



An inquiry into New Zealand's transition to a low-emissions economy

2 May 2018

What is the inquiry about?

The Government asked the Productivity Commission to identify options for how New Zealand can reduce its domestic greenhouse gas emissions through a transition to a low-emissions economy, while at the same time continuing to grow income and wellbeing.

What does the new Government want?

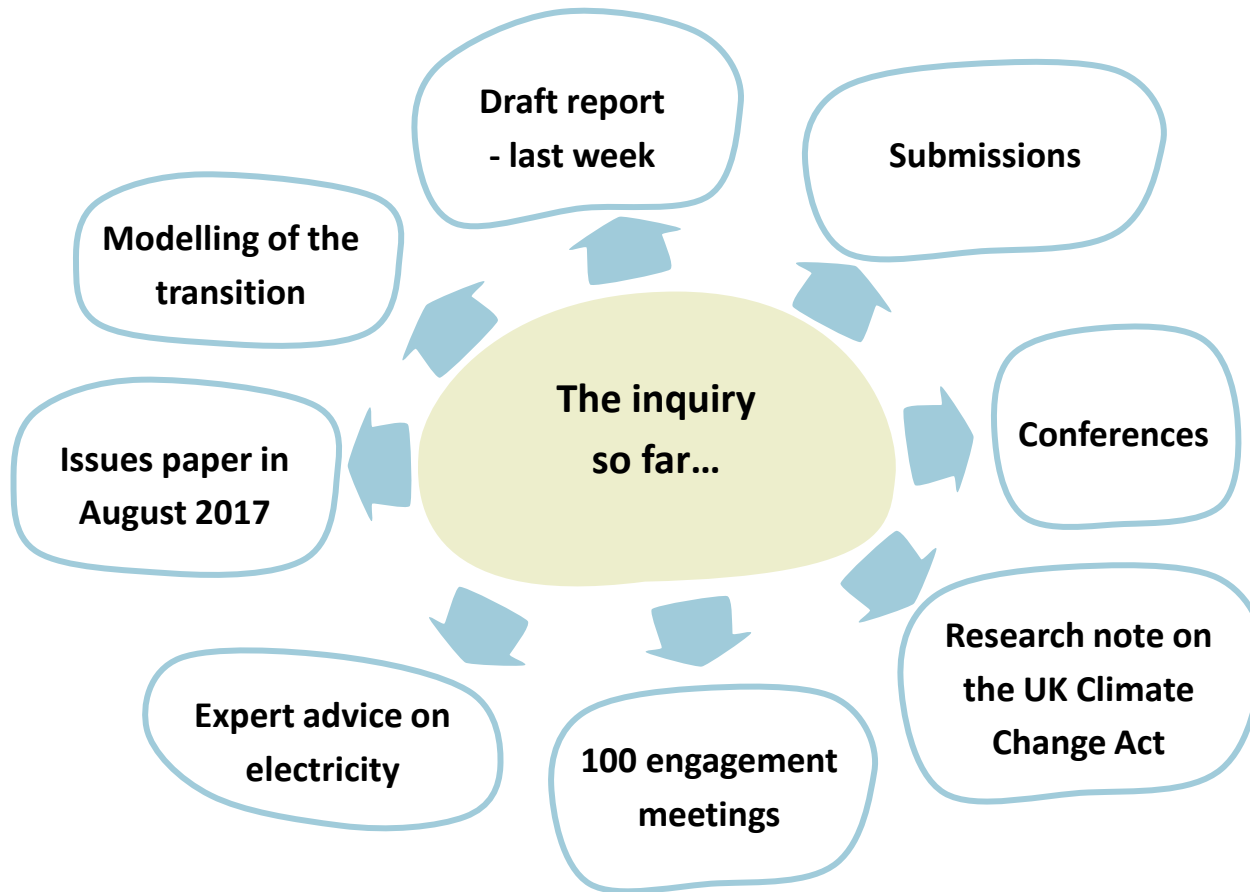
- For the inquiry to carry on!
- Letter from Hon James Shaw, Minister of Climate Change



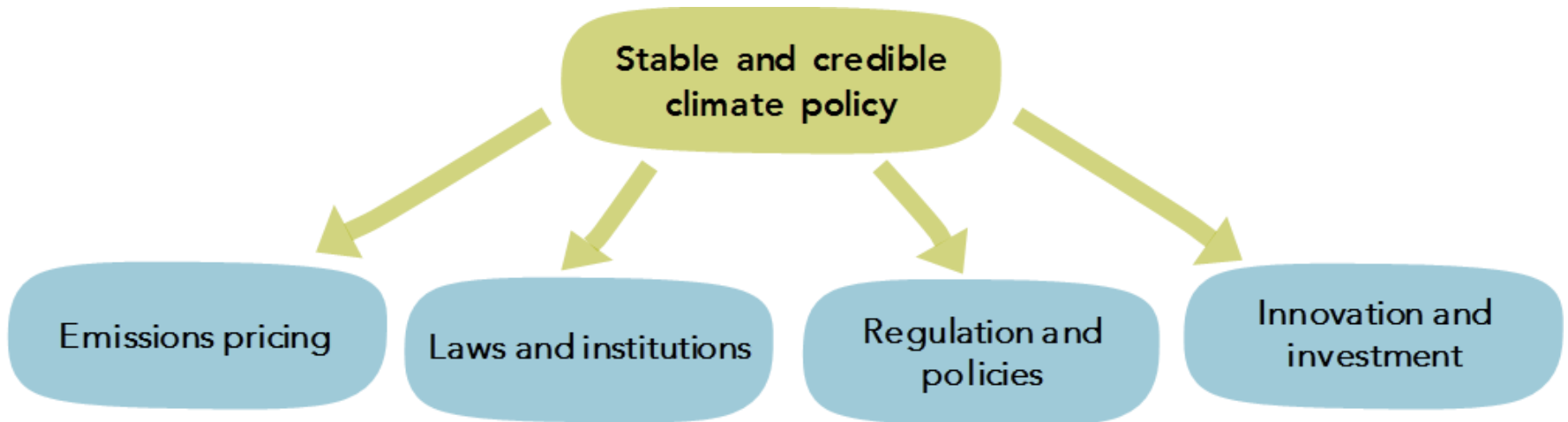
“While the Government is yet to define the ... emissions target for 2050, it would be helpful for the Commission to take into consideration the Government’s intention to set a more ambitious emissions target for 2050. This may include setting a zero net emissions target for 2050.”

“I encourage your inquiry to consider the full range of potential benefits and opportunities which might arise from New Zealand taking the global lead on reducing emissions.”

What have we done so far?



Achieving a low-emissions economy



Four pillars for stable climate policy

Emissions pricing

- Reform the structure of the NZ ETS, (eg, through setting yearly caps)
- Increase the coverage of the NZ ETS (eg, including agriculture)

Laws & institutions

- New climate legislation, with emission budgets and a long-term target
- A new independent Climate Commission

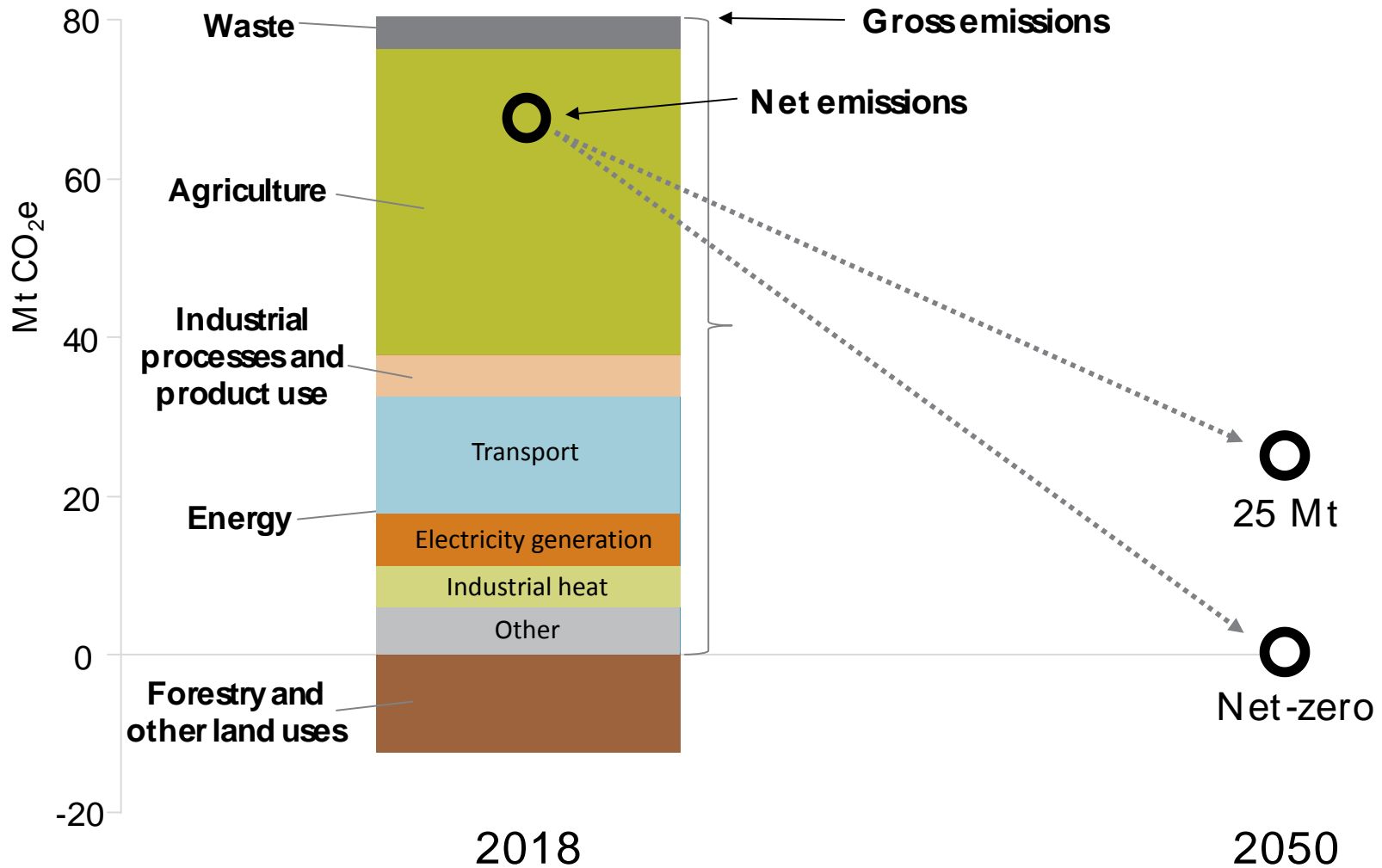
Regulation & policies

- Use prices (eg, feebate scheme for transport)
- Regulatory change, eg in electricity distribution

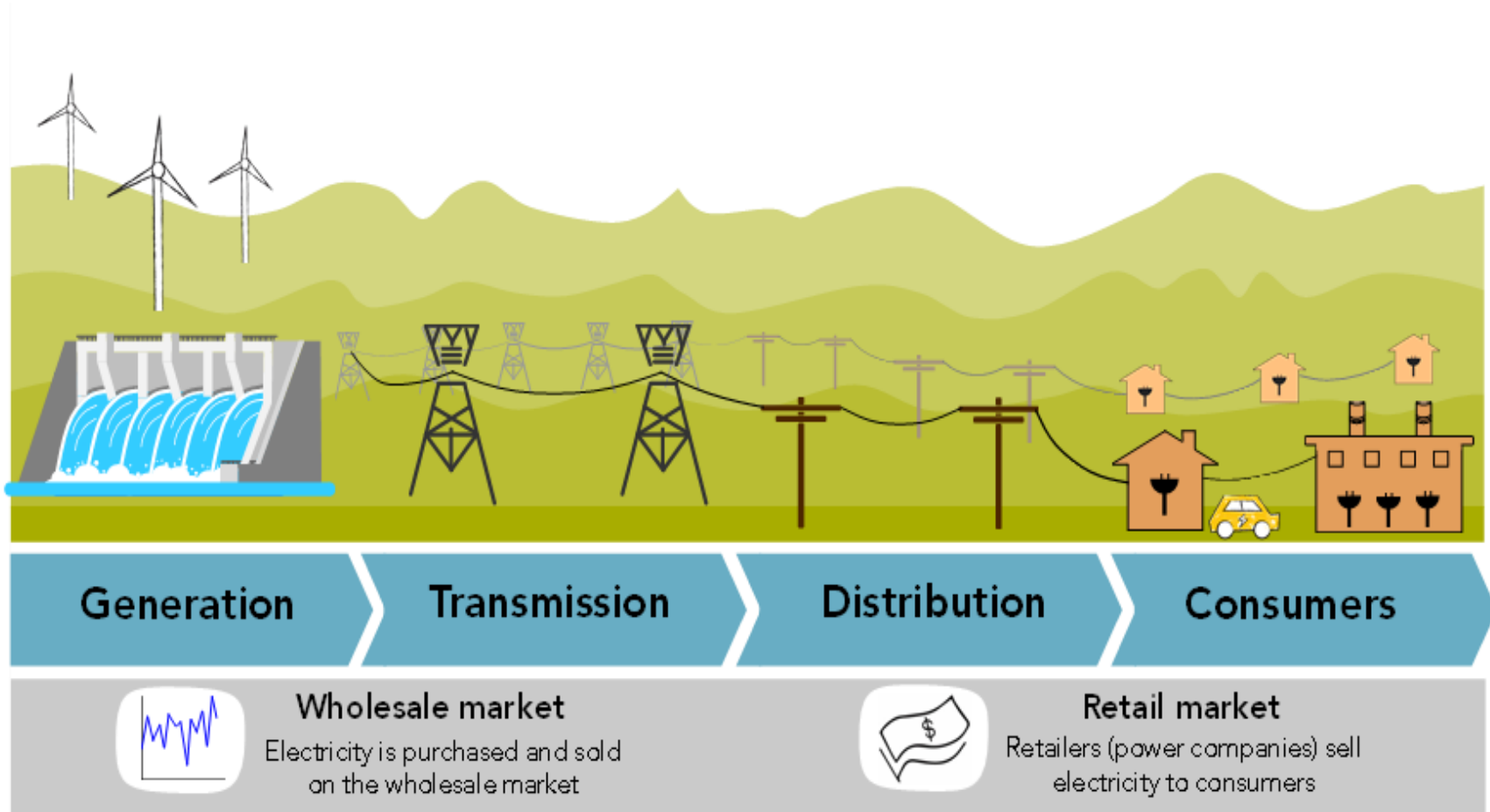
Innovation & investment

- Gear up innovation for clean technologies
- Promote low-emissions investments (eg, mandate financial disclosure of climate risks)

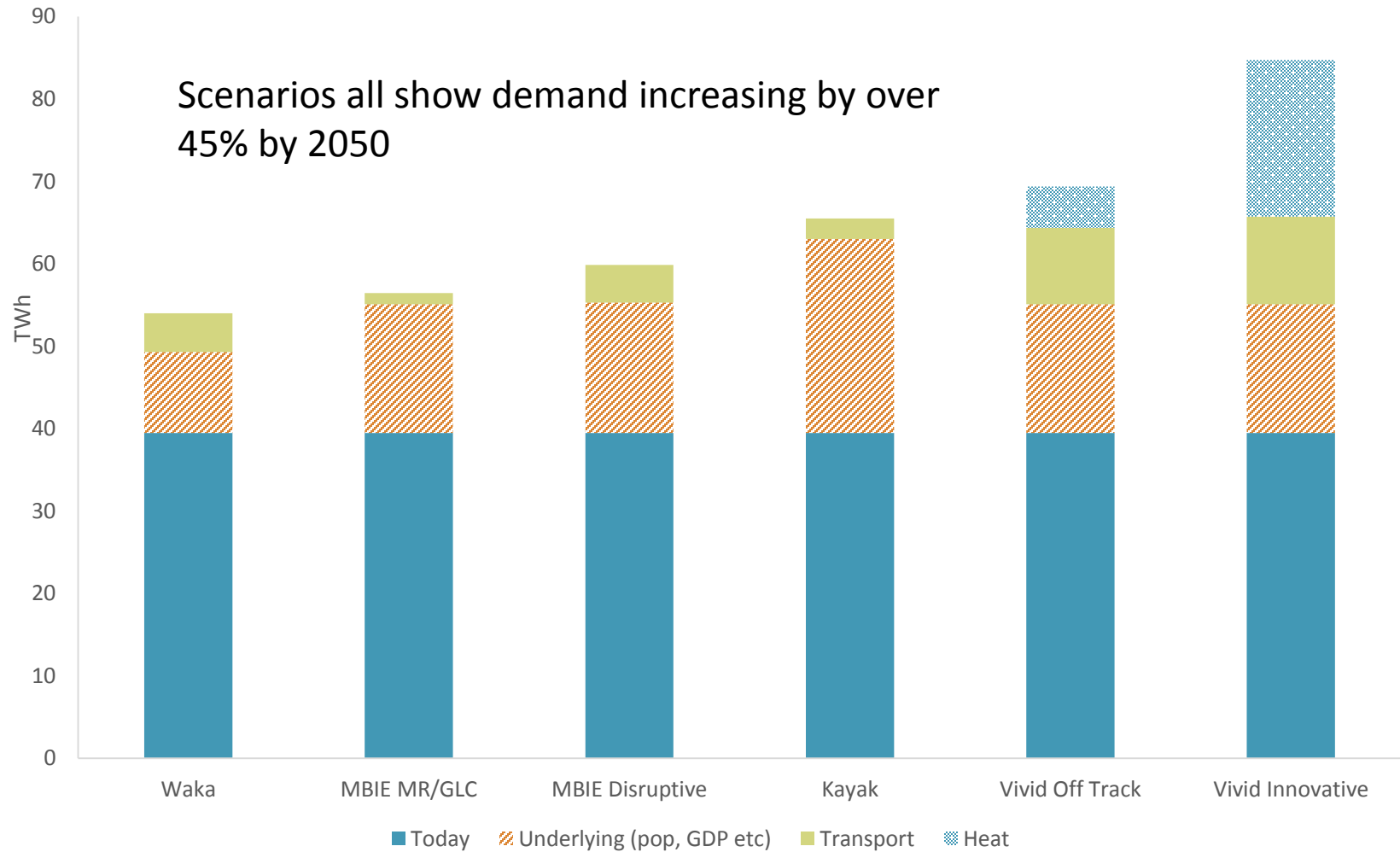
NZ's challenge to get to net-zero emissions



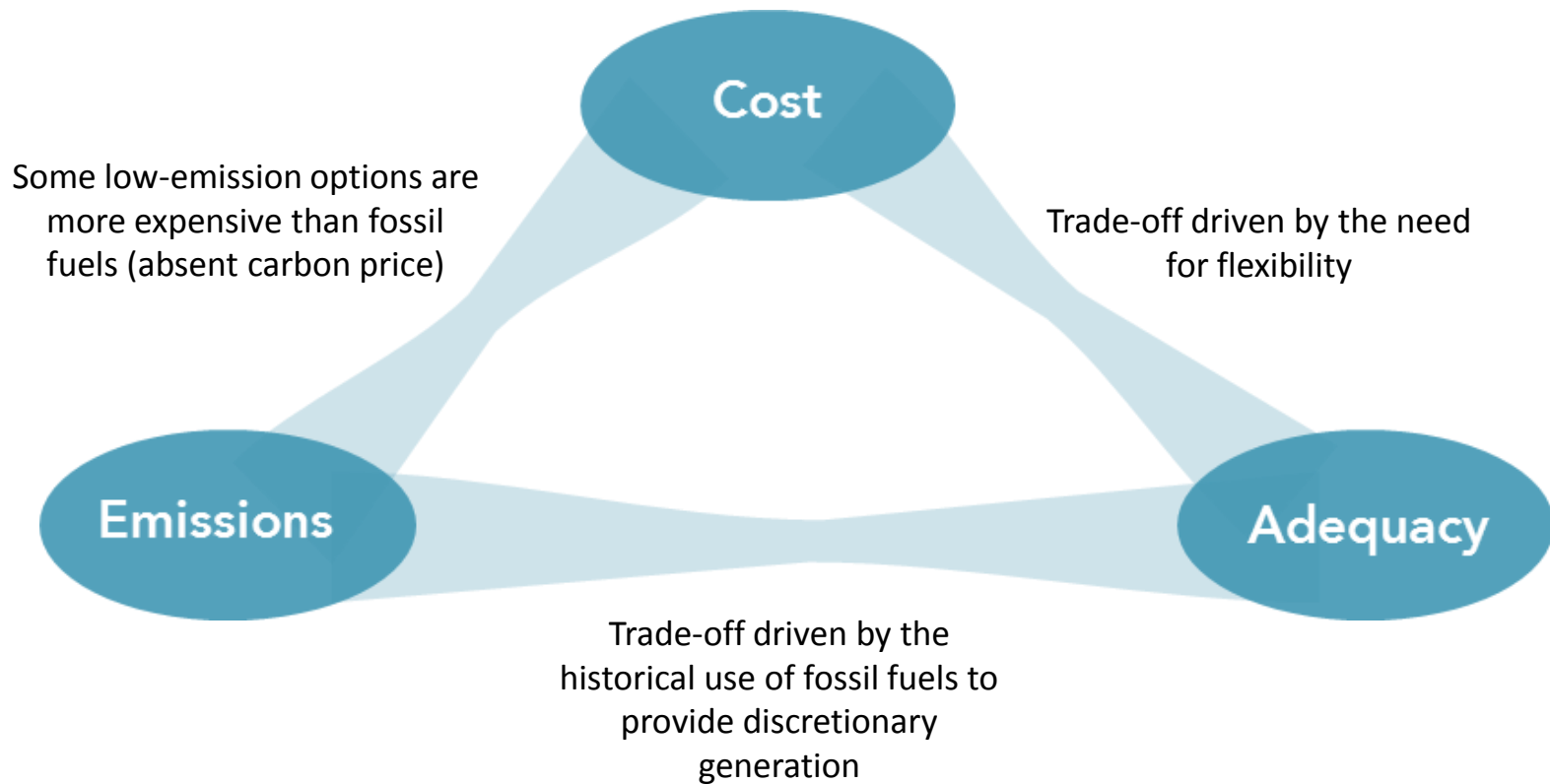
Electricity is key, and capacity will need to expand a lot



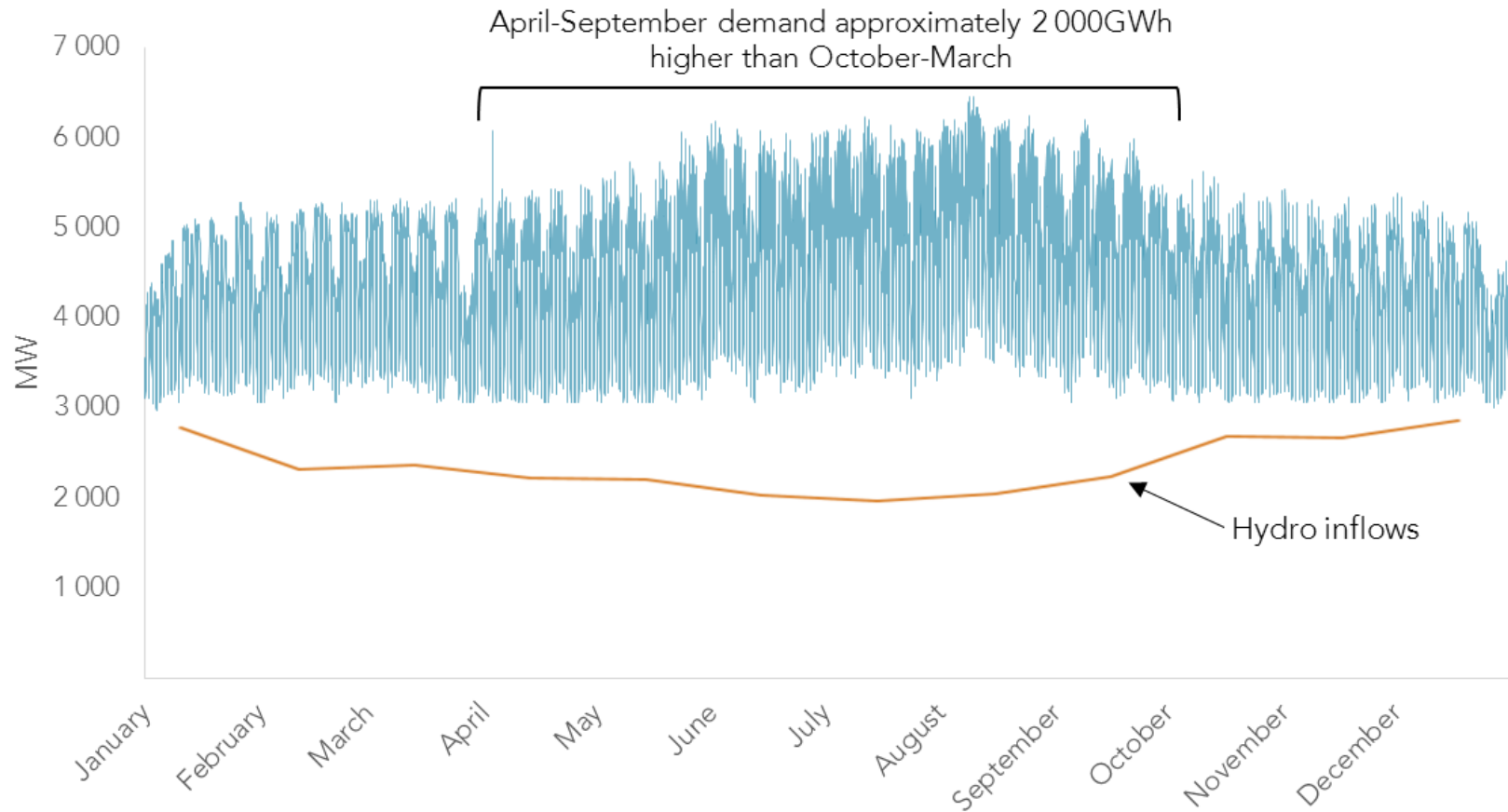
Demand for electricity will increase



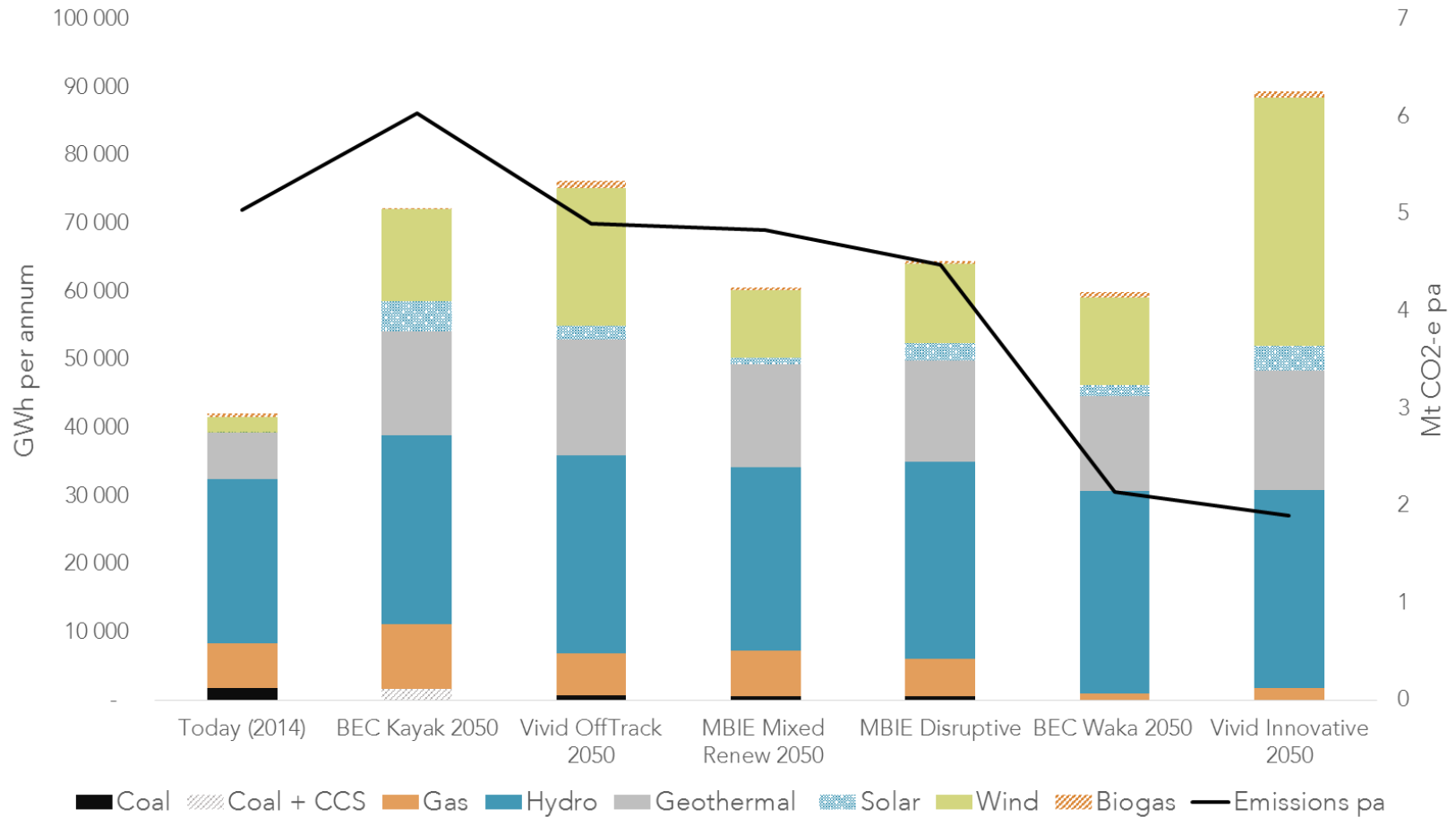
The emissions, cost and security of supply trade-off



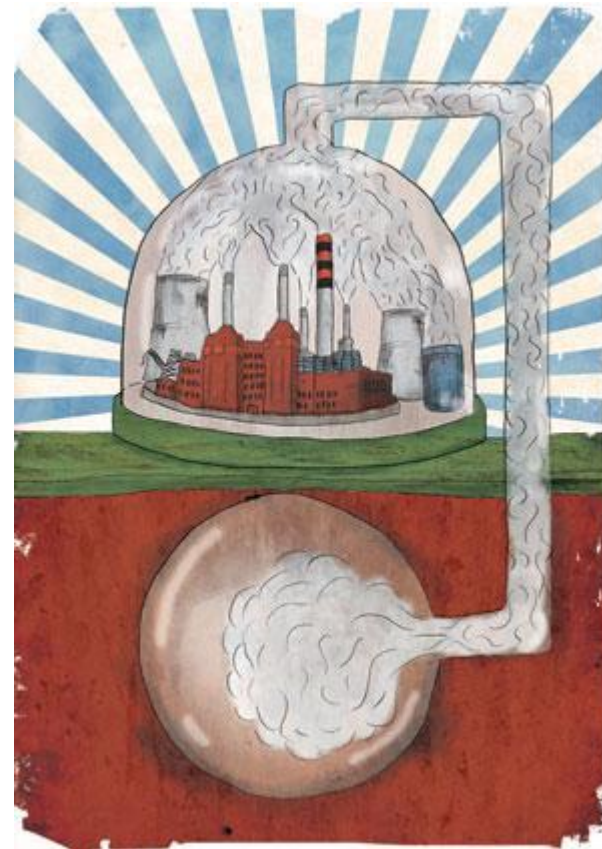
Back-up capacity for dry years is crucial



Wind will likely be a major player ...



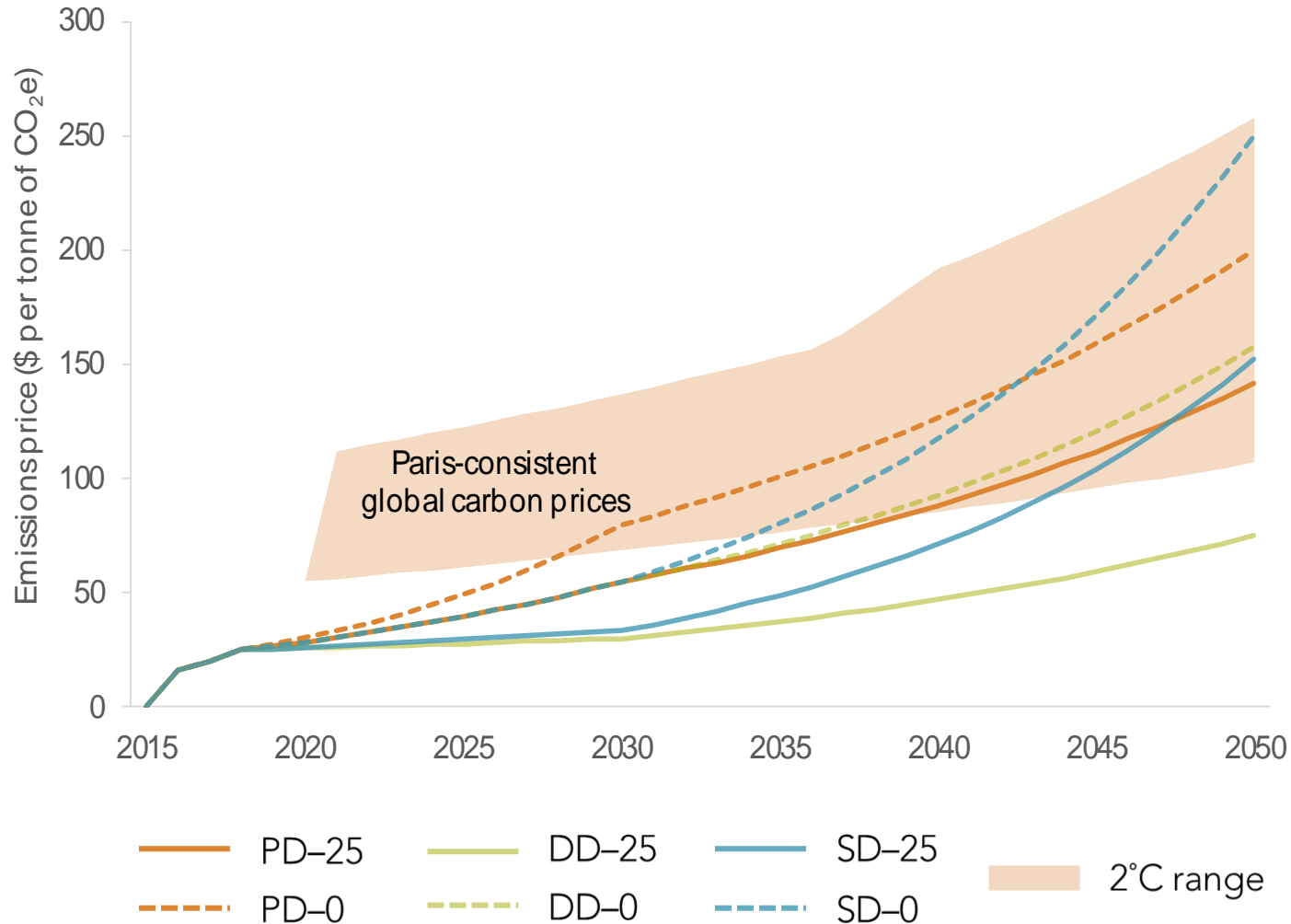
but other new technologies are emerging or falling in cost



Demand response and distributed energy resources will play an increasingly important role



Let an effective emissions price do its work



Regulation of distribution will need to adjust

- Support mass participation
- Consumers involved in multiple trading relationships
- Equal access of participants to networks
- Managing distribution network demand and supply
- More fluid data exchange
- Building distribution sector capability

Key points

- Electricity of key importance to a low-emissions transition
- Wind will play a central role
- Dry-year back-up necessary
- Technology is changing fast – and the future is uncertain
- Rely mostly on an effective emissions price
- Regulation of distribution needs to evolve

What happens after the draft report?





Thanks!

www.productivity.govt.nz