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Environment Committee
Parliament Buildings
Wellington

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Submission on the Climate Change Response (Zero Carbon) Amendment Bill

The Institute of Directors (IoD) appreciates the opportunity to comment on the [Climate Change Response \(Zero Carbon\) Amendment Bill](#) (the Bill). The purpose of the Bill is to “provide a framework by which New Zealand can develop and implement clear and stable climate change policies that contribute to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels”. The IoD [submitted](#) to the Ministry for the Environment on the 2018 discussion document setting out the main features of a proposed Zero Carbon Bill, and comments in this submission are consistent with our previous comments.

Under the Bill, “zero carbon” provisions will be incorporated into the existing Climate Change Response Act 2002 (rather than having a separate piece of legislation). The Government has also announced a number of proposed changes to the Emissions Trading Scheme which will be a key tool for the Government in achieving its net-zero target.

Climate change is one of the IoD’s top 5 issues for directors in 2019 and will continue to be a key theme for our membership. It is important that New Zealand directors and leaders prioritise consideration of climate-related risks through mitigation and adaptation, and pursue opportunities while transitioning to a low-emissions economy.

About the Institute of Directors

The IoD is a non-partisan voluntary membership organisation committed to driving excellence in governance. We represent a diverse membership of over 9,000 members drawn from listed issuers, large private organisations, small and medium enterprises, state sector organisations, not-for-profits and charities.

The IoD’s *Code of Practice for Directors* provides guidance to directors to assist them in carrying out their duties and responsibilities with high professional standards. All IoD members sign up to the Code.

Our Chartered Membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development to support good corporate governance.

Summary

We generally support the introduction of the Bill and the 2050 target and emissions budgets. We also support the establishment of a permanent Climate Change Commission, and we suggest that the Minister should be required to ensure that the board has sufficient governance capability to lead and oversee the Commission. We agree with the decision not to require mandatory climate-related

disclosure in the Bill for organisations, and we support the introduction of other adaptation provisions to help address the impacts of climate change.

We discuss key features of the Bill below.

Setting a 2050 target and emissions budget

The Government proposes setting a new long-term emissions reduction target in the Bill to replace New Zealand's current target of 50 percent emissions reduction below 1990 levels by 2050. The new target would:

- reduce gross emissions of biogenic methane within the range of 24% to 47% below 2017 levels by 2050, with an interim requirement to reduce emissions to 10% below 2017 levels by 2030 (biogenic methane is all methane greenhouse gases produced from the agriculture and waste sectors) and
- reduce net emissions of all other greenhouse gases to zero by 2050.

A change to the target would require legislative amendment and the Commission has the ability to recommend changes (if it is satisfied that certain conditions are met).

Emissions budgets are set quantities of emissions allowed over a specific period of time that can act as stepping stones towards the overall 2050 target. The Bill provides for three consecutive emissions budgets to be in place at any given time, with the budgets being met as far as possible through domestic emissions reductions and removals. An emissions budget may only be revised if the Commission recommends it (based on a list of specific criteria) and if the emissions budget period has not already begun (unless there are exceptional circumstances). There is also an ability to bank or borrow from one emissions budget to the next.

IoD commentary

We generally support the 2050 target and the ability within the Bill to change the target and budgets (albeit in limited circumstances). Given the long-term nature of the Bill, it is important that it is still sufficiently flexible and adaptable to be able to respond to future changes in circumstances, while still providing certainty in the business operating environment.

It is important that careful consideration is given to the emissions budgets that are set, including taking into account the impact that this would have on our industries and economy, our trade-exposed businesses, and the changes that may be required to our energy, transport and agricultural sectors.

Establishing the framework in the Bill is a significant first step. However the real costs and benefits can't be fully understood without knowing the detail of the emissions budgets that will be introduced and the plans setting out how to meet those budgets.

Climate Change Commission

The Bill will establish a permanent Climate Change Commission to provide independent expert advice on mitigating and adapting to the effects of climate change and to monitor and review the Government's progress.

The Commission will be an Independent Crown Entity with 7 members. A nominating committee will be established to nominate potential board members to the Commission. The members of the nominating committee must comprise the Commission's chair (if there is one) and people who have the skills and experience to identify suitably qualified candidates. The nominating committee is required to publicly call for expressions of interest and consult with any person or group who may have an interest in being a member of the Commission (including iwi and Māori representative organisations).

The Minister recommends to the Governor-General that people nominated by the nominating committee be appointed members after consulting representatives of all political parties and having regard to the need for the Commission to have members who collectively have:

- an understanding of climate change mitigation and adaptation, including the likely effects of any responses to climate change
- experience working in or with local and central government
- knowledge of the process by which public and regulatory policy is formed and given effect to, and
- technical and professional skills, experience, and an understanding of innovative approaches to:
 - the varied effects of climate change
 - te Tiriti o Waitangi and te ao Māori and
 - a range of sectors and industries at regional and local levels.

IoD commentary

We support the introduction of a Commission as a strategic leader and comprised of people with expertise and experience on climate change and related matters to be able to provide independent expert analysis and advice, as well as holding present and future governments to account.

Board composition is a major consideration for the effectiveness and performance of boards, and it will be critical that the Commission consists of highly capable and professional people with the right mix of knowledge, skills and experience. We support the establishment of the nominating committee and the requirement for the Minister to ensure that members of the Commission collectively have the appropriate technical and professional skills and experience to fulfil their roles. However, we also suggest that the Minister should ensure that the board has sufficient governance capability to lead and oversee the Commission.

The Commission is tasked under the Bill with an ambitious programme of work and overseas experience shows it will also be important to ensure it is appropriately resourced and supported.

Adaptation

Adaptation provisions are included in the Bill to help address the impacts of climate change including:

- a national climate change risk assessment (over a 6 year period)
- a national adaptation plan
- regular review of progress towards implementing that plan and
- the power (of the Minister) to request “reporting organisations” to provide information on climate change adaptation.

“Reporting organisations” include the Public Service, Local Authorities, Crown Entities (excluding school boards), State Owned Enterprises, Lifeline Utilities, and the Police and Defence Force. The information will include the organisation’s assessments of the current and future risks of climate change in relation to their functions, the organisations’ proposals and policies for addressing the effects of climate change and their progress made towards implementing the proposals and policies.

The Bill does not include mandatory climate-related disclosure for organisations.

IoD commentary

It is widely accepted that even with a successful reduction in greenhouse gases, New Zealand will still be affected by certain impacts of climate change. We support the introduction of adaptation provisions to help address these impacts, and refer to our comments in our earlier submission in 2018.

Focusing on key strategic, social, governance and environmental risks, and long-term business sustainability is fundamental to good governance. Boards are giving more emphasis to climate related risks, and frameworks for reporting such risks are evolving. We support the decision not to require mandatory climate-related disclosure for organisations in the Bill, and note that 60% of respondents in our 2018 [Director Sentiment Survey](#) thought reporting on climate change should be voluntary.

In relation to the Minister's power to require "reporting organisations" to provide certain information on climate change adaptation, more clarity is needed around expectations and we encourage consultation with all organisations that may be impacted.

We appreciate the opportunity to comment on behalf of our members.

Yours sincerely,

A handwritten signature in black ink that reads "Felicity Caird". The signature is written in a cursive, flowing style.

Felicity Caird
General Manager, Governance Leadership Centre
Institute of Directors