

9 October 2020

Ministry of Business, Innovation and Employment  
15 Stout Street  
Wellington 6011

Who's  
putting local  
issues on  
the national  
agenda?

**We are.**  
**LGNZ.**  
Te Kāhui Kaunihera o Aotearoa.

Dear Sir or Madam,

**Re: Building for Climate Change: Transforming operational efficiency and reducing whole-of-life embodied carbon**

Local Government New Zealand (LGNZ) thanks the Ministry of Business, Innovation and Employment (the Ministry) for the opportunity to submit on the Building for Climate Change: Transforming operational efficiency and reducing whole-of-life embodied carbon consultation.

LGNZ is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the interests of councils and lead best practice in the local government sector. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities throughout New Zealand. Our purpose is to deliver our Vision: "Local democracy powering community and national success."

LGNZ acknowledges the need for a range of tools that enable New Zealand to adapt to and mitigate the effects of climate change, including carbon emissions produced in the building and construction sector (the sector). For that reason we support the Ministry's efforts. To ensure these efforts are realised, we suggest that the Ministry reflect on if and how the distinct benefits proposed under the Building for Climate Change Programme (the Programme) can complement those created by New Zealand's Emissions Trading Scheme (ETS). If the Ministry determines that these benefits are distinct and complementary, we then recommend that the Ministry gives further consideration to how the Programme would formally interact with the ETS to avoid regulatory duality and the additional costs and obligations that would mean for local authorities.

LGNZ agrees that if the Programme can be shown to create significant carbon reduction separate to that achieved by the ETS, it could be of real benefit to New Zealand. However, we submit that these benefits should be shown to be of net benefit alongside the ETS and justified of themselves. This is important as the Programme will likely impose distinct and diffuse costs across the sector and could affect the ETS' positive effects.

To draw out and clarify these distinct benefits and associated costs, we suggest that the Ministry consider the purpose of the Programme against that of the ETS. In our view, the ETS already sets up the right incentives to innovate and reduce costs over time (dynamic efficiency). Its carbon cap also promotes allocation of resources where they are most needed and trade-offs where possible (allocative efficiency). We submit that the Ministry carefully considers whether the benefits it seeks to achieve through the Programme are not already delivered through the incentives created by the ETS, particularly where the Programme is likely to impose additional costs on participants in the sector.

We note that the increased regulatory changes proposed under the Programme coincide with the Government's signals that complexity and transaction costs need to be reduced across the consenting process. For this reason, if the ETS is found to fall short of achieving specific matters covered by the Programme, we recommend that the Ministry consider whether local government is best placed to achieve its aims given the costs that it will impose, or if this responsibility can be placed elsewhere. One option could be to create self-certification systems for industry professionals, another could be to impose a requirement that building material producers outline the embodied carbon found in their products.

We also suggest that the Ministry gives pause when considering increasing the breadth of responsibility imposed on building consent authorities (BCA's) given their existing extensive mandate. Territorial authorities (TA's) and BCA's already have a myriad of roles and responsibilities set out in s 12 of the Building Act (2004).<sup>1</sup> We are concerned that the Programme would create a variety of additional obligations, which may impose unintentionally high burdens at the local level. To illustrate, we expect that regulating data concerned with the amount of embodied carbon in new buildings would fall to TA's. This would be a substantial, expensive task that would likely create direct costs for building applicants. Concurrently, it may also impose diffuse costs, for instance councils may be required to increase rates. Should certification fall to BCA's, they would also be required to train their building inspectors to carry out carbon metric assessments. Taking a wider view still, the Programme would impose substantial technical challenges on the sector as designers would need to supply carbon information and demonstrate compliance at the consenting stage. LGNZ anticipates that this could lead to further diffuse costs on consumers by way of new industry levies.

It is our view that the Programmes' compliance costs should be justified by creating demonstrable, significant benefits for carbon reduction in the sector. Therefore, we recommend that any new obligations should be mirrored by a significant carbon reduction threshold. LGNZ proposes that this could be achieved by accompanying the new obligations with a clear definition of the distinct benefits and estimated costs that they would create. This could also be communicated alongside those benefits created by the ETS to help paint a wider picture of how the Programme and ETS complement each other. We anticipate that as an added benefit of demonstrating these distinct and significant carbon reductions, the Ministry will promote the Programme's uptake by the sector.

We also recommend that the Ministry clarifies what aspects of the Programme are already covered by the ETS. The Ministry could then establish a system that restricts local government, BCAs' and the wider sector's consideration to matters that are not accounted for under the ETS and meet a targeted, significant reduction threshold, as discussed above. To the extent that local obligations would be carried out in these circumstances, we endorse the views on the more technical aspects of the Programme as submitted by the New Zealand Society of Local Government Managers.

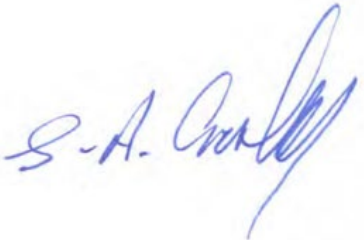
LGNZ anticipates that an interactive framework would help minimise the emergence of dual regulatory systems and prevent layers of unnecessary complexity from emerging in the planning system. Further, we expect that this could mitigate the compliance costs that we consider would likely be passed on to the consumer. Finally, if the Ministry clarifies the boundaries between the ETS and the Programme's operation and their interaction, this may help demonstrate their distinct benefits and show how they complement each other.

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<sup>1</sup> See <http://legislation.govt.nz/act/public/2004/0072/latest/DLM306328.html>.

We hope that this response is useful in your deliberations. LGNZ staff are happy to continue to work with the Ministry in relation to this consultation. If you would like to engage further, please contact John Stewart, Senior Policy Advisor, Advocacy on 04 924 1222 or [john.stewart@lgnz.co.nz](mailto:john.stewart@lgnz.co.nz) in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'S.A. Crosby', is positioned above the typed name.

Stuart Crosby  
President  
Local Government New Zealand