectors, and New Zealand's wider economy, require policy certainty and clarity on what each sector's role in supporting New Zealand's transition to a lower emissions future looks like. Providing this certainty and highlighting the co-benefits which exist for the economy, the environment, including water quality and biodiversity, and the community will help incentivise on-farm action."

The Zero Carbon Act is designed to deliver these signals through, for example, setting legally binding emission budgets and economy-wide policy plans up to 10-15 years before they take effect. This long-term focus is intended to maximise certainty and minimise surprises. Planning ahead will encourage businesses to take up low emission opportunities, invest with confidence, and understand what the transition will mean for them going forward.

Why cross-party support?

The requirement for policy plans to meet the Zero Carbon Act's clear and overarching policy direction will also promote transparency and government accountability, while helping to circumvent the political short-termism and party bickering which has plagued emission reduction efforts to date.

Zero Carbon Act:
now is the time for
business to engage

Much of the long-term success of this project, and the resulting gains for business, will be contingent on the National Party's appetite to sign on. The National Party [supports](#) the establishment of an independent Climate Commission, and Simon Bridges has signalled a willingness to engage with Government around other aspects of the Bill.

What happens from here?

Obviously New Zealand cannot simply copy-and-paste the UK's Climate Change Act – it must be adapted for a New Zealand context. Key issues to consider include, for example, the nature of the 'zero carbon' target, the powers of the Climate Commission, and the accountability and transparency mechanisms which will promote long-term clarity and certainty.

It is said that, if we get it right, adopting the UK model in New Zealand could be the difference between a smooth, managed transition to a low emission future, and a pathway riddled by short-term thinking and costly inefficiencies, unrealised opportunity, stranded assets, and unnecessary disruption.

There are big question marks, however, around what 'getting it right' looks like. One of the biggest issues is what the 'right' target means in a New Zealand context, and defining what's meant by 'zero carbon'. We'll be exploring this question further in our later articles.

Zero Carbon Act timeline:

- **April:** [Appointment](#) of interim Climate Commission, and [draft report](#) from the Productivity Commission's low emission inquiry (instigated by the prior National Government)
- **June-July:** Public consultation, including release of the Government's economic evidence base
- **August-October:** Recommendations to Cabinet, and Zero Carbon Bill introduced to the House

Public consultation on the Zero Carbon Bill is [now live](#). This is the time to engage in the conversation.

Wigley+Company

PO Box 10842

Level 6/23 Waring Taylor Street, Wellington

T +64(4) 472 3023 E info@wigleylaw.com

www.wigleylaw.com

We welcome your feedback on this article and any enquiries in relation to its contents. This article is intended to provide a summary of the material covered and does not constitute legal advice. We can provide specialist legal advice on the full range of matters contained in this article.