Westpac New Zealand Limited

Submission to the Climate Change Commission in relation to the 2021 Draft Advice for Consultation

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1 Introduction

1.1 This submission is to the Climate Change Commission (**Commission**) in relation to its first package of draft advice to Government released on 1 February 2021 (**Draft Advice**).

1.2 Westpac's contact for this submission is:

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2 Summary of position

2.1 Westpac recognises that climate change is the biggest environmental issue we face. It will impact the long-term prosperity of Aotearoa New Zealand. Westpac re-affirms the view that Aotearoa New Zealand must aim for net-zero levels of long-lived gases and reduce short-lived gases to sustainable levels in order to increase our chances to avoid catastrophic climate change.

2.2 Westpac is encouraged by the Commission's findings and agrees with the Commission's view that the sector pathways set out in the Draft Advice are technically and economically achievable. This corresponds broadly with the findings of our 2018 Climate Change Impact Report, which found that the country can transition to a net zero emissions economy while maintaining economic growth.

2.3 Westpac also agrees in principle that the negative impacts from the necessary transition can be mitigated and co-benefits maximised. Westpac takes the view that GDP is an incomplete measure of the wider economic impact and encourage stronger alignment of the impact assessment with the Government's Wellbeing Framework.

2.4 While the economic and wider benefits of the transition are well captured in the Draft Advice, we note that the final report would benefit from a more granular explanation of the economic cost in the context of other fiscal challenges, including expected demographic changes, health costs etc. Likewise, it is important to highlight the lack of analysis on the economic impacts of failing to decarbonise Aotearoa New Zealand (i.e. the impacts of climate change on the economy).

2.5 There will inevitably be impacts on a range of sectors and communities, highlighting the need for policies to support an equitable transition for impacted industries, people and regions. This will present significant economic, fiscal and social challenges and needs to be better outlined in the final report.

2.6 The financial sector can play its role in enabling the transition laid out by the Commission but urgently needs to re-direct capital and scale-up finance for sustainable solutions. Collectively, the financial sector needs to change the way investment and lending decisions are made, so that environmental, social and economic factors are integrated, and negative impacts, both now and over the long-term, are avoided. Westpac would welcome stronger reference to and incorporation of the recommendations made in the Sustainable Finance Forum Action Plan.

2.7 In Westpac's view, some aspects of the Draft Advice would benefit from presenting a more ambitious vision and pathway towards a net-zero future in some sectors to highlight a wider range of options available to de-carbonise. This is in light of the uncertainty surrounding key assumptions and overall (economic) cost of transition. Outlining more transformational pathways in some areas would help the collective understanding of potential trade-offs with areas where transition turns out more challenging. For example, an agile multi-modal transport system that materially reduces minimal reliance on individual forms of transport and therefore fossil fuel use, can offer significant additional potential to reduce emissions.

2.8 It is critical be open to all available levers, including transformational changes in some areas such as transport, waste or urban planning; behavior change and a degree of international tradability under the Emissions Trading Scheme (**ETS**).

2.9 Finally, nature-based solutions can play a powerful role in combatting climate change and can represent a new framing of our relationship with nature, yet these are not addressed sufficiently in the Draft Advice. For example, protecting wetlands can secure and regulate water supply. New ecosystems in cities can help with cooling, flood abatement, reduce air pollution and provide mental and physical health benefits.

3 Response to consultation

3.1 Westpac's response to the specific questions posed in respect of the Draft Advice are set out in the table below. Some additional comments and suggestions are also set out below.

Finance Transition Plan

3.2 Time-Critical Necessary Action 6 (page 129) sets out a series of recommendations for Government in the first budget period aimed at aligning investments for climate outcomes. To implement the proposed budgets, a co-ordinated financial transition plan will be required.

3.3 While we are encouraged by the Commission's views that transition is possible by replacing assets at the end of their natural lifecycle, we note that many private and commercial assets are commonly utilised beyond their depreciable lifespan. In fact, extending asset replacement cycles is a common business practice. The implicit assumption of incremental technological change may not hold in practice and technological disruption is to be expected, requiring organisations to transform their business models. This strongly suggests that the capital needs for the transition may significantly exceed historical patterns and therefore require explicit focus.

3.4 The Draft Advice should therefore include a requirement to develop a financial transition plan which clarifies and supports the role financial institutions, businesses, community and government will play in delivering on the transition. This plan should include identification and assessment of the financing gaps required to meet the five-yearly budgets. The work should also include a recommendation to identify and assess suitable financing options ranging from policy interventions, use of different investment instruments, and include the use of public and private finance. When drafting any such transition plan, it would be useful for the Commission to review and incorporate recommendations from the [MōHIO Climate Finance Landscape for Aotearoa] and key elements of the [Sustainable Finance Forum's Roadmap for Action].

3.5 To align with the requirement for early investment to meet the 1.5ºC threshold, as well as current market appetite for sustainable finance solutions, guidance should be sought urgently. Westpac notes that these suggestions are aligned with the Paris Agreement article 2.1.c. and 8.c and the yearly UN Emission Gap analysis.

Net economic impact (accounting for the cost of inaction)

3.6 The Draft Advice should account for the actual and potential costs of inaction as well as the costs of physical and secondary climate change impacts on New Zealand and its businesses within the cost calculations. At present, the Draft Advice provides costs largely associated with the impact of reducing emissions (reference a cost of 1% of GDP and employment assessment, page 86-87, 93-95). The costs to the economy from physical and secondary climate change impacts, as well as the cost of inaction, are not currently included. Being aware of the broader financial consequences of inaction provides a more accurate picture of the overall costs and benefits in doing so will motivate and drive a faster transition as well as guide investment opportunities.

3.7 A more detailed analysis of the net costs in the context of other known long-term fiscal and economic challenges, such as rising health cost and aging population, would provide a useful foundation for Government, communities and private sector to consider different options and trade-offs available.

3.8 While an established measure of economic activity, GDP is in itself an incomplete measure of economic wellbeing. For example, efficiency gains (e.g. lower power consumption) or behaviour changes (e.g. walking and cycling) may improve overall wellbeing, yet reduce GDP. We recommend that the final report elaborates on this point and draws stronger connections to the Government's Living Standards Framework and strengthens the narrative to highlight the limitations of GDP in this context.

3.9 Furthermore, the financial impact of climate change on business is consistent with the recommendations of the Taskforce for Climate-related Financial Disclosure (**TCFD**). Consistency with existing Government policy is imperative, as well as supplying information to enable consistent disclosure and meeting the Commission's proposed budget. Westpac recommends including this information in the final report and altering the assessment of the transitional economic impacts to determine cost-benefit of rapid transition vs. BAU. There is a range of international literature the Commission can draw upon to make this assessment as well as individual local reports that include information on some of the impacts, including for example the costs of obtaining insurance, and the financial costs associated with increased drought and flood events. Specifically, we refer to [the Commission to the Paris Agreement cost-benefit assessment] already undertaken, comparing the cost-benefit of physical climate change impacts to transitional risks.

More alternatives by using Marginal Abatement Costs

3.10 The final report should include a recommendation to Government to provide further detail for each mitigation option as well as tools to support action. Detailed information is required on each mitigation option, in order to drive unified action to meet the budgets across businesses, institutions, community and Government. To create a thriving economy, it is critical to have a range of cost-beneficial environmental economic options, as well as incentives for adoption. This includes having a clear understanding of the economic, environmental, social and cultural benefit of each mitigation option; how much uptake of each option is required; and what alternatives can be drawn on when options cannot be fully met or when external circumstances change significantly (for example, through technological or societal disruption). This information will guide prioritisation, decision-making as well as support the development of the Commission's budget and aligned investment opportunities.

3.11 We refer the Commission to the Ministry for the Environment Marginal Abatement Cost Curve 2019; the McKinsey Greenhouse gas abatement Cost Curve; and the 2020 EY Southland Economic Climate Impact and Opportunity Assessment reports. These reports showcase the information required for businesses and the investment community on the most efficient options to mitigate one additional unit of Greenhouse gas emissions. Information required includes how each option is contributing on a net present value as a cost-beneficial, cost-neutral or cost-negative option to the economy as well as how each option can be altered to meet the climate budget. Locally, for example, Ernst & Young has developed a free Excel tool that any region can use for their own analysis to enter different options to get to a carbon neutral goal. A similar tool would be useful for different end users, such as the finance sector or individual businesses to understand how they individually can contribute to the national goal.

Response to consultation questions

1	**Do you support the principles we have used to guide our analysis? Is there anything we should change, and why?**
	Yes, Westpac supports the principles used by the Commission to guide its analysis and advice. By way of general comment, Westpac notes the following in respect of the principles set out at pages 29-30 of the Draft Advice: • ***Aligning with the 2050 targets:*** Westpac supports this objective and notes further that global efforts to limit warming to 1.5ºC provide only a higher probability (not a certainty) of avoiding catastrophic climate change. In this context, Westpac believes that where it is possible to do better, then we should do so. • ***Focusing on decarbonising the economy:*** Westpac agrees that New Zealand should prioritise actions that reduce gross emissions within our borders, as well as removing emissions by sequestering carbon dioxide in forests. Any overseas reductions must have strong environmental safeguards. Appropriate allowance needs to be made for trade exposed industries that are recognised as industry leaders in terms of their emissions profile to avoid "carbon leakage". Implicit in this approach is the potential for Aotearoa New Zealand to attract emissions-intensive industries (for example through renewable electricity). Where this creates overall emissions reductions

	(‘reverse carbon leakage’) Aotearoa New Zealand should seek to accommodate. • ***Creating options:*** Westpac agrees with the need to provide options and multiple pathways for meeting the targets, in order to respond to technological advances and to consider and manage different trade-offs. A range of options is also critical to ensure that this transition occurs in an equitable and inclusive way, while also allowing room for social and political discussion as well as opportunities to respond to change (refer to paragraph 3.10 above) • ***Avoiding unnecessary cost:*** Westpac notes that this guiding principle is not only financially important, but is also important to ensure broad and ongoing stakeholder support for these initiatives. However, we note that while financial cost must be a critical consideration, many co-benefits are difficult to quantify in financial terms and must be included. We also believe that Aotearoa New Zealand must remain open-minded to a wide range of abatement options. • ***Leveraging co-benefits:*** Westpac agrees that actions taken to meet emissions budgets and targets should consider the wider benefits, in particular biodiversity, air and water quality, health outcomes and social equity and cohesion.
2	**Do you support budget recommendation 1? Is there anything we should change, and why?**
	Westpac has no objections to budget recommendation 1. We note some of the critical assumptions of the base-case (such as the Tiwai and Methanex closures) and highlight the need to expand on alternative pathways should these not eventuate. This includes a more ambitious approach to transforming the transport sector.
3	**Do you support our proposed break down of emissions budgets between gross long-lived gases, biogenic methane and carbon removals from forestry? Is there anything we should change, and why?**
	Yes, we agree. The proposed break down makes scientific and practical sense and is appropriate in the context of Aotearoa New Zealand’s unique emissions profile. However, we note challenges around a universal pricing mechanism (i.e. ETS), which the Commission has addressed in its report, and the ongoing work in the agricultural sector (He Waka Eke Noa).
4	**Do you support budget recommendation 4 (limit on offshore mitigation for emissions budgets and circumstances justifying its use)? Is there anything we should change, and why?**
	We support in principle the Commission’s recommendation that New Zealand’s domestic emissions budgets should be met through domestic action, except in the case of force majeure events, such as those currently prescribed in the Climate Change Response Act 2002. Reducing our own emissions as much as possible must remain the primary objective. We acknowledge Aotearoa New Zealand’s historic contribution to global warming (de-forestation during settlement) and recognise the

	significant economic, environmental and social co-benefits from de-carbonising our economy, as well as the opportunity for innovation in areas such as agriculture. However, we also recognise the potential to maximise emissions reductions (as well as social, environmental and economic co-benefits) through offshore mitigation given our expertise in some sectors, and our international leadership and standing in climate policy and cooperation. Subject to robust governance structures around credibility of emissions reductions (as well as wider social and environmental impacts), the potential of international tradability within our ETS and/or internationally transferred mitigation outcomes (outside of international carbon markets) both need to be investigated as a potential international cooperation opportunity for reducing emissions within the next 15 years. Westpac acknowledges that only a few countries are prepared to embrace full market linkage, and project mechanisms have experienced serious problems. As a result, a connected global carbon market is not likely to be established in the next decade. However, international cooperation in both the specification of goals (NDCs) and implementation of policy measures (e.g. emissions trading) can contribute to the effort to limit dangerous climate change. The focus must be on enabling New Zealand to finance lower-cost emissions reductions in another country to meet its own commitment without losing environmental integrity while also supporting the 'seller' countries to finance domestic mitigation beyond what can be achieved with their own resources.
5	**Do you support enabling recommendation 1 on cross-party support for emissions budgets? Is there anything we should change and why?**
	Yes, Westpac considers cross-party support on emissions budgets to be preferable, so as to ensure that policies remain durable, creating a higher degree of certainty for business planning and investment. However, this should not be at the risk of missing budgets, re-litigation of the Zero Carbon Act or significant adverse impacts.
6	**Do you support enabling recommendation 2 on coordinating efforts to address climate change across Government? Is there anything we should change and why?**
	Yes. Cross-government co-ordination is essential to avoid ineffective policy and unnecessary cost.
7	**Do you support enabling recommendation 3 on creating a genuine, active and enduring partnership with iwi/Māori? Is there anything we should change and why?**
	Yes. Westpac would also highlight that this is a unique opportunity for New Zealand to learn from Māori. Being active stewards with Māori and iwi means that we are all custodians of he whenua. This is the taonga for the future generations of Aotearoa New Zealand, and we are all responsible. Care should be taken to consult with and include the advice from iwi and Māori, increasing the speed for all of the people of Aotearoa New Zealand to transition together. This could be supported by central and local government giving effect to the iwi management plans and/or developing a joint plan.

8	**Do you support enabling recommendation 4 on central and local government working in partnership? Is there anything we should change and why?**
	Yes. Westpac considers this aspect of the Draft Advice to be critical to successfully achieving the Commission's policy objectives, as many aspects of mitigation and adaptation fall under local government authority. Local and national government can benefit from working together on mitigation and adaption. In order to be effective and avoid legal and financial risks, local authorities need firm central government direction. As part of the work underpinning the 2020 Climate Risk Report, Westpac identified that an adaptive regulatory system is key to mitigate the economic and social effects of climate. With reference to a body of legal opinions and academic research[1] we note that local authorities must be provided with clear legal direction and sufficient resources to effectively manage climate related risks in their respective role.
9	**Do you support enabling recommendation 5 on establishing processes for incorporating the views of all New Zealanders? Is there anything we should change and why?**
	We support this recommendation and have no additional comments.
10	**Do you support our approach to focus on decarbonising sources of long-lived gas emissions where possible? Is there anything we should change and why?**
	Westpac supports this approach on the basis that viable and affordable pathways exist to achieve this. While sequestration and offsetting can play a supplementary role, we acknowledge the associated limitations and risks outlined by the Commission.
11	**Do you support our approach to focus on growing new native forests to create a long-lived source of carbon removals? Is there anything we should change, and why?**
	Westpac strongly supports this approach given the social, economic and environmental co-benefits of native forests and is increasingly aware of the role that the ETS and the current Carbon Look-Up Tables are playing in creating a proliferation of permanent Pinus radiata forest plantations across the country and the associated ecological risks arising from this. Native forests present significantly more co-benefits including biodiversity uplift, cultural and adaptation benefits, and eco-tourism opportunities for a number of regions. Therefore, Westpac is particularly interested in exploring ways to support our farming customers to increase native planting on their land and would encourage strong financial incentives (e.g. through ETS) that level the current bias towards exotic forests towards native forestry. Those financial incentives need to create a compelling proposition to plant natives over the returns to the land over for planting Pinus radiata. At a minimum, the carbon stock per hectare for Douglas-fir, exotic softwoods, and exotic hardwoods, and indigenous forest needs to be updated by region (as has been done with Pinus radiata) and proper research needs to be completed in order to properly account for the amount of carbon

[1] Refer Legal Opinion prepared by Jack Hodder, QC (for Local Government NZ) and extensive body of research published through Deep South Challenge papers (e.g. Iorns, Lawrence)

	(and potentially also the broader range of ecosystem services that support climate change mitigation and adaptation) that native forestry can provide and for which landowners need to be properly compensated. Land currently under the Conservation Estate needs to be also be considered for planting of native forests. This could be achieved with either public or private models. The latter requires a change in the Conservation Act to allow carbon sequestration units to be shared with a private company. Westpac also encourages the Commission to acknowledge the benefits of protecting existing mature native forests, which in many instances are at risk from pests and uncontrolled grazing.[2] We believe it would be beneficial if private land-owners (i.e. farmers) would be recognised and potentially incentivised to fence-off these areas.
12	**Do you support the overall path that we have proposed to meet the first three budgets? Is there anything we should change and why?**
	Westpac considers that the priority areas identified reflect the parts of New Zealand's economy with the most obvious abatement or sequestration opportunities. However, in Westpac's view, some aspects of the advice could be enhanced. In particular: • Stronger emphasis on and recommendations for incentives for reducing corporate car fleets and/or conversion of these fleets to electric vehicles (**EV**). As an example, Westpac has successfully converted 34% of its fleet to EV, and has a clear pathway to reach our target of converting our entire fleet by FY2025. At the same time we significantly reduced our total car-fleet. • Be more ambitious about decarbonisation of heavy vehicle fleet (for example, electric busses are increasingly common overseas and credible proposals for electric passenger ferries exist through Wellington Electric Boat Building Company and EV Maritime). • Greater recognition of the potential for protecting mature native forest. For example, the recommendations currently include a requirement for an appropriate forest management plan for all forests over 50 hectares defined as permanent to monitor the forest's permanence and limit exposure to risks such as climate change impacts, governance failure and community impacts. In Westpac's view, this requirement should also apply to smaller areas. • Broader consideration of nature-based solutions (as noted above) including the carbon sequestration potential of healthy wetlands and estuaries (for example, mangroves) as another lever to reduce overall Greenhouse gas emissions. • More research into other areas of significant potential, such as marine sequestration ("blue carbon") At the same time we recognise the uncertainty in some critical assumptions made by the Commission, most notably the closure of Tiwai Aluminium Smelter and Methanex, including the suggested timing. Both are critical factors that, should they not eventuate within the suggested time frames, would have significant implications for the Commission's budget. Working with industry on alternative emission reduction

[2] https://www.stuff.co.nz/environment/climate-news/121052187/can-we-defend-nzs-staggering-natural-carbon-reserves

	transition plans is essential, and aligns with most industries' intention of being part of New Zealand's low emissions future.
13	**Do you support the package of recommendations and actions we have proposed to increase the likelihood of an equitable, inclusive and well-planned climate transition? Is there anything we should change, and why?**
	The package of recommendations and actions proposed in the Draft Advice covers all key areas and reflects a clear and logical approach in the Commission's analysis of the issues. Westpac particularly welcomes the focus on improving the energy efficiency of housing, which are critical for wider economic, social and health outcomes. Westpac suggests that it would also be useful to utilise private sector capability and capacities, as effective climate transition is not only the responsibility of Government.
14	**Do you support the package of recommendations and actions for the transport sector? Is there anything we should change and why?**
	Westpac supports the package of recommendations and actions in respect of the transport sector in principle, but believes that there is more potential to decarbonise. In particular: • The Commission assumes a BAU phase out of internal combustion engine (**ICE**) vehicles. While we recognise that current forecasts highlight the risk of supply constraints, we would also acknowledge the high likelihood of a complete shift of all major manufacturers away from ICE vehicles, which should underpin a faster transition. We note that this process is already underway globally (for example, Volvo Cars' recent announcement that it will only and sell EVs by 2030).[3] • Targeted policies to encourage uptake of non-ICE vehicles would offer a powerful signal to manufacturers and could be helpful to secure more vehicle allocations in the short to medium-future (noting that obtaining supply of right hand drive EVs is currently challenging in a small market such as New Zealand). • Given potential medium term supply issues (as well as acknowledging embedded carbon in vehicles)[4] we believe more emphasis should be placed on behaviour change, integrated transport systems and car sharing. • We encourage a stronger alignment between transport transition and action 10 (urban form) to support more transformational changes to our transport system. • We would encourage greater support for research and development in relation to biofuel and note that investment into necessary assets and infrastructure could be challenging if viewed as a transition fuel. As noted above, Westpac has already converted 34% of its car fleet to EV/PHEV and aims to convert the entire fleet by 2025. Our experience has shown the potential of fleet reduction through:

[3] Volvo to sell only all-electric vehicles by 2030 | TechCrunch
[4] We recognise and appreciate that embedded carbon in vehicles falls outside the production-based approach adopted by the Commission. While we do not object to this approach, the Commission should consider embedded carbon where possible and appropriate.

	• greater use of pool cars, rather than dedicated Tool of Trade vehicles; • use of telematics to enable data driven decisions on fleet reduction and utilisation; and • fit for purpose enterprise vehicle policies to enable these changes to come to life.
15	**Do you support the package of recommendations and actions for the heat, industry and power sectors? Is there anything we should change and why?**
	Westpac agrees in principle but wishes to highlight the following points for further consideration: • There is a degree of uncertainty in some critical assumptions made by the Commission, most notably in relation to the closure of Tiwai Aluminium Smelter and Methanex, including the suggested timing (refer to the response at Q12 above). • These assumptions have a profound impact on the amount of natural gas that would be consumed in Aotearoa New Zealand but the Commission's production approach would not necessarily account for a likely offsetting increase in methanol production or aluminium smelting offshore and the emissions associated with it. We note the Commission's mandate and commitment to minimise the risks of carbon leakage, which in our view is high, complex and particularly challenging in these sectors. • The impact of the Commission's recommendations is also likely to severely test the viability of other industries that use heat for processing, such as steel and cement manufacturing. • Questions around the cost and feasibility of 100% renewable electricity and the potential role of Lake Onslow require further consideration. We agree with the Commission's target for 60% of primary energy to be sourced from renewable sources by 2035. We believe a primary energy target appears more appropriate than a 100% renewable electricity target and will ultimately ensure a more secure and affordable supply of electricity. Our support for a primary energy target is provided on the basis that the risks of emissions leakage and impacts on trade-exposed industry are mitigated as much as possible. • We believe that the transition to renewables requires support through a Finance Transition Plan (as noted earlier in this submission). This would include supporting the gas sector and others to enable biogas, biofuels and hydrogen to be part of the energy mix of tomorrow. This recommendation also extends to the transition of renewable process heat in industry, education and other institution and households. We note the tremendous work that has been undertaken by the Energy, Efficiency & Conservation Authority (**EECA**), however acknowledge that many other users may also require assistance to benefit from energy efficiency and to phase out fossil fuels. • Discontinuing gas connections of households and small business may be impractical and relatively ineffective. We believe that a price mechanism could be a more effective way to discover the least costly way of reducing emissions. In addition, many commercial users (such as restaurants) would require support as well as knowledge of and the ability to utilise or connect to

	alternatives from gas, such as commercial or home biogas systems or in the future hydrogen or other options. • We note the shorter runway for gas under the Commission's central scenario and highlight associated transition challenges that need to be addressed, including avoidance of stranded assets. We note that this pathway is based on the above critical, yet uncertain, assumptions and note that gas may yet play a stronger role as a transition fuel. Strategic decisions should allow for this option, in case the above assumptions do not hold.
16	**Do you support the package of recommendations and actions for the agriculture sector? Is there anything we should change and why?**
	Westpac supports some of the recommendations set out in the Draft Advice in respect of agriculture, such as including the introduction of a pricing mechanism for agricultural emissions and ensuring the RBI is resourced. However, there appear to be some weaknesses in the analysis underpinning the recommendations. The analysis states that milk solids and meat production will be unchanged out to 2035, while emissions fall. This could be interpreted as a good result for NZ's emissions budgets and/or could be viewed as the best or only path for NZ (agriculture) to achieve its climate change goals and broader environmental impact. In our largest agricultural sectors (meat and dairy), Aotearoa New Zealand is a low or the lowest carbon emitter per unit of output at a farm-gate. In this context, it may be possible that the global solution to climate change would involve Aotearoa New Zealand increasing agricultural production and emissions. We recognise that this needs to be conditional upon addressing wider ecological issues such as fresh water and biodiversity. We also note that freshwater legislation currently has a greater impact on this sector than emissions reductions. It is also important to recognise that the physical climate impacts on agricultural production may be comparably moderate, putting Aotearoa New Zealand in a stronger position to produce food than other countries (such as, for example, Australia). We recommend that the long-run price for Aotearoa New Zealand's agricultural exports needs to be considered when determining the amount of forgone income (i.e. the cost) of these policies as well as the return on investment into the sector on a carbon-adjusted basis. With this in mind, Westpac recommends that further research be undertaken to understand these dynamics.
17	**Do you support the package of recommendations and actions for the forestry sector? Is there anything we should change and why?**
	Yes. Westpac is particularly supportive of the proposed shift towards permanent native forests and as noted above, better incentives are required, especially for smaller sections on non-productive farm land or alternatively on the Conservation Estate.
18	**Do you support the package of recommendations and actions for the waste sector? Is there anything we should change and why?**
	Westpac supports the package of recommendations and actions for the waste sector in principle, including greater focus on avoiding food waste at all levels of the supply chain and at consumer levels (for example, through the adoption of proven bioenergy technologies and research into new technologies to avoid food waste).

	In the spirit of Westpac's support for GenLESS, more consideration should be given to curbing wasteful and unnecessary consumption. Waste strategy will need to set ambitious targets and ensure sufficient waste and recycling facilities to handle waste, as well as considering the unintended consequences of increasing landfill levies. ,
19	**Do you support the package of recommendations and actions to create a multisector strategy, and is there anything we should change?**
	Westpac supports the ETS as the primary mechanism for carbon abatement. We also support using proceeds from carbon auctions for mitigation or adaptation, and the Commission's recommended sector strategies where they are necessary to allow a coordinated, efficient and socially just transition to a lower carbon future. However, aspects of the Draft Advice appear to overemphasise direct regulation relative to the ETS as the means of abating emissions. There is a risk of some of the proposed regulatory measures will prove redundant (because a price on carbon would have produced the abatement in any event) or needlessly costly. It may be useful for the Commission to outline the value of ETS via a public education campaign. The proposed reserve prices and triggers make sense. Having a price floor should help provide certainty and incentivise low-emission investment in technology and processes, and to reduce the risk of unacceptably low carbon prices which may deter this investment. At the same time, having a CCR trigger to manage the risk against unacceptably high price swings makes sense along with it also triggering a review of ETS settings. At the same time we believe that policy and regulation have a critical role in addressing aspects insufficiently covered by the ETS or unintended consequences, including: • enabling a just transition and supporting the most affected industries and communities in mitigating the social and economic impacts of decarbonisation; • mitigating the risks of carbon leakage; • promoting and encouraging behaviour changes; • accelerating time-critical technology switches; • addressing any market failures such as information imbalances or short-termism; • early signalling of major market shifts to mitigate stranded asset risk; and • supporting investment into R&D and innovation.
20	**Do you agree with budget recommendation 5 on the rules for measuring progress? Is there anything we should change any why?**
	Clarity around the options for voluntary offsetting and carbon neutral claims need to be resolved. In this regard, we acknowledge the recent Motu dialogue and outputs prepared with EECA on voluntary offsetting for New Zealand. This is important because voluntary participation plays a key role in financing emissions reduction. It is also important to note that new types of carbon offsets (such as soil, wetlands and peatlands) need to be explored.

21	**Do you support our assessment of the country's NDC? Do you support our NDC recommendation?**
	We agree with aligning our NDC with the 1.5ºC goal based on the current scientific consensus that this offers the most plausible and realistic chance to avoid catastrophic climate change (refer IPCC SR15 Report). We agree that as a developed nation we have a particular responsibility to do our share, particularly in consideration of the Commission's findings that a transition to net zero is achievable and affordable. We see benefit in pursuing even more ambitious targets as opportunities present themselves in the form of technological advances, and we believe that Aotearoa New Zealand as a whole will benefit economically, socially and politically from taking a leadership role internationally.
22	**Do you support our recommendations on the form of the NDC?**
	Westpac does not have an immediate view on the form of the NDC (split-gas vs all GHG), but notes that the provision of climate finance to developing countries may be a more sustainable way of providing international aid, potentially offering a wider range of lasting economic and social benefits.
23	**Do you support our recommendations on reporting on and meeting the NDC? Is there anything we should change, and why?**
	No comment.
24	**Do you support our assessment of the possible required reductions in biogenic methane emissions?**
	Westpac refers to the comments and recommendations at Q 16 above. In addition, Westpac recognises the key potential win-win for New Zealand livestock sectors from reducing emissions is through improved livestock productivity and in turn profit gains. Similarly, we recognise the significant potential co-benefits that can be achieved through improved freshwater quality, biodiversity, erosion and flood protection. We recognise the need for an opportunity to maintain and enhance our international brand as a producer of sustainable agricultural goods, noting the increasing market awareness and shifting customer preferences, especially for high value and premium products. Westpac also notes that there are structural challenges within agriculture, in particular that the industry is very fragmented with numerous small operators/farmers. As a result, changing behaviour presents a different set of challenges than would apply in the context of (for example) heavy industries, which are dominated by a small number of large operators. Westpac would therefore recommend that the Commission undertakes work to understand what additional interventions may be necessary to achieve emissions reductions in this context.

He rau ringa manaaki.
Many hands working together.