



3 June 2015

Climate Change Consultation Contribution
Ministry for the Environment

E: climate.contribution@mfe.govt.nz

Dear Sir/Madam,

New Zealand's Climate Change Target

Origin Energy Limited (Origin) welcomes the opportunity to make a submission to the New Zealand Government's discussion document *New Zealand's Climate Change Target - Our contribution to the new international climate change agreement*.

Origin recognises that climate change is a global challenge and unequivocally supports measures to progressively reduce carbon emissions. We support New Zealand making an equitable contribution to this global effort, that the level of this effort be comparable to other relevant nations and that it take account of the nature of the New Zealand economy.

Ultimately, the internationally agreed goal is to limit average global temperature rise to two degrees Celsius or less, in order to have a realistic chance of avoiding the most extreme impacts of climate change. It is hoped the Paris agreement will place the world on a pathway to achieving this goal and Origin supports the New Zealand Government's constructive approach to contributing to such an agreement.

About Origin

Origin is Australia's leading integrated energy company focused on gas exploration, production and export, power generation and energy retailing. In New Zealand, Origin is the major shareholder in Contact Energy, a leading integrated energy company, operating geothermal, thermal and hydro generation facilities totalling 2,359 MW and servicing approximately 562,000 electricity, gas and LPG customers across both the North and South islands. Origin also operates oil and gas projects in New Zealand and holds petroleum exploration acreage in the country.

Key points

Origin has the following key points to highlight:

- **Market mechanisms** - we are a participant in the New Zealand Emissions Trading Scheme (NZ ETS) and support the use of market mechanisms as an efficient and low costs means of meeting greenhouse gas reduction targets. Stable, long-term policy settings are important in building confidence in market mechanisms and also establish a price signal that flows through the economy.
- **International units** - we support access to genuine international emission reductions as a cost effective means of meeting national targets. Continued access to international permits will be an important aspect of future policy. This will involve striking a balance between

managing short term costs through access to such units and also encouraging longer term structural adjustment of the domestic economy.

- **Measures of “comparative effort”** - in addition to the measures noted in the discussion paper, we recommend the use of other appropriate metrics, such as carbon dioxide equivalent (CO₂-e) per unit of gross domestic product (GDP), as a key measure when comparing the relative “effort” of national emissions reduction targets. In 2014, Origin commissioned Deloitte Access Economics (DAE) to examine this issue. DAE’s report¹ found that ultimately the challenge was to “de-couple” the link between economic growth and emissions, so that nations can achieve economic growth *and* absolute reductions in emissions levels. New Zealand is well placed to achieve this transition with its already high proportion of electricity from renewable sources.
- **National circumstances** - consideration of this level of effort should also include reference to New Zealand’s national circumstances, including the significance of its agricultural sector and high quality exports which are demanded by growing overseas markets.
- **Future emission reduction policies** - we generally support the policies listed on page 16 of the discussion document as practical and appropriate measures to contribute to targets over the period to about 2020. We look forward to further consultation on the policies that New Zealand will require to meet longer term targets.

Please also see the further comments in the attached submission form.

If you have any questions regarding this submission please contact Matthew Kaspura (Manager Carbon Policy) on +61 2 8345 5287.

Yours sincerely,



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¹ The report can be viewed at <http://www2.deloitte.com/au/en/pages/economics/articles/a-new-way-to-measure-emissions.html>

Setting New Zealand's post-2020 climate change target

Submission form

The Government is seeking views on New Zealand's post-2020 climate change contribution under the United Nations Framework Convention on Climate Change (UNFCCC).

You can have your say by making a submission using this form or using the online tool available at www.mfe.govt.nz/more/consultations.

For more information about this consultation:

- Read our [Consultation on New Zealand's post-2020 international climate change contribution web page](#)
- Read our discussion document: [New Zealand's Climate Change Target: Our contribution to the new international climate change agreement](#)

Submissions close at 5.00pm on Wednesday 3 June 2015.

Publishing and releasing submissions

All or part of any written submission (including names of submitters), may be published on the Ministry for the Environment's website www.mfe.govt.nz. Unless you clearly specify otherwise in your submission, we will consider that you have consented to website posting of both your submission and your name.

Contents of submissions may be released to the public under the Official Information Act 1982 following requests to the Ministry for the Environment (including via email). Please advise if you have any objection to the release of any information contained in a submission and, in particular, which part(s) you consider should be withheld, together with the reason(s) for withholding the information. We will take into account all such objections when responding to requests for copies of, and information on, submissions to this consultation under the Official Information Act.

The Privacy Act 1993 applies certain principles about the collection, use and disclosure of information about individuals by various agencies, including the Ministry for the Environment. It governs access by individuals to information about themselves held by agencies. Any personal information you supply to the Ministry in the course of making a submission will be used by the Ministry only in relation to the matters covered by this consultation. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that the Ministry may publish.

Questions to guide your feedback

Your submission may address any aspect of the discussion document, but we would appreciate you paying particular attention to the questions posed throughout and listed in this form. You may answer some or all of the questions. To ensure your point of view is clearly understood, you should explain your rationale and provide supporting evidence where appropriate.

Contact information

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Objectives for the contribution

1a. We have set the following three objectives for our contribution:

- it is seen as a fair and ambitious contribution – both by international and domestic audiences
- costs and impacts on society are managed appropriately
- it must guide New Zealand over the long term in the global transition to a low emissions world.

Do you agree with these objectives for our contribution?

Yes

No

1b. What is most important to you?

The objectives are equally important but relevant in different ways. Objectives 1 and 2 could be considered as trade-offs, at least in the shorter term. Objective 3 is important in its own right and if effective guidance is given, could act to both reduce costs and increase the level of ambition.

What would be a fair contribution for New Zealand?

2. What do you think the nature of New Zealand's emissions and economy means for the level of target that we set?

Origin notes the factors on page 11 which can be used to compare the “fairness” or effort of a particular national target. Whilst overall national targets are often expressed as a reduction against a particular base year, the difficulty or level of “effort” required for each nation to achieve such a target can be measured in different ways. We suggest that besides the comparisons of per capita emissions listed, further consideration should be given to the interaction between economic growth and emission reductions.

In 2014, Origin commissioned Deloitte Access Economics (DAE) to compare Australia’s greenhouse gas emissions against other nations in the G20¹. It stated that national emissions comparisons are commonly cited on the basis of a carbon dioxide equivalent (CO₂-e) per capita metric, which has the benefit of being a simple and easy to understand scaled measure. However, this measure has some shortcomings and the report examined the use of CO₂-e per unit of Gross Domestic Product (GDP) as the normalising factor when making comparisons between countries. Ideally, countries should seek to reduce carbon emissions while maintaining economic growth, by reducing the emissions intensity of their economies. Historically, there has been a close link between GDP and emissions, however, in some countries this link is in the early stages of decoupling.

Whilst this particular report compared Australia’s CO₂-e to other G20 countries, the concept is equally relevant to all nations, including New Zealand.

As stated above, countries should seek to reduce carbon emissions while maintaining economic growth, by reducing the emissions intensity of their economies. This reduction in carbon intensity can be considered as a key indicator of the level of comparative “effort” implied by various targets.

A copy of the Deloitte report can be found at:

<http://www2.deloitte.com/au/en/pages/economics/articles/a-new-way-to-measure-emissions.html>

How will our contribution affect New Zealanders?

3. What level of cost is appropriate for New Zealand to reduce its greenhouse gas emissions? For example, what do you think would be a reasonable impact on annual household consumption?

Whilst policies to achieve climate change mitigation goals will have costs in the short term, we suggest it is important to consider ways that New Zealand can grow its economy *and* reduce absolute emissions over time. As stated above, this “de-coupling” of economic growth from emissions growth should be considered the ultimate goal of climate change policy. New Zealand is well placed to achieve this transition with its already high proportion of electricity from renewable sources.

¹ Deloitte Access Economics (2014), *Emissions metrics: Australia’s carbon footprint in the G20*.

4. Of the opportunities for New Zealand to reduce its emissions (as outlined on page 15 of the discussion document), which do you think are the most likely to occur, or be most important for New Zealand?

As a participant in the energy market we see excellent opportunities to leverage New Zealand's already high proportion of renewable energy. We agree with the statements on page 15 that for example, electric vehicle technology is improving with reductions in cost and increases in range. We would support sustainable and cost effective policies to encourage the further deployment of electric vehicles.

Summary

5. How should New Zealand take into account the future uncertainties of technologies and costs when setting its target?

Our understanding of the proposed global agreement is that it will allow for increasing ambition over time. Therefore, a nation's pledge in 2015 could be updated at a later date, once the carbon accounting rules around important issues such as land use. This is particularly relevant as the agreement relates to the period after 2020.

Other comments

6. Is there any further information you wish the Government to consider? Please explain.

NA.

When your submission is complete

Email your completed submission to climate.contribution@mfe.govt.nz or post to Climate Change Contribution Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143.

Submissions close at 5.00pm on Wednesday 3 June 2015.