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Climate Change Commission
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2024 Review of the 2050 emissions reduction target

Meridian Energy Limited (**Meridian**) appreciates the opportunity to comment on He Pou a Rangi – Climate Change Commission’s (**Commission**) consultation on their April 2024 Review of the 2050 Emissions Reduction Target.

Introduction

Meridian appreciates the opportunity to comment on the Commission’s review of the current emissions reduction target. We do not presently have a strong view on whether the current target should be strengthened, but we generally agree with the approach taken by the Commission to date. Meridian would not support a weakening of the target and is pleased that the Commission has found no evidence to support this possibility.

The body of this submission makes brief comment on a few matters of concern to Meridian. The Appendix of this submission briefly addresses the specific consultation questions asked by the Commission.

Comments on possibility of changing the emissions reduction target

Strengthening the emissions reduction target

While Meridian would not support a weakening of the emissions reduction target, we do not take a strong position on whether it should be strengthened. Meridian agrees with the Commission’s treatment of the question so far. From our perspective, two issues are crucial:

- **Stability:** Stability of the operating landscape is important, as the Commission discusses on page 82. Any strengthening of the target needs to be done with care

to ensure that the initiative does not alienate stakeholders or leave them feeling that they are chasing a moving target.

- **Capacity and mitigation potential:** It would be unfortunate if reasonably achievable reductions were “left on the table”. While the Commission’s treatment of capacity to reduce in Chapter 2 looked at GDP as a proxy for capacity, the question could be looked at more qualitatively in light of specific circumstances / strengths / opportunities. For example, New Zealand has:
 - o an already highly renewable electricity system (where electrification of industrial processes and transport today would immediately result in very large emissions reductions relative to other countries with less renewable grids); and
 - o a large emissions base from agricultural methane, which becomes a very significant reduction opportunity if technological changes demonstrate real promise of addressing the issue.

If recent changes suggest New Zealand could reasonably achieve further emissions reductions, then the target should aim to have us realise those reductions. Meridian suggests that equitable burden sharing could be supplemented with consideration of New Zealand’s mitigation potential to the extent that the former approach would generate a target which leaves opportunities on the table.

Forestry and carbon dioxide removals

Meridian agrees with the Commission’s view that the principal risks and uncertainties of removals present a significant change. We agree with the Commission’s treatment of the issue in Chapter 3, including its observations that storing carbon in forests is less durable than emissions reductions (particularly because it is susceptible to being released in, for example, a wildfire), and carries a number of drawbacks (e.g. debris from slash, land use issues).

Meridian would add that the effects forestry removals have on the ETS in its current manifestation demonstrate further drawbacks to forestry. The availability of comparatively cheap forestry units dilutes the effectiveness of the ETS in influencing both the cost of emitting and the rate of reduction of gross emissions. As the Commission noted in its 2023 Advice on the direction of policy from the Government’s second emissions reduction plan,

the ETS as it is currently structured is highly unlikely to drive the gross emissions reductions consistent with the Commission’s recommendations and the demonstration pathway.¹

For Meridian, these issues impact the 2050 target’s ability to serve its purposes – namely the fundamental purpose of New Zealand playing its part in limiting temperature rise in accordance with the Paris Agreement. Forestry removals may not limit CO₂ emissions – and therefore temperature rise – in a sustainable manner because:

- the risk of release makes emissions reductions less permanent / secure;
- there is a need to replace more and more productive land with forestry – it does not appear that this can take place indefinitely; and
- forestry removals currently risk chilling fundamental emissions reductions by presenting a more affordable alternative to decarbonisation in the shorter term. In the longer term, New Zealand could be left meeting the 2050 target off the back of forestry, but without the strong foundations of a fundamentally lower-emissions economy to sustain the reductions post 2050.

Forestry has many benefits and is no doubt an important tool for achieving New Zealand’s targets. However, it needs to be carefully incentivised in a way that does not erode incentives for emissions reductions. Meridian does not have a strong opinion on whether this issue should be addressed through the 2050 target review, for example by adopting a gross reductions target. It may be that the same benefits can be achieved through changes to ETS settings without the downsides associated with moving the goal posts of the 2050 target.

Concluding remarks

This submission is not confidential. I can be contacted to discuss any of the points made.

Nāku noa, nā



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¹ He Pou a Rangi Climate Change Commission “2023 Advice on the direction of policy for the Government’s second emissions reduction plan” at p 41, and chapter 5 generally.

Appendix

Responses to consultation questions

	Question	Response
	<i>Chapter 2</i>	
2.1	Do you agree with our approach to assessing how the current 2050 target contributes to global efforts to limit warming to 1.5°C? Are there any other approaches or pieces of evidence you think we should include in our final assessment?	Yes. Meridian agrees with the Commission's approach.
2.2	What role do you think Aotearoa New Zealand's national circumstances should play in how the country contributes to global efforts to limit warming, as defined by the 2050 target? Do you think Aotearoa New Zealand's national circumstances justify departing from the IPCC's international burden sharing perspectives? If so, why? If not, why not?	<p>We acknowledge the IPCC's perspective and agree with the Commission's treatment of it. As observed in the body of this submission, we suggest that the Commission's consideration of the target should ensure that our opportunities for emissions reductions are fully realised.</p> <p>While we acknowledge the IPCC's distinction between mitigation potential and capacity on normative grounds,² we consider that mitigation potential has a role in frameworks for equitable burden-sharing – at the very least as producing a minimum floor of reductions where other rights (e.g. to sustainable development) are not impacted.</p> <p>To the extent that this involves any departure from the IPCC's perspective, then we consider that is it justified by the environmental outcomes.</p>
	<i>Chapter 3</i>	

² IPCC. (2014) Sustainable Development and Equity. In: Climate Change 2014: Mitigation of Climate Change, p 319

3.1	Do you agree with our approach to looking for significant change? Are there any other approaches or pieces of evidence you think we should include in our final review?	Meridian agrees with the Commission's approach. We consider that economic effects of forestry reductions on the operation of the ETS and in turn gross emissions reductions deserve to be included in consideration of the 2050 target itself, as discussed in the body of this submission.
3.2	Do you agree with our initial findings related to significant change? Have we missed any important information or evidence?	Meridian agrees with the Commission's findings and repeats its comment on forestry removals.
Chapter 4		
4.1	Are there any issues or impacts related to people and/or the climate that you want the Commission, and eventually the Government, to consider and prioritise when reviewing the 2050 target?	Meridian has nothing to add on this issue at this time.