



## **Submission to the Climate Change Commission on Climate Action for Aotearoa**

### **Guardians of New Zealand Superannuation**

**March 2021**

Thank you for the opportunity to provide feedback on the Climate Change Commission's draft advice.

The Guardians of New Zealand Superannuation is a Crown entity that manages and invests the New Zealand Superannuation Fund to help pay for the increased cost of universal superannuation entitlements in the future. As at 12 February 2021, the Fund totalled \$55 billion, of which, approximately \$7 billion is invested domestically, including in New Zealand's primary sector. Further information with respect to our approach to investing in New Zealand is available [here](#).

We congratulate the Climate Change Commission (the Commission) for its vital work and welcome its independent report on the next steps Aotearoa can take to reduce greenhouse gas emissions and address climate change.

The New Zealand Super Fund's long-term horizon and purpose requires prudent long-term investment decisions. It is important that the risks and opportunities stemming from climate change are factored into our investment strategies and ownership practices. The goal of our climate change strategy is to make the Fund more resilient to climate-related risk. We believe it will improve our portfolio.

The Commission's Report estimates that taking action to tackle climate change will reduce GDP by 1%. Given the severe impacts that the IPCC has identified will occur if climate change is not limited to 1.5°, it is clear that taking action to mitigate emissions is in the long-term interest of New Zealanders. The Commission's recommendations will have significant implications for some of our assets, but the cost of inaction would have a much greater impact.

We welcome the Commission's principles and would particularly like to highlight the importance of Principle 3: Create Options. The Commission notes that this will mean avoiding locking us into particular paths. We agree with this view and would like to note most of the time this should mean avoiding mandating a particular solution through

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regulation, but rather creating the right incentives and allowing businesses and investors to choose the most efficient method to respond. At times though, creating options means that the government needs to send clear signals to drive immediate investment to unlock opportunities for reducing future emissions.

Infrastructure should be a central consideration for the Commission, driven both by the need to adapt to climate change challenges and in light of the significant infrastructure deficit the country faces today (estimated at up to \$75 billion by the Infrastructure Commission). Investment in the right types of infrastructure can help accelerate carbon reduction in transportation and energy systems, support higher density urban development, and provide resilience to increased natural hazard risks such as floods and coastal erosion.

We welcome the Commission's support for electrifying rail, promoting active and public transport, electric vehicles, renewable energy and improved electricity transmission and distribution infrastructure. However, a lack of financing and policy certainty remain material constraints. To achieve our collective goals, a set of strategic policy recommendations and planning changes are required to unlock delivery of critical infrastructure. The Commission has a unique position to align stakeholders and accelerate the reforms required to create an enabling environment for the rapid financing and development of low-carbon infrastructure.

Other countries have introduced specific programmes to support and incentivize investors to participate in the shift to sustainable infrastructure, providing long-term certainty and supportive tax settings to encourage additional financing. There are also examples of programmes that provide incentives for investors to test and pilot innovative new technologies to address the climate crisis.

We believe a focus on infrastructure innovation and delivery is important to drive early action in sectors where solutions are clear, and to unlock options for further emissions reductions. In an increasingly competitive global market place, such an approach will help create new employment opportunities and enhance the productivity underpinning New Zealand's long-term prosperity.

We also think it is important to create options in the primary sector. New Zealand is blessed with one of the most productive land sectors in the world. Our horticulture sector produces exceptional returns per hectare. Our dairy and livestock sectors are the most efficient at producing milk and meat in the world. Our exotic forestry offers one of the fastest and cheapest natural solutions for sequestering carbon on the planet and our indigenous forests embody rich and unique biodiversity.

It is unclear how demand for these various products will evolve over time but it is important that the Government and primary sectors work together to ensure New Zealand is well positioned to continue to derive exceptional returns from its land. This means:

- Identifying and supporting the development and scaling of promising horticultural opportunities;
- Continuing to drive farming efficiencies and investing in breakthrough technologies to reduce on-farm emissions;

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- Supporting research and development of technologies which lock carbon into post-harvest wood products and deliver improved environmental and social co-benefits (such as selective harvesting);
- Creating a regulatory framework which provides appropriate incentives, including allowing individual participants to claim for emissions stored in harvested wood products;
- Creating and exploring economic methods for establishing indigenous forests such as through using exotic forests as a nursery crop or by creating a network of seed sources across the country so land owners can allow regeneration to occur simply by excluding stock from their land.

We also urge land sector leaders to continue to play a constructive role to drive to these outcomes through *He Waka Eke Noa*, and as owners of agriculture assets we stand ready to support this initiative.

In summary, we welcome the Climate Change Commission's report. We believe that it makes it clear that New Zealand must act decisively to reduce emissions. The Commission's recommendations will have significant implications for some of our assets, but the cost of inaction would have a much greater impact. It is vitally important to keep our options open. In most cases, this means avoiding locking in a particular solution through regulation, and rather creating the right incentives - allowing businesses and investors to choose the most efficient method to respond. It means, however, that the government needs to send clear signals to drive immediate investment to unlock opportunities to reduce future emissions. There are two sectors where investment is particularly vital: infrastructure and land. We are eager to support investment in these areas. The role of finance is critical in New Zealand's response to the challenges presented by climate change. In our view the Climate Change Commission could be more directive on this.

We would welcome the opportunity to meet with the Commission and to provide our feedback in person.

For more information:

Anne-Maree O'Connor, Head of Responsible Investment, [aoconnor@nzsuperfund.co.nz](mailto:aoconnor@nzsuperfund.co.nz)

Catherine Etheredge, Head of Communications, [cetheredge@nzsuperfund.co.nz](mailto:cetheredge@nzsuperfund.co.nz)