

Comments on the Productivity Commission draft report

Note: these comments, intended to be taken into account in a final version of the report, are by exception. Overall, the report is an excellent, timely, ground-breaking in some respects and wide-ranging resource for both policymakers and the general public.

High level points

More effort should be made to produce a synthesis. Lacking a strong synthesis, the draft report reads more like a compilation, leaving some loose threads.

The economic implications are insufficiently explored. The theoretical modelling of the carbon price(s) required to effect a transition should be complemented by further modelling of analysis of macroeconomic implications - for the major sectors of the economy, for households and for GDP.

Other points

On a few important points, the Commission does not appear to have made up its own mind, but has relied on the opinion of individuals or organisations. Appearing to accept without question these views (the rationale for which is not well explained) understates the complexity of the issues, and perhaps tends to restrict possible future policy choices. Two examples are how greenhouse gases are measured (metrics) and assertions relating to international reputation. In both these cases, there are alternative views which do not appear to have been canvassed. If the final report continues to rely on these opinions the rationale for them should be included.

There is frequent reference to specific issues New Zealand faces as a developed country, such as our large proportion of agriculture emissions. This line however reflects a Kyoto, not a Paris framing. The advance made by the Paris Agreement was that the obligations - including the expectation that all countries will move over time to economy-wide targets – are applicable to all. So in the longer term, agriculture should be framed positively as the important common ground that New Zealand has with many developing countries, not negatively, as a difficulty we have in relation to developed countries.

While the Commission states that its mandate is New Zealand's domestic transition and it mostly sticks to it, it does venture views on the use of international markets or offsets. These lack rigour and if they are to form part of the final report should be treated in much greater depth, especially their interplay with New Zealand's domestic transition. One important aspect not addressed is the extent to which the domestic and international dimensions of New Zealand's contribution(NDC) need to be fungible. One misleading impression given is that if New Zealand sets itself a target that cannot be met at home, it can just purchase its way to it internationally. The aspect that needs to be better addressed here, even assuming a supply of affordable international mitigation, is the implications for New Zealand's longer term transition to net zero, given that any international offsets or credits are likely to be temporary only.

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